An assessment of the Social Return on Investment of Axes 1 and 3 of the Rural Development Programme for England

Final Report

By
The Countryside and Community Research Institute

On behalf of
The Department for Environment Food and Rural Affairs

Summary of Project

Project Title: An assessment of the Social Return on Investment of Axes 1 and 3 of the Rural Development Programme for England.

In fulfilment of the project to provide an evidence review to inform the redesign of the Rural Development Programme for England Socio-Economic (Axes 1 & 3) post 2013.

Views expressed in this report are not necessarily those of the Department for Environment Food and Rural Affairs or any other Government Department.

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Date of Report: 1st November 2013.

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When quoting this report use the following citation:

Powell, J. and Courtney, P. (2013) An assessment of the Social Return on Investment of Axes 1 and 3 of the Rural Development Programme for England. CCRI, Gloucestershire.

Contents

Executive Summary

1. The study applied a simple Social Return on Investment Model (SROI) to the evaluation of Axes 1 & 3 of the Rural Development Programme for England (RDPE). Due to resource constraints the decision was taken to focus on four counties in four separate regions of England in order to obtain a deeper understanding of how Axes 1 and 3 were operating in specific areas under a range of institutional settings. The project was divided into two broad phases: Phase 1 examined the delivery of Axes 1 and 3 at a broad regional and national level; and Phase 2 focused on collecting in-depth empirical information from those involved in regional and local delivery, and from programme beneficiaries.

2. Four case study areas were selected to represent a diverse range of landscape and socio-economic characteristics, as well as contrasting RDP delivery approaches. The areas selected were: Cornwall, South West Region; Lincolnshire, East Midlands region; Cumbria, North West Region; and, Norfolk/Suffolk, East of England Region.

3. This study has made use of an emerging method (SROI) which is designed to provide a holistic appreciation and quantification of the outcomes of multi-faceted funding projects and policies, in the wider pursuit of sustainable development. The novelty of using SROI in this study has been in applying the method to assessment of outcomes at programme level, rather than at individual project level. Data collected from regional case studies were linked to specific indicators in the SROI model. Data quality is good, but only small samples of programme beneficiaries were interviewed within each case study area, leading to the development of indicator values at the national level. With such small sample sizes the comparison of regional differences was not possible and the analysis presents a national view of all relevant outcomes. The study has revealed some important lessons for undertaking an SROI at programme level (as opposed to project level, where most previous SROI have been applied). It has also provided a better understanding of the requirements for collecting data to produce robust SROIs in the future.

4. The evaluation took place in the context of a change from regional to centralised delivery of the rural development programme, which inevitably created some friction and differences. Differences between regions have been captured through more descriptive qualitative data that was gathered to evaluate implementation and delivery approaches. Process evaluation explored programme delivery with national and regional personnel involved with programme implementation, as well as programme beneficiaries. The evaluation explored regional differences and the impact of the move from regional to a nationally consistent delivery approach which occurred in 2011.

5. Regional differences occurred in programme objectives, delivery mechanisms and expenditure patterns. Regions took considerable time to develop their implementation plans, some of which involved high levels of participation and consultation. However, many programmes were slow to start and in some cases had only been delivering benefits for a short time before the move to a nationally consistent approach occurred, resulting in the stopping, delaying or changing of some programmes.

6. Central to the SROI methodology is the monetisation of outcomes in order that they can be measured in a standardised manner and enable computation of a ratio of the social return to the level of initial financial investment. It is important to note firstly that the SROI approach does not represent a cost-benefit analysis (CBA) and secondly, that the aim is not to measure benefits to individuals, or to individual businesses, but to capture the broader economic and societal benefits from investment. The approach is based on defining outcomes (as opposed to outputs) which are then monetised. The process of monetising the relevant outcomes involves identifying financial proxies for each separate outcome, which are the 'best approximation' available, through which to assess the significance of the outcome to society or the state, and thus allow comparison with other (monetised) outcomes. A number of assumptions are made therefore to characterise the outcomes, identify beneficiaries, and select financial approximations. Where possible revealed preference measures are utilised but, as the method is measuring outcomes expressed in terms that are not always amenable to direct quantification, this is not always possible and stated preference data must be utilised.

7. Estimates for displacement, deadweight, and attribution, were defined. Primary assessment of displacement was not possible because most interviewees were unable to provide estimates that they could be confident in. Secondary information therefore needed to be drawn upon in order to produce a credible estimate of displacement for the purposes of the model. Data to inform estimates of deadweight, and attribution were collected via the Phase 2 survey interviews. The majority of estimates were requested by outcome group (for example those relating to farm business development, wood fuel, or quality of life, etc.) as it was not realistic to obtain such estimates for individual outcomes.

8. In order to produce estimates based upon a greater number of responses, estimates of deadweight and attribution from across the regions were combined and presented by the strand of outcomes for the principal beneficiary groups, within each Axis.

9. The SROI ratio for evaluative impacts (i.e. those that have already occurred) for Axis 1 is 2.37: 1 for public investment and 1.03: 1 for the total investment implying that for every £1 of public money invested in Axis 1 a return of £2.37 is generated, while for every £1 of total investment (public and private) the return is much lower at £1.03. The rationale for

the lower return rate on total investment requires further exploration but may be due to influences within the model (e.g. selection of proxies, identification of beneficiaries), assumptions regarding displacement and attribution, or external factors such as poor investment choices during an economic recession. The SROI impact map reveals that a large proportion of Axis 1 benefits are in the form of the following outcomes:

- Improved on-farm environmental sustainability and lower carbon footprint
- Improved woodland access
- Engagement of the livestock industry in relation to animal health and skills
- Improvements to soil and land management practices
- Development of local capacity in value added.

10. To a large extent the benefits reflect the levels of investment in training and advice to enhance knowledge and skills in relation to nutrient management, animal health and welfare, which have helped improve farm sustainability and driven improvements in resource efficiency across the regions used as case study areas. The SROI suggests clear benefits in terms of outcomes from efficiency improvements which result in improved financial and environmental sustainability. Additional benefits are attributed to improved woodland access and support for the younger generation starting up in business. Benefits to the livestock industry are also significant, indicating the impact of livestock programmes in the NW and SW regions. In particular the SROI suggests significant outcomes in terms of improvements to soil and land management practices, and improved efficiency and productivity particularly in relation to reduced input costs and more efficient management of on-farm resources such as energy and water.

11. The social return ratio for evaluative impacts (i.e. those that have already occurred) under Axis 3 against total investment is 4.39: 1 for public and 2.16: 1 for total investment. This implies that every £1 invested in Axis 3 generates a return of £2.16 for impacts already identified. The SROI impact map reveals that a large proportion of the benefits are in the form of the following outcomes:

- Increase in the creation of new micro-enterprises and growth/development of new micro-enterprises; increased opportunities for employment
- Increased cross-community development and regeneration through integrated village initiatives
- Improved well-being through culture, recreation and sports
- Improved service provision in rural areas
- Improved potential of the natural and built environment as a basis for economic growth (especially through recreation and tourism)
- Improved social capital, community ties and strengthened civic engagement through greater use of community buildings and public spaces

- Improvement in tourism service provision; more effective use of ICT in tourism marketing; development of niche markets (i.e. green tourism).

12. This represents a mix of both economic and social benefits arising as a result of investment through the programme funding. In respect of economic benefits, the results highlight the significance of new enterprise creation as a basis for achieving improvements in the rural economy. Growth and development of new micro-enterprises, and improved potential of the natural and built environment to provide a basis for economic growth are undoubtedly linked, as is the focus on improving tourism service provision.

13. The process evaluation examined delivery of the RDPE from a national and regional perspective in the four case study areas. Both 'beneficiaries' and 'non-beneficiaries' were interviewed. Beneficiaries are those stakeholders actually receiving some form of support (e.g. training, advice, grants); non-beneficiaries are those involved in implementation and delivery. It included some who acted as intermediaries (e.g. Forestry Commission personnel) and some stakeholders (such as training bodies) involved in direct delivery.

14. The evaluation identified differences in delivery between regions, resulting from variable objectives and delivery mechanisms, tensions arising from the change from regional variability in programmes to a nationally consistent offer, and difficulties arising from limited resources. The study also considered a range of issues including different delivery approaches, the impact of small versus large scale investments, and the potential for loans rather than grants.

15. The analysis identified a number of issues associated with the design and delivery of the RDPE that should be addressed in preparation for the next programming cycle from 2014 out to 2020. Recommendations include:

    - the need for some element of local input to ensure local knowledge and expertise is effectively utilised to tailor schemes to fit local needs, and to reduce displacement and deadweight (although the ideal is for displacement and deadweight to be addressed through scheme design, local knowledge can be invaluable in the appraisal process);
    - maximising benefits by targeting funds to the points in the supply chain where they will have maximum impact, and at activities posing highest risks to the environment;
    - some aspects of the RDP, such as advice and training, might be more efficiently delivered through a nationally consistent procurement process delivered locally, to ensure that the full range of information and training is available, and of a high quality, wherever it is needed;
    - the need for administration improvements related in particular to application procedures, monitoring and evaluation. Both programme beneficiaries and non-beneficiaries suggested that the language used in the application process needs to be simplified, along with avoiding duplication of questions.
    - The need to have simpler application processes and 'fast tracking' for smaller projects was stressed several times, but this must be balanced against the risk of disallowance.

- Submission of applications under a rolling programme was favoured. Currently most schemes operate an application window - this can prove particularly difficult for larger grants which need to get their match-funding and other requirements in place before they apply, such as planning permission, environmental impact surveys, bat surveys, etc. Defra has noted that recent experience has revealed the value of a more open rolling programme with several windows does help applicants, but there is still the need to get the necessary and appropriate permissions in place.
- A need for widening access to grants. There was a perception amongst some stakeholders that the grants tended to go to those who were good at writing bids and who tended to be more successful than the average rural business, and the suggestion that more effort should be made to encourage bids from a wider pool of applicants. This issue of wider stakeholder/community engagement was highlighted by some of the Axis 3 non-beneficiaries, with the suggestion that more help and advice should be offered to those who have difficulties or lack capacity.

16. Timing issues and the discontinuity of the programme funding cycle were key issues for stakeholders. At the programme level, interviewees felt that it was an inefficient use of resources to close down programmes which were achieving good results and still 'had a job to do', simply because the funding cycle was coming to an end. It often takes considerable time and effort to gain the trust and respect of client groups, which can then be damaged when a programme closes down. This can result in a certain amount of ambivalence for succeeding interventions. Some interviewees felt that there was too much expectation that programmes would 'hit the ground running' and not enough thought was given to the very important process of setting up high quality programmes, with adequately trained staff that would be respected among their client groups.

17. There was recognition among stakeholders that some forms of rural development activity need to span programme cycles: there are inefficiencies related to the 'stop-start' approach to funding, with entry and exit strategies often taking up to half the effective project time and severely constraining the delivery period. Some of the major barriers to increasing competitiveness in the agriculture, food and forestry sectors require longer-term intervention. For example, building capacity and business confidence requires time and is easily dissipated by a break in funding, meaning that the next programme has to start again from a low base.

18. Some stakeholders and beneficiaries feel that the programme should more strongly encourage experimentation and creative solutions. It was suggested by some interviewees that the RDPE had not achieved its full potential because it was too conservative and not prepared for a small number of projects to 'fail'. This must be balanced, however, against the risk of disallowance where creative approaches are being considered.

1. Introduction and overview

1.1 Project aims and objectives

The overall aim of this study was to review the evidence relating to the performance of Axes 1 and 3 of the Rural Development Programme for England (RDPE) 2007-2013, in order to inform the design and delivery of the 2014-20 Rural Development Programme. The work sought to provide a robust evidence base from which to generate ideas to improve the effectiveness of the socio-economic component of the England RDP, in delivering its goals.

The study was undertaken by a team of researchers at the Countryside and Community Research Institute, University of Gloucestershire, UK. It commenced in November 2012 and was completed in July 2013.

The research had four main objectives:

1. To provide evidence to inform the rationale for the use of EU rural development funding to support activity to 'improve the competitiveness of the agricultural and forestry sector' and ensure 'quality of life in rural areas and the diversification of the rural economy', justifying intervention for this current programme in terms of the market failures addressed and additionality of RDPE spending, and informing choices about future areas for intervention in the next programme (i.e. how best it should be designed);

2. To provide evidence of the extent to which RDPE Axis 1 and 3 interventions have been effective to date in achieving the socio-economic aims of the programme, and to suggest where future resources can best be targeted to that end;

3. To provide a robust assessment of the impact of RDPE spend (2007-2013) on outcomes, including:

    - analysis of where intervention under RDPE Axes 1 and 3 has had the most significant impact;
    - analysis of which delivery mechanisms have been most effective in supporting high impact, and identifying where and why intervention has proved less effective;
    - exploration and evaluation of evidence on whether an effective financial incentive could have been provided through other mechanisms such as loans or loan guarantees.

4. To provide evidence to support the prioritisation of activities to be funded under the next rural development programme, mapped against the six proposed EU-wide rural development priorities for 2014-2020, and to inform decisions about future delivery models.

Detailed research questions as set out in Defra's technical specification were also addressed, focusing upon the following:

- the return on investment from socio-economic funds in RDPE;
- the range of benefits achieved from this spending – social, economic and environmental;
- identification of optimal targeting, project design and delivery characteristics;
- incorporation of stakeholder experience and opinions concerning RDP performance and alternative options.

1.2 Focus of this report

This report is the final report for the study, incorporating a description of the methods deployed, the results obtained and key issues emerging from the analysis, as informed by discussion with and comment from Defra and the project steering group.

2. Methodological approach

2.1 Overview of the approach

The focus of the approach is development of a Social Return On Investment Model (SROI) to enable the quantification of the Rural Development Programme for England (RDPE) benefits in terms of monetary value. Due to resource constraints the decision was taken to focus the empirical analysis on case studies of four counties in four separate regions of England, in order to obtain a deeper understanding of how Axes 1 and 3 were operating in specific areas under a range of institutional settings.

The project was divided into two broad phases: Phase 1 examined the delivery of Axes 1 and 3 at a broad regional and national level; and Phase 2 focused on collecting in-depth empirical information from those involved in regional and local delivery, and from programme beneficiaries, in the case study counties.

Phase 1

Four case study areas were selected for the Axes 1 & 3 Review. Areas were selected to represent a diverse range of environmental and socio-economic characteristics, as well as contrasting RDP delivery approaches. At the start of the programme period the Regional Development Agencies (RDAs) created different approaches and had variable funding priorities for different measures within each axis (under their regional implementation plans), including the specific roles given to LEADER local action groups (LAGs). After 2010 when a nationally consistent approach was taken, some of the regional variation continued to influence delivery due to long-term contracts that were in place. Cases study areas were selected to ensure a range of contrasting delivery approaches.

Cornwall

South West (SW) Region; mid to low productivity agriculture; EU Convergence status i.e. low GDP/capita (up to 2013); LAGs delivering only Axis 3, Measures: 311, 312, 313, 321, 322, 323, 331, 421.

Lincolnshire

East Midlands (EM) region; arable area; mid to high productivity agriculture, producer organisations important; Most LAGs not delivering Axis 1, only Axis 3 Measures 311,312, 313, 323, 331, 421, 431 (though the Peak District LAG also delivered 123 and 321).

Cumbria

North West (NW) Region; Upland, marginal agriculture, strong tourism sector;

Cumbria Fells and Dales & Solway Border and Eden LAGs delivering Axis 1 and 3 Measures 111, 114, 115, 121,122, 123, 124, 125, 311, 312, 313, 321, 323, and 331. Pennines, Lancashire, North Lancashire & Lancashire West LAGs delivering Measures: 123, 124, 311, 312, 313, 321 and 331.

Merseyside Rural LAG delivering Measures: 114, 115, 123, 124, 311, 312, and 313.

Norfolk/Suffolk

East of England (EE) Region. Lowland arable, mid to high productivity agriculture..

LAGs delivering Axis 1 and 3 Measures 111, 121, 123, 125, 311, 312, 313, 321, 323, 331 & 421.

Phase 1 involved development of the SROI structure, which is discussed in Section 2.2 below. The key tasks were to identify stakeholders, outcomes, and indicators for measuring the outcomes. Stakeholders and outcomes were identified from documentary sources (primarily RDPE and RDA documents, and the mid-term evaluation) along with a range of interviews held with national and regional stakeholders. A total of 12 interviews was undertaken with Defra and Forestry Commission personnel, and a range of other major stakeholder representatives.

The interviews were analysed to ascertain programme intervention rationales, outcomes, delivery issues, and the perceived relative significance of factors such as deadweight and displacement, and their attribution.

Phase 2

Phase 2 involved detailed interviews with RDPE stakeholders, including those benefiting in some way from the programme (beneficiaries) and those involved in programme implementation and delivery (key operational personnel). Key operational personnel included LAG managers, delivery bodies (e.g. Training and skills delivery), and Forestry Commission, Natural England and Defra regional delivery personnel. Table 2.1 details the number and types of interviews conducted in the four selected case study areas.

Table 2.1 Interviews conducted in phase 2 of the study

Region	Beneficiary interviews	Key operational personnel interviews
North West	10	6
South West	9	6
East Midlands	14	8
East of England	10	6
Total	43	26

Data collected from the interviews consisted of a mix of quantitative and qualitative information. Quantitative data, largely in the form of scaled scores and estimates of impact (e.g. changes in turnover, employment, etc.) was utilized in the SROI model to calculate the benefits arising from programme investment. The qualitative information was used to explore issues surrounding programme delivery, as well as to provide richer contextual information on programme outcomes.

2.2 The use of the Social Return on Investment (SROI) method, to capture programme spend impacts and outcomes

This study has made use of an emerging method which is designed to provide a holistic appreciation and quantification of the outcomes of multi-faceted funding projects and policies, in the wider pursuit of sustainable development. The SROI approach has been pioneered by the New Economics Foundation and is

particularly well suited to assessing the outcomes of policies such as the socio-economic strands of the RDPE, where benefits are both quantitative and qualitative and goals include a mix of economic, social and environmental attributes and qualities. The novelty of using SROI in this study has been in applying the method to assessment of outcomes at programme level, rather than at individual project level. This section therefore explains how the method was adapted to suit these particular circumstances.

Quantitative data analysis and computation of SROI ratios

Empirical data arising from the Phase 2 in-depth regional case studies was entered into SPSS (Statistical Package for Social Scientists) and then linked to specific indicators in the SROI model. The initial analysis and data screening clarified the potential scope for the production of SROI ratios indicating the return on programme investments, making it clear that the production of SROI ratios for individual regions would not be possible on the basis of only one county per region and considering the size of the beneficiary sample; therefore the data would have to be analysed in aggregate to produce national estimates. Whilst overall, the individual data quality is good, only 10-15 beneficiaries were interviewed within each case study area, representing a broad range of organisations and project types, meaning that the pool of data with which to construct robust indicator values (representing average performance) is too limited at the regional level.

At national level, with 43 beneficiary (and 29 operational) interviews, we have sufficient data to be more confident in the indicator values because we are drawing averages from a larger number of individual sources (even though the range of variation is expected to be greater, at this scale). The national analysis covers all relevant outcomes of funding identified from the full sample; whereas not all outcomes were captured in all regions (a 10% weighted sample from across the beneficiaries of Axes 1 and 3 programmes would be sufficient to enable statistically significant comparisons to be made). Differences between regions have therefore been covered in the more descriptive qualitative data that was gathered, and will be discussed using this material.

The study has revealed some important lessons for undertaking an SROI at programme level (as opposed to project level, where most previous SROI have been applied). It has also helped us better to understand the requirements for collecting data to produce robust regional ROIs in the future, should this be of interest.

Input (Investment) data

All input data – encompassing total investment (grant-aid and match-funding), number of beneficiaries by stakeholder group, and total number of projects (by type) - have been derived from the data base provided by Defra (the National data base on Axes 1 and 3 projects, as of December 2012) and summarized into a format relevant to the SROI. A summary of this data for the national level is given in Table 2.2.

Table 2.2: SROI Input and investment data for England

Axis 1	Approved Project				Project Closed			
Beneficiary Type	**No. of beneficiaries**	**No. of projects**	**Total RDPE grant award**	**Total project size** (total investment costs on which the grant is based)	**No. of beneficiaries**	**No. of projects**	**Total RDPE grant award**	**Total project size** (total investment costs on which the grant is based)
Arable farmer	118	18	£4,339,773	£10,979,063	112	26	£6,766,634	£16,739,129
Contractor	29	9	£418,887	£1,113,839	21	10	£546,091	£1,335,710
Farmer controlled business	21	12	£9,689,103	£26,625,275	51	22	£6,198,872	£16,005,094
Farmer with livestock	786	16	£8,035,327	£20,051,849	1143	31	£11,054,609	£26,861,314
Food industry (inc abattoirs)	37	8	£7,714,791	£20,661,915	62	11	£7,023,115	£25,420,782
Forestry owners	23	7	£742,075	£1,295,175	54	12	£2,131,757	£4,979,555
Horticultural business	12	7	£321,618	£802,980	11	5	£61,968	£155,062
Leader group	1	1	£4,298,911	£6,127,324	0	0	£0	£0
Public sector body	10	2	£7,195,042	£7,920,325	8	4	£927,881	£387,881
Public-funded organisation	5	3	£3,658,524	£4,646,885	3	3	£102,230	£102,230
Rural community or 3rd sector organisation	10	4	£1,480,702	£1,821,100	27	12	£877,272	£1,244,688
Rural micro business	37	14	£2,292,099	£5,853,870	55	17	£1,205,906	£2,945,914
Tourism operator	2	2	£102,175	£166,998	4	2	£15,026	£30,411
Training provider	17	7	£7,485,228	£12,294,403	35	5	£908,230	£1,511,613
Unknown business type	118	7	£23,363,795	£40,336,382	830	11	£12,779,355	£22,461,619
TOTALS	**1226**	**117**	**£81,138,050**	**£160,697,382**	**2416**	**171**	**£50,598,944**	**£120,181,000**

TOTAL - RDPE GRANT AWARD	**£131,736,993**
TOTAL PROJECT SIZE (total investment costs on which the grant amount is based)	**£280,878,382**
TOTAL NUMBER OF BENEFICIARIES	**3642**

(Table 2.2 continued...)

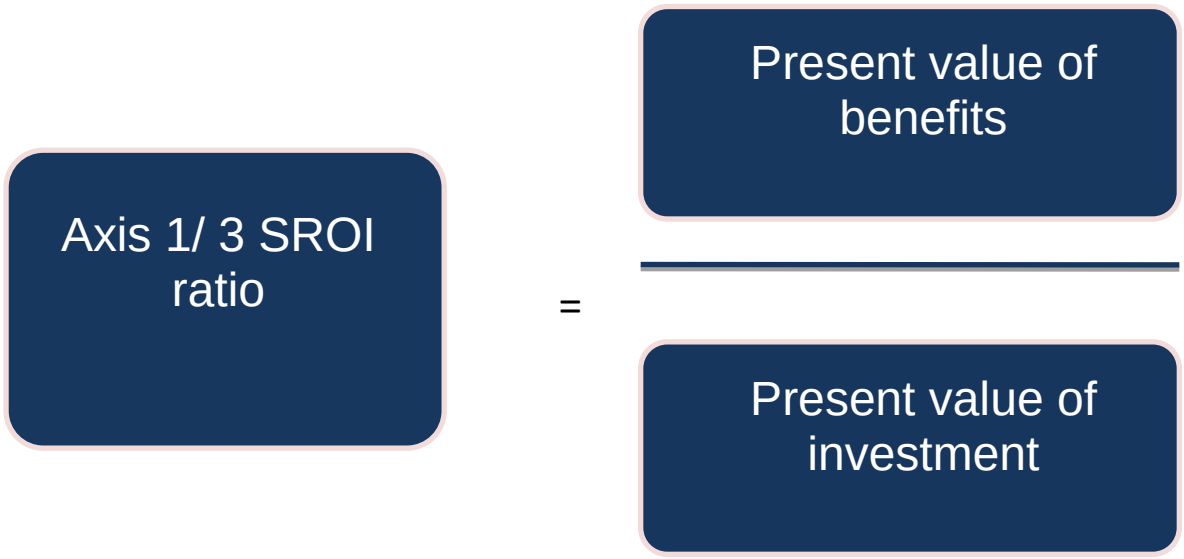
Axis 3	Approved Project				Project Closed			
Beneficiary Type	**Number of beneficiaries**	**No of projects**	**Total RDPE grant award**	**Total project size** (total investment costs on which the grant is based)	**Number of beneficiaries**	**No of projects**	**Total RDPE grant award**	**Total project size** (total investment costs on which the grant is based)
Arable farmer	11	9	£1,027,655	£2,678,494	58	27	£7,571,669	£18,006,841
Contractor	18	4	£326,662	£578,063	15	9	£202,683	£320,286
Farmer controlled business	10	8	£685,699	£1,496,451	33	20	£1,301,910	£3,621,513
Farmer with livestock	27	18	£2,556,462	£6,414,728	75	24	£5,339,744	£11,688,455
Food industry (Inc abattoirs)	10	6	£498,286	£966,229	26	11	£959,982	£2,352,893
Forestry owners	1	1	£195,481	£244,351	6	6	£140,688	£320,678
Horticultural business	3	3	£198,331	£477,460	8	4	£66,613	£142,879
Leader group	10	8	£593,327	£1,047,959	8	4	£389,729	£909,400
Public sector organisation	37	16	£13,778,874	£15,617,846	31	14	£1,916,615	£3,039,628
Publicly funded organisation	15	10	£2,639,876	£2,904,265	7	6	£473,998	£805,741
Rural community or third sector organisation	296	42	£17,477,759	£30,850,906	419	45	£10,429,253	£22,090,542
Rural micro business	206	40	£9,796,814	£21,757,707	509	60	£10,854,107	£26,085,822
Tourism operator	54	14	£3,619,970	£10,258,631	128	14	£6,520,606	£18,547,998
Training provider	22	9	£1,833,235	£2,996,570	28	14	£898,435	£1,603,477
Unknown business type	31	9	£5,856,288	£6,997,097	68	12	£4,798,913	£11,148,036
TOTALS	**751**	**197**	**£61,084,717**	**£105,286,758**	**1419**	**270**	**£51,864,946**	**£120,684,190**

TOTAL - RDPE GRANT AWARD	**£112,949,663**
TOTAL PROJECT SIZE (total investment costs on which the grant amount is based)	**£225,970,948**
TOTAL NUMBER OF BENEFICIARIES	**2170**

Input and investment data has been based upon an aggregation of both approved (but not completed) and closed (i.e. completed) projects, to give a more realistic picture of the total return from Axis 1 and 3. It should be noted that these calculations do not capture all of the impacts upon stakeholder groups who have evidently benefited from the RDPE but have not been direct recipients of funding. Most obvious examples include local community members, and other rural households who may have experienced indirect benefits of health, employment and quality of life generated from RDP-funded projects. Estimates of the number involved (i.e. the 'reach' of the programme) and the scale of benefits among such groups (captured through 'proxies' or 'financial approximations') therefore need to be made in order that such impacts can be included in the overall valuation. These must be based on selected secondary, regional economic and population census data.

Financial proxies

In simple terms the magnitude of the SROI is determined by the ratio of discounted benefits (impact) against the initial investment (whether that be grant investment or total investment, as noted below.



Controlling for the total value of the investment (because a lower level of investment obviously yields a higher SROI ratio), the magnitude of the derived ratios will be determined by three factors:

- the number of stakeholders for which benefits can be attributed and calculated: hence the need to capture not only direct beneficiaries as detailed in Table 2.3, but also stakeholders who have benefited indirectly.
- the indicator values for all relevant outcomes in the model (and bearing in mind the potential for double counting) - this data is derived from the surveys where we have sought measurable data for all outcomes, including less tangible outcomes such as well-being.
- the magnitude and quality of financial proxies identified as indicators for each outcome. In the time available we have identified and assembled a set of proxies to serve as approximations for valuing the outcomes. Where possible we have sought proxies which are based upon equivalent cost/income measures, rather than relying too much on Stated /Revealed Preference / WTP measures, which by their very nature are likely to be more contentious.

Identification of the ‘ideal’ proxy measure for each identified RDP outcome was difficult within the given time frame for this project, and in some cases it may be impossible to find the ‘ideal’. Nevertheless, the more closely the proxies capture the essence of the identified outcomes, the more confidence we can have in the final ratios computed. All proxy data is available to view in Appendix 2.

3. Results

This section of the report contains a summary of study findings, organised into several interconnected themes which are presented sequentially. Section 3.1 provides a brief contextual background outlining the main similarities and differences in the ways in which socio-economic funds in RDPE were conceived, designed and delivered across the regions of England. Section 3.2 makes a quantitative analysis of expenditure data held centrally by Defra, concerning how project funds were spent and for what purposes. Section 3.3 then presents the results of the application of SROI to calculate the outcomes and impacts of this spending, quantified separately between Axis 1 and Axis 3 of RDPE.

The reader should note that the figures on investment and inputs were correct "at the time of writing" in April 2013 but spend is ongoing so these are subject to continual change.

3.1 Context for the RDPE Axes 1 and 3

This section summarises background information on RDPE delivery collected during the Phase 1 interviews with delivery agents in each of the regional case study areas. This qualitative data has been validated through triangulation with analysis of official RDPE papers and documents. The aim of this brief section is thus to provide some indicative understanding of how the RDP socio-economic schemes were focused, delivered, and planned to operate, in each of the four regional settings. The contrast between the approaches taken in each of our case study areas, drawn from four different regions, will help to explain some of the variation in outcomes and effectiveness that becomes evident in subsequent sections of this 'results' chapter of the report.

At a national level, RDPE 2007-13 has had two distinct phases of design and delivery. The first phase, from 2007-2010, involved a socio-economic programme which was designed in outline by Defra but then tailored regionally through the main delivery partners for the programme, comprising the eight Regional Development Agencies and the Forestry Commission's regional offices in England. The regional element in programme design was embodied within Regional Implementation Plans (RIP) for the RDPE, where the regional delivery agencies of RDAs, Forestry Commission and Natural England - mainly just for the agri-environmental activities - set out their specific regional aims and targets for RDPE. The major part of RDPE socio-economic funding was then essentially made available for the regional delivery agencies to deploy as they chose, subject to meeting the key national goals for RDPE as set out in the single RDP document prepared by Defra and approved by the European Commission in early 2007.

Following the national election and change of government in May 2010, a decision was taken to wind up the Regional Development Agencies, so from Autumn 2010 plans were made to transfer the socio-economic strand of RDPE back into Defra. From 2011 onwards, RDPE socio-economic delivery systems and funding schemes were designed and overseen centrally by Defra, although regionally-based delivery staff remained in place to support project funding and implementation, in particular where contracts for delivery were already in operation. Thus, in this report, we make reference to the RDA-led phase of RDPE and the later, centralised and Defra-led phase of RDPE. In the first phase, the approach to RDPE priorities, project generation and styles of funding varied between regions, whereas in the second phase, schemes were nationally-defined and the regions' role became more confined to effective roll-out of these pre-determined schemes (except where contracts for delivery were already in place, e.g. for delivery of skills and training).

Influence of regional thinking upon RDPE socio-economic goals

Between the regions there were evident variations in how RDPE's socio-economic priorities were defined and understood. At the national level, Axis 1 funding was focused upon the general goals of farming and forestry sector competitiveness and environmental sustainability, while that for Axis 3 was concentrated around rural economic diversification and enhanced quality of life for rural inhabitants. There was some national earmarking of funding under Axis 1 for the livestock sector, as a result of decisions made about the best use of funding raised from additional voluntary modulation, a proportion of which was required to be spent on the socio-economic elements of RDPE, under EU legislative conditions.

Among the regions, those that had suffered significantly from the Foot and Mouth epidemic brought a particular concern for rural and agricultural regeneration to their thinking in respect of Axis 1 spending. Thus, improved livestock health was a key concern in the North West and South West regions but was less evident in the East Midlands and Eastern England. The North West Livestock Programme committed about a quarter of total RDPE socio-economic funds for the region (£18 million) while in the South West, the SW Healthy Livestock Initiative committed £20 million which represented around one-eighth of total RDPE funding in the region. These large and multi-faceted 'programmes within a programme' combined skills acquisition and knowledge exchange actions alongside capital grant funding, to achieve regionally-determined goals and targets. These were objectives that came out of the participatory processes that developed the regional implementation plans. Thus, the focus of investment funding in the different regions reflected to a large extent the varying rural and agricultural characteristics of the case study areas.

In all four of our case study regions, renewable energy generation was identified as a priority and, in at least three of these regions, a strong link was made to wood fuel and enhanced woodland management with the Forestry Commission being seen as a key catalyst for delivering this goal. Improving sector skills was adopted as a main theme in all the regions studied, as was enhanced resource efficiency linked both to climate change and other sustainability goals. Finally, a particular emphasis upon adding value in the food chain was evident in the two regions of Eastern England and the East Midlands, although some element of adding value was evident in all the four regions of our case study counties.

In respect of Axis 3, distinct priorities for spending across the measures were less evident at regional level, as most regions tended to take the position that these should be appropriately determined within the local strategies of the LEADER Local Action Groups (LAGs), who would have a key role in delivering funding under this axis. In general, priorities included farm diversification, tourism, micro-business development, basic services, cultural heritage and public access and recreation.

The RDAs took rather different views about the appropriate role and focus of LEADER within their territories, at least partly reflecting varied prior experience with this approach. In the North West, a positive prior experience led the RDA to give Cumbria LAGs a relatively wide choice of measures, and a large amount of funding, to deploy. Although Eastern England had relatively little prior experience with LEADER, LAGs in this region were also given a broad range of measures to consider using; even though in the event, many of their projects were focused around micro-business support and quality of life, rather than farming sector activities. By contrast, in the East Midlands and South-West, LAGs were generally restricted to using only Axis 3 measures. A broader approach was agreed for the Scilly Isles and for the Peak District, where experience suggested that there were good reasons for using LEADER as a more significant delivery approach across the socio-economic axes of the RDP.

In the East of England a positive experience of LAG strategy design was reported. Each LAG set different objectives for its LEADER area. These were different to those of the Regional Implementation Plan. They were a good example of the 'bottom up' approach of LEADER and groups were allowed to choose which measures to implement:

- In the Norfolk Coast and Broads (NCB) the emphasis was to try and use the high value natural environment and landscape to develop sustainable business and community opportunities away from the well-known environmental 'hot spots', inland from the coast: also, to future proof businesses for the potential effects of climate change, particularly flooding and drought.
- The Brecks has a fragile natural environment with poor soils and a dry climate, making it marginal for agriculture, although technology enables some areas to produce high value crops. The priority here was to support farm-based diversification and improve supply chains for energy and local food. Future proofing for climate change was also important, particularly for better use of and conservation of water both for agricultural and urban use and to develop tourism.
- The Waveney Valley is a cohesive and distinct rural area that has the Norfolk and Suffolk county boundary running through it; a feature that is said to both divide and define the area. One of the objectives of the programmes therefore was to build a sense of identity for the Valley and facilitate a quality standard. The focus has been to sustain increased levels of business activity, particularly for local food supply chains and tourism.
- By the nature of its fen landscape and high agricultural production potential the Fens and Adventurers programme centred around increasing the competitiveness of sustainable food and farming, helping to start up or enhance micro-enterprises developing sustainable tourism, and local communities. This LAG seems to have been more successful with rural community projects (measure 321) than other LEADER areas.

In all regions and particularly in respect of Axis 3, it was noted that the recession had significantly increased the challenges of spending RDP resources effectively, with a marked decline in demand for funding after 2009. As this period coincided with the time by which LEADER was only just ready for implementation, in at least one of the four counties examined in this study, Axis 4 spending was also particularly negatively affected.

Influence of RDA and RIPs on delivery systems

As will be seen in section 3.2, there were marked differences in the scale and number of projects funded under each axis and measure, between the four study regions. This reflects a conscious decision by some RDAs to spend time at the start of the programme in building up inter-sectoral partnerships to design large funding initiatives, within which a number of measures would be delivered in an integrated way to final beneficiaries. This was particularly evident in South-West England, where four large 'programmes' effectively dominated regional RDP spending (Box 1 explains the rationale). The Regional Implementation Plans prepared early on in the period also appear to have fostered integrated delivery within specific sectors, such as in Cumbria, where the Forestry Commission (FC) sought to deliver an integrated forest management approach providing people with advice, knowledge (i.e. training), and grant funding in order to improve woodland management across the region, through a single combined approach.

Box 1. A strategic approach to delivery, SW region

The South West Regional Development Agency (SWRDA) developed a series of principles for allocating funds very early in the life of the RDPE:

- **Funds had to be spent in a strategic way:** To spend £160 million without achieving strategic outcomes was considered to be a missed opportunity by SWRDA.
- **Partnership approach:** SWRDA was convinced that the only way to achieve strategic outcomes was to go into partnership with stakeholders from the outset. If it tried to impose solutions it would spend a lot of time arguing its case and not necessarily winning over opponents. Thus SWRDA drew together a range of partners to work with, including representatives from public and private sectors, to identify priorities and work out how to achieve positive outcomes.
- **Working within the constraints of the Rural Development Regulation (EAFRD):** A major challenge SWRDA faced was that the Regulation was a 'tactical' rather than a 'strategic' intervention. It was very tightly designed and prescribed in terms of what actions could be taken and who was eligible for support. It differs from other structural funds in this respect. This constrained how funds could be spent, but there was scope in the measures available to do some exciting things, and at a scale that would make a difference.
- **Objective One in Cornwall and Isle of Sicily** was still running when RDPE started as they were operating on the N+2 expenditure rules. Therefore it was possible to roll forward some of the capacity already in place, which was beneficial.

The approach SWRDA adopted was in line with a growth agenda, and focused upon ways of making a strategic impact in line with the strategic priorities of the region. It was prepared to work with the agricultural sector but in specific areas, such as health and welfare and resource management, and it was equally convinced that this required changing behaviour through advice and KT rather than just giving out grants. The RDA also wanted to encourage the conversion of as much farm produce into product as they could. They wanted to enable farmers and groups of farmers to benefit from added-value, rather than supporting the primary activity itself.

Regional differences were also apparent in respect of delivery. In the East Midlands, the RDA operated a two-stage application process which involved an Expression of Interest (EOI), followed by feedback which, if positive, led to a full application. The EOI was viewed as immensely valuable at the start of the programme, although by Year 2 it became less valuable to the point that it was almost redundant. At the start, the RDA received many applications for unsuitable projects, such as the re-opening of canals and railways, and it had to reject over half the EOIs. The EOI process meant it could guide these applicants to more appropriate funding without wasting too much time. The EOIs also enabled the RDA team to provide advice prior to the full application and indicate, for example, where there might be planning issues to address. EOIs also alerted the RDA to proposed strategic collaborative projects, providing a chance for RDA staff to discuss these applications prior to full submission and thereby increasing the efficiency of the process.

3.2 Expenditure across the four study regions

Axis 1 Expenditure: Comparison across regions

The total amount of funds varied between regions with a significantly larger amount going to the SW region than the others. East Midlands and the North West had the lowest levels of grant funding but the effects of the different approaches in each region can be seen in the varying numbers of projects and average project size. Although the EM and NW regions had similar amounts of grant funding the NW region focused on the provision of small grants (e.g. the limit of £8,000 per grant under the NW Livestock Programme) while the EM region preferred larger but fewer grants, resulting in only around one-fifth the number of projects. Variability in size of grant is likely to be a reflection of the different nature of farm businesses in the regions explored. Average grant size varied from £16,693 in the NW to £71,908 in the EM with the data suggesting that the EM projects resulted in slightly more private sector investment in comparison to the NW (ratio of 0.41 RDP grant to total investment compared to 0.48 for the NW region). In the NW region Axis 1 delivery was largely driven by the NW Livestock Programme with its requirements for training and plan-making before grant applications could be made, and grants were limited to a maximum size of £8,000.

The EE region took a similar approach to the EM with larger grants resulting in fewer projects overall and a slightly lower ratio than the East Midland (0.39). The SW region, which had more than twice the funding of the EM and NW regions had 1,602 projects funded (as of December 2012) at an average grant size of £36,172 and an above average ratio of RDP grant to total investment (0.55).

Table 3.1 Axis 1 expenditure in the regions

Region	Number of projects	Total RDPE grant award	Average RDPE grant	Total project size	Mean Total project size	Ratio RDP grant to total investment
East of England	393	£29,811,075	£75,855	£76,725,551	£195,230	0.39
East Midlands	287	£20,637,552	£71,908	£50,850,021	£177,178	0.41
North West	1360	£22,702,576	£16,693	£47,630,591	£35,022	0.48
South West	1602	£58,585,788	£36,570	£105,672,218	£65,963	0.55
TOTALS	3642	**£131,736,993**	**£36,172**	**£280,878,382**	**£77,122**	**0.47**

Table 3.2 below illustrates the pattern of expenditure across the regions in more detail by project type. Key issues to note include the following.

Animal health and welfare includes 687 small project grants in the NW (averaging just under £6,000/grant) compared to only 3 and 7 projects in the EM and EE regions respectively. What is strange is the absence of data for the SW region, which invested large amounts in animal health improvements through the SWHLI scheme. This perhaps reflects the delayed start to the programme as there are twice as many FFIS projects in the SW compared to the NW region, the allocation of some aspects to the 'training' category, and £4.8 million of spending categorized as 'unknown'.

Farm nutrient management the focus on farm nutrient management is seen in the NW and SW regions (122 and 528 projects respectively) but is virtually absent in the other two

regions. This is not surprising given the different characteristics of farming in the four regions selected and the pre-eminence of livestock in the SW and NW regions. .

Adding value to food and drink also illustrates regional differentiation with the SW and EE regions region investing significantly more (£15 and £9 million respectively) into this type of project than the NW and EM regions (£2.6 and £3 million).

Training was supported by three out of the four regions. EM only spent a fraction (£116,645) of the amounts invested by the other regions. In comparison the EE and NW regions both invested around £5 million while the SW invested £22 million. This difference, and the absence of any funding for the SW under animal welfare, suggests that some of the funding under SWHLI (£15 million of RDP funding went into SWHLI) has been allocated to this project category.

Collaborative crop storage and marketing is significant in the EM and EE regions where small numbers of projects have received large amounts of funding (over £4 million for one project in the East Midlands). The SW also invested in 8 projects at an average of £289,133 per project. These large scale projects are not just about crop storage (primarily grain), they are also about collaboration between farmers, improved drying and selection facilities, improved transportation and collaborative marketing.

Water Management. The EE was the only region where there was significant expenditure on water management projects where £4.05 million was invested in 44 projects. This is not surprising in a region where irrigation and water storage are major issues. In contrast only £0.411 million was invest in 8 projects in the EM region, limited spending in the NW (on 6 small projects), and no spending in the SW, reflecting the availability of water in the regions selected.

FFIS. Each region indicates a significant number of FFIS projects ranging from 534 in the SW region down to 99 in the EE region with average grants across all regions in the £7 – 8,000/project range.

Forestry

Forestry related grants (as opposed to FFIS grants) are far more significant in the East of England than in the other three regions. A total of £5.329 million was allocated through 168 grants (an average of just over £77,000 per grant), which was more than twice as much investment as the other three regions combined.

Unknown. A total of £4.8 million of Axis 1 expenditure is not categorized in the SW region, and a total of £4.9 million has been invested in 12 projects to deliver 'other services'[1].

The pattern of expenditure reflects differences in agricultural conditions, business type, business needs, and the priorities identified by stakeholders and by the RIPs. The result is a focus on crop storage and water in the EM and EE regions, and a focus on animal health and nutrient management in the SW and NW.

[1] Note – at the time when data was collected, information on the nature of "unknown" spending was not held centrally. Following a "data refresh" of information held on the central programme management database, we understand information is now available, but the CCRI Project Team has not had time to analyse this information.

Table 3.2 Axis 1: Comparison of regional expenditure

Axis 1	North west			South West			East Midlands			East of England		
Project type	**Number of projects**	**Total RDPE grant awarded**	**Average RDPE grant awarded**	**Number of projects**	**Total RDPE grant awarded**	**Average RDPE grant awarded**	**Number of projects**	**Total RDPE grant awarded**	**Average RDPE grant awarded**	**Number of project**	**Total RDPE grant awarded**	**Average RDPE grant awarded**
Adding value to non-food products	15	£663,044	£44,203	6	£533,736	£88,956	5	£1,011,422	£202,284	1	£25,736	£25,736
Animal health and welfare	687	£4,059,873	£5,910	0	£0		3	£101,278	£33,759	7	£330,966	£47,281
Basic services for rural communities	2	£19,567	£9,784	0	£0		0	£0		0	£0	
Care facilities	1	£11,938	£11,938	0	£0		0	£0		0	£0	
Conserving and upgrading rural facilities	1	£12,108	£12,108	0	£0		0	£0		0	£0	
Cooperation projects	6	£354,927	£59,154	1	£34,874	£34,874	0	£0		0	£0	
Crop storage	3	£226,446	£75,482	8	£2,313,067	£289,133	3	£6,151,389	£2,050,463	4	£1,319,672	£329,918
Dairy restructuring (EERP)	2	£509,244		0	£0		43	£1,539,605	£35,805	12	£87,440	£7,287
Diversification into non-food activities	2	£23,612	£11,806	2	£1,319,370	£659,685	0	£0		0	£0	
Energy	79	£450,793	£5,706	375	£2,835,285	£7,561	0	£0		0	£0	

efficiency												
Environmental services	3	£2,940,084	£980,028	0	£0		0	£0		0	£0	
Farm nutrient management	122	£871,949	£7,147	528	£2,938,891	£5,566	2	£57,285	£28,643	3	£634,119	£211,373
FFIS	284	£2,534,467	£8,924	534	£4,308,788	£8,069	191	£1,530,154	£8,011	99	£712,107	£7,193
Food and drink - adding value	42	£2,640,493	£62,869	43	£15,023,227	£349,377	8	£3,031,577	£378,947	76	£9,027,742	£118,786
Forestry	10	£300,281	£30,028	17	£1,095,722	£64,454	5	£741,748	£148,350	68	£5,239,302	£77,049
Manufacturing and fabrication	0	£0		2	£45,154	£22,577	0	£0		0	£0	
Offices	0	£0		3	£122,663	£40,888	0	£0		0	£0	
Other services	5	£143,753	£28,751	0	£0		12	£4,971,528	£414,294	0	£0	
Renewable energy	12	£294,823	£24,569	6	£643,893	£107,316	6	£973,040	£162,173	14	£2,305,444	£164,675
Retailing	1	£22,616	£22,616	3	£308,530	£102,843	0	£0		0	£0	
Rural Broadband (EERP)	0	£0		0	£0		0	£0		2	£62,732	£31,366
Rural micro-business	52	£1,507,507	£28,991	5	£222,293	£44,459	0	£0		6	£779,570	£129,928
Traditional trades	2	£11,117	£5,559	0	£0		0	£0		0	£0	
Training	22	£5,027,180	£228,508	42	£22,039,099	£524,740	1	£116,645	£116,645	57	£5,232,494	£91,798

Village renewal and development	1	£23,952	£23,952	0	£0		0	£0		0	£0	
Water management	6	£52,803	£8,801	0	£0		8	£411,883	£51,485	44	£4,053,752	£92,131
Unknown project type				27	£4,801,195	£177,822						
TOTALS	1360	£22,702,576	£16,693	1602	£58,585,789	£36,570	287	£20,637,553	£71,908	393	£29,811,075	£75,855
Total investment		£47,630,591			£105,672,218			£50,850,021			£76,725,551	

Note: Estimates based on data accurate as of 31 December 2012

Axis 3 Expenditure: Comparison across regions

Axis 3 expenditure reveals a similar pattern to that found under Axis 1 with the SW spending more than twice as much as any other region. The EE and EM regions tended to support a smaller number of projects (233 and 266 respectively) compared to the NW and SW which tended to have a larger number of projects but a lower average project size. The ratio of RDP grant to total investment was lowest in the EE region (0.36) and highest in the SW region (0.58). The average total project size in the EE and EM regions was approximately double that of the other two regions (around £160,000 compared to around £85,000).

Table 3.3 Comparison of Axis 3 expenditure by region

Region	Number of projects	Total RDPE grant award	Average RDPE grant	Total project size	Mean project size (total expenditure)	Ratio RDP grant to total
East of England	233	£13,444,971	£57,704	£37,723,558	£161,904	0.36
East Midlands	266	£20,239,884	£76,090	£44,008,272	£165,445	0.46
North West	609	£25,457,350	£41,802	£51,111,922	£83,928	0.50
South West	1062	£53,807,458	£50,666	£93,127,196	£87,690	0.58
TOTALS	**2170**	**£112,949,663**	**£52,051**	**£225,970,948**	**£104,134**	**0.50**

Table 3.4 below provides a more detailed illustration of spending by project type across the regions. The main features are summarized here.

Tourism. All regions invested heavily in tourism, ranging from £16.3 million in the SW region to £5.7 million in the EE region. Average project size varied considerably and was highest at £136,098 in the SW and lowest at £72,630 in the NW.

Rural micro-business. All four regions invested considerable amounts into micro-business development. The SW and NW had projects of roughly equal average size (around £19,000/project): SW invested over £6 million across 306 projects and the NW invested £3.2 million across 172 projects. EM and EE regions invested approximately similar amounts (£2.4 and £2.9 million respectively) into a smaller number of projects with an average investment grant of just under £34,000 in EM and just over £47,000 in the EE region.

Forestry
Only very small amounts of support appear under FFIS and forestry related expenditure, the majority of forestry funding occurs under Axis 1.

Food and drink – adding value. Relatively small amounts were invested across the regions with EE region investing £1.11 million and the other regions between £0.65 million and £0.78 million each.

Diversification into non-food activities. NW, SW and EM regions each invested approximately the same amount (£1 to 1.4 million) although number of projects varied from

35 in the NW to 11 in the EM region. The EE region only supported three relatively small diversification projects.

Renewable energy. The NW and SW regions invested in renewable energy (£2.1 and £1.3 million respectively) while the other two regions invested less than £0.2 million each.

Basic services for rural communities. The SW invested £9.7 million (£252 projects) and the NW £2.3 million (72 projects) into basic services. In contrast the EM and EE regions invested less than £0.75 million each.

Village renewal. The SW invested £4.08 million in 88 village renewal projects but none of the other regions invested more than £100,000 in this project category.

Unknown. A total of £3.4 million of Axis 3 expenditure is not categorized in the SW region, and a total of £2.9 million has been invested in 8 projects to deliver 'other services'[2].

[2] Note – at the time when data was collected, information on the nature of "unknown" spending was not held centrally. Following a "data refresh" of information held on the central programme management database, we understand information is now available, but the CCRI Project Team has not had time to analyse this information. .

Table 3.4 – Axis 3 comparison of regional expenditure by project type

Axis 3	North west			South West			East Midlands			East of England		
Project type	**No. of projects**	**Total RDPE grant awarded**	**Ave. RDPE grant award**	**No. of projects**	**Total RDPE grant awarded**	**Ave. RDPE grant award**	**No. of projects**	**Total RDPE grant awarded**	**Ave. RDPE grant award**	**No. of projects**	**Total RDPE grant awarded**	**Ave. RDPE grant award**
Adding value to non-food products	2	£14,105	£7,053	1	£8,681	£8,681	0	£0	£0	2	£229,308	£114,654
Animal health and welfare	2	£42,783	£21,392	2	£286,445	£143,223	1	£15,972	£15,972	1	£10,000	£10,000
Basic services for rural communities	72	£2,312,563	£32,119	252	£9,677,518	£38,403	8	£345,348	£43,169	15	£722,868	£48,191
Care facilities	2	£5,844	£2,922	1	£91,160	£91,160	0	£0		2	£99,900	£49,950
Conserving and upgrading rural facilities	16	£603,910	£37,744	44	£1,340,352	£30,463	21	£610,184	£29,056	5	£153,908	£30,782
Cooperation projects	2	£22,688	£11,344	2	£82,161	£41,081	1	£375,380	£375,380	2	£123,353	£61,677
Creative and crafts	8	£257,506	£32,188	6	£33,104	£5,517	5	£133,098	£26,620	5	£441,547	£88,309
Crop storage	0	£0		1	£73,039	£73,039	0	£0		0	£0	
Diversification into non-food	35	£1,357,423	£38,784	16	£1,198,713	£74,920	11	£1,079,511	£98,137	3	£126,515	£42,172

activities												
Education facilities	8	£281,450	£35,181	18	£562,647	£31,258	4	£809,768	£202,442	1	£28,877	£28,877
Energy efficiency	0	£0		0	£0		0	£0		0	£0	
Environmental services	7	£327,424	£46,775	5	£137,697	£27,539	2	£178,369	£89,185	0	£0	
Equine activities	12	£319,781	£26,648	1	£64,250	£64,250	7	£519,755	£74,251	4	£136,892	£34,223
Farm nutrient management	1	£12,748	£12,748	0	£0		0	£0		0	£0	
FFIS	3	£23,020	£7,673	23	£190,374	£8,277	0	£0		2	£12,989	£6,495
Food and drink - adding value	24	£707,558	£29,482	21	£654,666	£31,175	12	£783,038	£65,253	15	£1,111,142	£74,076
Forestry	4	£84,386	£21,097	2	£39,480	£19,740	2	£40,346	£20,173	1	£30,000	£30,000
Manufacturing and fabrication	3	£50,214	£16,738	1	£15,130	£15,130	5	£169,611	£33,922	1	£49,861	£49,861
Offices	5	£420,201	£84,040	5	£258,345	£51,669	6	£1,594,089	£265,682	3	£158,500	£52,833
Other services	24	£208,615	£8,692	8	£2,975,772	£371,972	2	£22,034	£11,017	0	£0	
Pet care	2	£33,957	£16,979	1	£52,069	£52,069	2	£425,209	£212,604	0	£0	
Recreation	8	£1,045,523	£130,690	12	£212,055	£17,671	3	£342,958	£114,319	3	£99,352	£33,117
Renewable energy	18	£2,107,666	£117,093	33	£1,312,145	£39,762	1	£205,720	£205,720	6	£198,805	£33,134
Retailing	12	£579,678	£48,306	3	£201,039	£67,013	15	£1,700,778	£113,385	5	£241,102	£48,220
Rural Broadband	3	£385,768	£128,589	2	£730,000	£365,000	1	£48,000	£48,000	2	£56,656	£28,328

(EERP)												
Rural micro-business	172	£3,216,836	£18,703	306	£6,038,826	£19,735	73	£2,481,013	£33,986	62	£2,919,840	£47,094
Sporting activities	2	£70,124	£35,062	1	£5,500	£5,500	1	£10,932	£10,932	5	£281,396	£56,279
Tourism	139	£10,095,623	£72,630	120	£16,331,707	£136,098	75	£8,067,014	£107,560	77	£5,786,925	£75,155
Traditional trades	3	£28,067	£9,356	9	£155,040	£17,227	0	£0		1	£0	£0
Training	8	£518,092	£64,762	47	£3,342,164	£71,110	5	£107,002	£21,400	5	£110,628	£22,126
Village renewal and development	9	£99,874	£11,097	88	£4,082,047	£46,387	1	£8,564	£8,564	3	£86,555	£28,852
Water management	0	£0		0	£0		1	£9,000	£9,000	1	£54,911	£54,911
Workshops	3	£223,924	£74,641	3	£233,188	£77,729	1	£157,192	£157,192	1	£173,140	£173,140
Unknown project type				28	£3,422,143	£122,219						
TOTALS	609	£25,457,350	£41,802	1062	£53,807,458	£50,666	266	£20,239,884	£76,090	233	£13,444,971	£57,704

Note: Estimates based on data accurate as of 31 December 2012

3.3 Estimating the Social return on investment: Axes 1 and 3

This section describes the process of populating the SROI impact map. This is the framework within which the analysis of investments and benefits is undertaken, and from which the SROI ratios are derived. The SROI model operates through linking identified outcomes with numbers of stakeholders affected and with a 'financial proxy' which estimates the impacts in terms of monetary value. The model also accounts for deadweight, attribution and displacement, and provides present value estimates of benefits over a five-year period.

The potential change identified for each category of stakeholder as a result of the Axis 1 and 3 programmes was explored further in Phase 2 of the research where it was measured (through interviews with both programme beneficiaries and others involved in programme delivery), valued and subsequently recorded on an empirical 'impact map'. Appropriate sections of the impact maps are included throughout this section, and a full version of the impact maps (both evaluative and forecast for Axes 1 and 3) is given in Appendix I.

Investment in and beneficiaries of Axis 1 and 3 programmes

Programme data provided by Defra was summarised to produce estimates of investment in Axis 1 and 3 at the national (England) level. Tables 3.5 and 3.6 summarise this data which formed the basis of the investment against which the social return was calculated. Note that the data utilised here reflects a particular point in time and does not encompass the full range of projects funded under Axes 1 & 3 – only those where investments had taken place by the end of December 2012. Inevitably, in work of this nature, it has been impossible to continually update the SROI data utilised as more RDPE investments are made/completed. It would be useful to re-run the model in the Autumn of 2013 using updated Defra rural data information from Defra that would provide a more complete picture of overall Axes 1 & 3 benefits.

Table 3.5: National summary of projects and investment data (Axis 1)**

Axis 1			
	Grant beneficiaries	**Grant award**	**Project size**
Arable farmer	390*	£19,776,135.80	£51,392,475.93
Contractor	111	£1,614,237.51	£4,448,525.61
Farmer controlled business	281	£27,721,813.67	£76,488,337.97
Farmer with livestock	2985*	£32,620,632.98	£79,566,192.49
Food industry (Inc abattoirs)	191	£30,899,689.51	£94,166,464.45
Forestry owners	189	£5,543,680.68	£13,451,668.26
Horticultural business	77	£3,213,896.57	£13,629,315.46
LEADER group	1	£4,298,911.00	£6,127,324.00
Public sector organisation	85	£10,683,521.76	£13,772,537.12
Publicly funded organisation	29	£11,356,335.27	£14,154,412.16
Rural community or third sector organisation	50	£2,933,266.23	£4,344,544.25
Rural micro business	129	£5,597,538.45	£13,108,354.89
Tourism operator	9	£133,523.00	£234,133.50
Training provider	149	£35,412,736.55	£45,304,663.91
Unknown business type	995*	£38,976,385.21	£69,790,745.81
All	5671	£230,782,304.19	£499,979,695.81
All (SROI)* **	**5506**	**£201,510,269.93**	**£461,580,878.28**

* Unknown business types (principally from the SW region) were redistributed, based on the mean proportions of arable and livestock farmers in other regions, as follows: 592 Arable, 3385 livestock and 393 unknown.

** Estimates based on data accurate as of 31 December 2012

***The Axis 1 SROI model does not include any outcomes for 'Community' beneficiaries (LEADER groups, public sector, publicly funded and rural community/third sector organisations). These beneficiary groups, or impact estimates of any outcomes that relate to them, are therefore not included in the model. The reason for their omission is that community-based outcomes were not revealed through the initial programme theory work. Such outcomes are captured through the Axis 3 estimations.

Table 3.6: National summary of projects and investment data (Axis 3)**

Axis 3			
Business Type	**Grant beneficiaries**	**Grant award**	**Project size**
Arable farmer	138	£11,857,493.96	£28,173,845.89
Contractor	99	£1,488,945.02	£2,807,677.82
Farmer controlled business	94	£5,493,137.87	£13,108,091.59
Farmer with livestock	315	£17,314,056.91	£43,978,680.00
Food industry (Including abattoirs)	78	£2,339,241.12	£5,184,352.19
Forestry owners	56	£1,578,663.22	£3,245,431.87
Horticultural business	140	£3,130,986.12	£9,293,623.00
Leader group	245	£6,824,265.59	£12,936,691.34
Public sector organisation	1140	£43,114,293.88	£70,550,236.41
Publicly funded organisation	73	£9,938,074.50	£6,658,457.28
Rural community or third sector organisation	1407	£49,760,372.14	£103,132,694.90
Rural micro business	1244*	£32,842,400.60	£75,784,049.67
Tourism operator	317	£18,987,875.90	£45,460,843.15
Training provider	81	£3,407,306.98	£5,752,459.24
Unknown business type	196*	£15,245,610.53	£27,056,544.40
	5623	**£223,322,724.34**	**£453,123,678.75**

* Unknown business types (principally from the SW region) were redistributed, based on the mean proportions of rural micro-businesses in other regions, as follows: 1,440 micro-businesses and 0 unknown.
** Estimates based on data accurate as of 31 December 2012

For the purpose of the SROI, no sectoral distinction was made in terms of the level or form of investment, as the analysis was driven by outcomes for each beneficiary type, rather than outcomes by project type. Section 3.2 of this report describes the pattern of expenditure by project category and across the four regional study areas and provides a more detailed breakdown of the investment under each axis.

The investment data distinguished between that funded directly through the grant and the total investment, which included the contribution from the grant beneficiary and any match funding. Table 3.5 reveals that 5,671 stakeholders were direct beneficiaries of Axis 1 grant funding of just over £230 million, which amounted to 46% of the total investment in Axis 1 projects of just under £500 million. Similarly, 5,623 stakeholders were beneficiaries of Axis 3 grants to the value of just over £223 million, which amounted to 50% of the total investment of £453 million.

Estimating beneficiary types and numbers ('reach')

The numbers of each beneficiary type were an important input into the SROI models as this was used in the impact estimation for each identified outcome. In order to provide a realistic assessment of impact it was necessary to include not only those beneficiaries who were the direct recipients of programme grants, but also those that the research revealed would be likely to benefit indirectly from the individual project

investments. In the case of Axis 1 this included groups such as vets and advisors, and those with access to local woodland, and for Axis 3 it included young people, wider members of the community, tourism operators, community organizations, and training providers. 'Members of the community' formed one important category of indirect beneficiaries due to the nature of outcomes such as social innovation, health and well-being, and improved opportunities.

Benefit estimates for the various categories of beneficiary groups were made by first assessing the 'reach' of the two programmes across the economic and demographic populations of rural England. Measures of 'reach' vary across the different measures, using actual data where possible (e.g. on training), and where this was not possible making assumptions about the numbers of persons/organisations benefiting from programme investment. Measures of 'reach' thus vary in nature and robustness (see Table 3.7). For Axis 1 this assessment was made by considering the proportion of farm holdings that had been direct recipients of Axis 1 funding. Farm Business Survey (FBS) data indicate that there are 56,139 farm holdings in England (2009/10) and 3,977 arable and livestock farms that have been recipients of Axis 1 grant funding. This 'reach' of Axis 1 is therefore approximately 7.1% of the agricultural sector (i.e. 3,977 as a percentage of 56,139). This estimate does not include those that may have benefited through other Axis 1 support such as training, advice, or provision of support to create management plans, which were dealt with separately. Estimates of farms benefiting in this manner were obtained through discussions with delivery personnel in the regions, and from Defra's national database of programme expenditure.

Given that Axis 3 is more focused on the broader rural economy and quality of life, it was deemed sensible to look beyond the agricultural sector in order to make the equivalent assessment of programme reach. Micro-enterprises were used as a benchmark for the assessment given that they constituted the largest beneficiary group. Government statistics (2010/11 data from ONS, and IDBR) show there to be approximately 342,000 micro-enterprises located in rural areas of England. Given that approximately 1,440 rural micro enterprises have received Axis 3 funding we can estimate the reach[3] of Axis 3 to be around 0.65% of the rural economy. This proportional figure was then used to estimate numbers of the respective stakeholder

[3] It is recognised that this measure of 'reach' is limited. Other measures were considered but none offered suitably robust alternatives. 'Reach' was certainly more difficult to determine for Axis 3 given the range of project and beneficiary types and this is an area that requires more attention and further research. The work included exploration of different estimates of reach for different project types but this requires careful examination of the investment data in order to categorise projects into those benefiting individuals or small targeted groups, from those that benefit the wider community. A range of issues was raised during the exploration of alternatives, including:

- Identifying numbers of beneficiaries from community-focused projects (does an entire community benefit, or only certain sectors of the population?)
- Identifying which projects benefited large numbers of persons (e.g. it could be argued that small scale investment in micro-business in a rural area benefits all those living in the area, and not just those receiving the grant or obtaining employment).
  Identifying beneficiaries of large-scale investment projects (i.e. those which led to further private or public investment in a wider region).
- Determination of the geographical spread of benefits from a project
- Determination of the average size of a rural 'area', 'village', or 'community'.

Given these factors it was decided to utilise a simple estimate of reach that could be justified. Future research in this area should focus some effort on exploring alternative measures of reach, which might need to be developed at the 'measure' level rather than the axis or programme level.

groups likely to have benefited directly from programme activities. For example, 0.65% of the total number of young people residing in rural areas was taken as the proportion of 16-24 year olds likely to have benefited indirectly from Axis 3 projects, through training, employment or education, etc. A summary of the results is given in Table 3.7 and further information relating to the secondary data sources is given in Appendix 2.

An estimate of the number of persons to have benefited from training under Axis 1 was determined using the Defra national data base which indicated a total of 86,203 training days delivered to 61,776 participants (up to the end of 2012). This was modified by reference to levels of training reported in the four regional study areas and Defra's estimate that 63% of those undergoing training reported that they either had applied, or expected to apply, their newly-acquired skills in practice.

Knowledge exchange in the regions under Axis 3 was harder to estimate due to the linking of funding from different measures. Defra totals for England under Measure 331 were utilised, which indicated 8,501 beneficiaries participating in training for a total of 15,653 days' training received.

Identifying those that had benefited from forestry and woodland management-focused training was more difficult as it was not possible to separate out forestry from farming training in the Defra national data base. Even in the regions it was difficult to determine the difference between farm and forestry-focused training without knowing the background of participants. The only reliable data came from the North West region which identified both the numbers trained over a two-year period and gave an indication of the number that had followed up training with some form of additional activity (e.g. application to grant schemes, undertaking more detailed reporting signing contracts for work to be undertaken). The estimate across England was of 4,560 individuals benefiting from training/advice over the RDPE period (this was based on aggregating an equivalent number of participants, across all eight regions).

Table 3.7: Estimation of groups benefiting from Axes 1 and 3 programmes both directly and indirectly across England

Axis 1		
Number of agricultural holdings in England	**% of all agricultural holdings covered by the programme**	
56,139	3,977 = 7.1%	
Beneficiary type	**Estimates based on the equivalent proportion (7.1%) of respective populations**	
	Number in England	Beneficiary estimate
Additional farmers benefiting	52,162	3,704
Vets (Farm animal)	939	67
Advisors	7,547	536
Young people (16-24) gaining employment through the micro enterprise sector	99,738	7,081
Members of the community with woodland access	980,000	57,533
Additional training beneficiaries	86,203	61,776**
Additional training beneficiaries (woodland)	12,000	4,560*
Axis 3		
Estimated number of Rural micro enterprises	**% of all rural micro-businesses in England.**	
342,000	2,212***= 0.65%	
Beneficiary type	**Estimates based on the equivalent proportion (0.65%) of respective populations**	
Young people (16-24)	1,162,280	7,554
Members of the community	8,103,246	52,671
Members of the community (who volunteer)	3,241,298	21,068
Tourists	18,886,000	122,759
Local Employees (of rural micro enterprises)	840,965	5,466
Additional training beneficiaries	8,501	8,501**

Note:

* Based on estimated number taking further action on completion of training. (from ROD database)

** Based on estimate number of participants from Defra national data base.

*** Based on rural micro enterprises supported and created (from ROD database)

3.4 Evidencing the outcomes

Indicator values

A central focus of the stakeholder consultation undertaken during Phase 2 was to gather measurable evidence on the salient outcomes identified through the Programme Theory developed in Phase 1 of the project. A central challenge was gathering measurable data on a broad range of outcomes for a variety of stakeholders across the two programmes (i.e. Axes 1 & 3). Survey questions therefore needed to be not only sufficiently targeted, but also simple enough to allow expedient completion of questionnaires whilst providing a quantified measure of change for the outcome. In addition, responses would need to be readily normalized into the same functional unit and range for inclusion in the SROI framework.

The approach taken was to employ the use of scaled questions whereby interviewees could record the amount of 'change experienced' (or 'change anticipated' where projects had only just started) using a 1 to 5 scale measuring the level of agreement/disagreement with a statement about positive outcome change. Values were obtained from stakeholder interviews with both beneficiaries and key operational personnel for outcomes where change had already been recognized and for those where change, or further change, was anticipated (questionnaires can be found in Appendix IV). The indicator values for all outcomes are given in Table 3.8. Indicator values were used to determine the proportion of benefits that has already been experienced (evaluative benefits), and those which are anticipated in the future (forecast benefits).

To minimise threats to validity (from selection bias, history or the length of time since benefits accrued), the scores from those directly benefiting from the programme (i.e. the beneficiaries) were compared to scores for the same question from key operational personnel. These personnel were involved in programme formulation, implementation, or delivery in some way and thus should have a broader overview of programme impacts across the sector in the case study areas. They were deliberately included in the data collection process in order to provide a balancing element to the subjective views of what was a relatively small sample of beneficiaries. In each case study area the mean values of the beneficiary and operational personnel scores were obtained separately. However, the data from the four case study areas were then amalgamated for the purposes of obtaining more robust mean scores, overall.

Where marked differences between beneficiary and operational personnel mean scores occurred (within each case study area), the qualitative data from both groups of interviews was examined more carefully, to seek explanations accounting for these differences. Depending on the weight of evidence, a judgement was made on whether the overall indicator value should be calculated as the average of the two scores, or whether it should be weighted more towards either the mean beneficiary score, or the mean score for operational personnel.

Final scores are thus adjusted to reflect the quality and quantity of available evidence , but are clearly still vulnerable to validity threats due to history, selection bias, and small sample size. With more resources and time, larger stratified samples could be drawn from each case study area to provide a more statistically robust and regionally contextualised set of indicator values. The current sample selected projects to capture the variability in investment size, project type and number of beneficiaries but is too small to be enable statistical analysis. Future application of the SROI might

also consider a 3-step process for eliciting indicator values, based on a positive/negative response to the relevant survey questions, followed by an exploration of the nature and magnitude of change.

Calculation of indicator values

Following SROI methodological convention, data derived from scaled questions in the survey were converted in order to allow computation of outcome incidence in the empirical Impact Map. The appropriate functional range was 0-1, whereby scaled variables were transformed in the form (X-min[X]/(max[X] – min[X]). This produced a transformation of the ordinal codes 1 through 5 (i.e. Strongly Agree through Strongly Disagree): 1=0; 2=0.25; 3=0.50; 4=0.75; 5=1.0. The final values were produced through computation of the mean for each variable. The approach is not ideal (due to the small sample sizes and the assumptions that must be made across the entire population of beneficiaries) and in future SROI work more robust indicator values could be derived from using the proportions of beneficiaries in large samples who indicate particular scores for the scaled variables.

Notwithstanding these caveats, the calculated indicator values can be found in columns 5 and 6 of Table 3.8. From this, it can be seen that the mean value of responses (for the indicator variable) in row 1 of the table is 0.35 for projects already completed (the 'evaluative' mean). Using this as an indicator of outcome incidence, the SROI model then approximates that 35% of farmers (or other beneficiary types) have experienced the stated outcome. In a similar fashion the 'forecast' value in row 1 is 0.29% and the SROI model then calculates that 29% of farmers/beneficiaries expect to experience the stated outcome. In a similar manner Table 3.9 takes the same approach for Axis 3.

Indicator values are based on data from the scaled questions derived through the surveys, and then deadweight, attribution and displacement serve to proportionately reduce the magnitude of these values. The intention of calculating indicator values was to first estimate the 'reach' of the programmes, and then separately account for deadweight, attribution and displacement. To avoid the possibility of double counting the effects of deadweight and attribution questions regarding deadweight, displacement and attribution were specifically separated from questions about the extent of beneficiary engagement. Interviewers clarified the difference between the scaled questions on the extent to which the programme assisted a business, and the separate estimates of deadweight, attribution and displacement.

Table 3.8: Evidencing outcomes – Axis 1

	Beneficiary type	Outcome	Indicator description	Value (Evaluative)	Value (Forecast)
Agricultural sector	Arable and livestock farmers	Greater consideration of on-farm resource use by farmers; reduced input costs through improved resource use; More efficient management of on-farm resources including energy, water, air and non-organic wastes	Extent of input cost reductions (Scale 1-5); Extent of efficiency improvements in the management of on-farm resources (Scale 1-5 for each element)	0.35	0.29
	Arable and livestock farmers /additional training beneficiaries	Has helped farmers make land management changes more effectively; improvements to soil and land management practices	Extent to which scheme has helped farmers make land management changes more effectively and improvements to soil and land management practices	0.17	0
	Arable and livestock farmers	Increased knowledge of water pollution through provision of a trusted advisor to discuss pollution concerns; increase in farm level action to reduce water pollution	Extent to which trusted advisors have increased knowledge of water pollution; Quantitative measures around farm level action to reduce water pollution	0.13	0
	Arable and livestock farmers /additional training beneficiaries	Improved on-farm environmentally sustainability; lower carbon footprint; improved efficiency, productivity and profitability	Extent to which scheme has resulted in improved efficiency in terms of pollution, biodiversity and energy use	0.21	0.20
	Arable and livestock farmers / Farmer controlled businesses / food industry / vets / advisors	Increased level of engagement across the farming community	Extent to which scheme has resulted in increased level of engagement across the farming community	0.2	0.25
	Farmer controlled businesses and forestry owners	Farm woodland owners more aware of economic value of properly managed woodland	Extent to which farm woodland owners more aware of economic value of properly managed woodland (Scale 1-5)	0.4	0.22

	Arable and livestock farmers / Additional training beneficiaries	Improvement of quality and consistency of farm products (which will have further impacts)	Perceived improvement in quality and consistency of farm products (Scale 1-5) Additional impacts of this	0.78	0
	Farmer controlled businesses and forestry owners	Farm woodland owners better informed about value of small woodlands and engaged in funding process	Extent to which farm woodland owners better informed about value of small woodlands and engaged in funding process (Scale 1-5)	-	-
	Arable and livestock farmers / farmer controlled businesses	Diversification into non-agricultural enterprises; diffusion of scientific knowledge and increase in innovative practices	Diversification into non-agricultural enterprises as a result of the programme (Binary); Nature of diversifications (coded); Extent to which scientific knowledge has diffused throughout the sector as a result of the programme; nature and scale of increase in innovative practices as a result of the programme/scheme	0.4	0.22
	Livestock farmers / vets / advisors	Engagement of livestock industry in relation to animal health and skills	Extent to which livestock industry are engaged in animal health and skills	0.4	0.22
	Livestock farmers	Improved competitiveness through livestock programme	Perceived and experienced improvements in competitiveness as a result of livestock programme (Scale 1-5 and appropriate quantitative estimates)	0.58	0
	Arable and livestock farmers / farmer controlled businesses /horticultural / Unknown / /forest owners/rural micro-business	Increased business confidence to apply for higher grants and invest more widely	Extent of increased business confidence to apply for higher grants and invest more widely (Scale 1-5)	0.52	0.13

	Arable and livestock farmers / farmer controlled businesses /horticultural / Unknown / forest owners/rural micro-business	Provide a catalyst for the next generation to come into the business	Extent to which the younger generation are coming into business (number and scale);	0.07	0.22
	Arable and livestock farmers / farmer controlled businesses /horticultural / Unknown / forest owners/rural micro-business	Increased confidence to invest for the longer term	Perceived increase in confidence to invest for the longer term as a result of the programme (Scale 1-5)	0.23	0.16
	Livestock farmers	Reduced disease costs and improved animal performance	Estimate reduction in disease costs as a result of the programme;	0.4	0.22
	Arable and livestock farmers / horticultural / /rural micro-business / additional training beneficiaries	Development of local capacity in value added	Extent to which capacity has been developed in value added; perceived increase in knowledge in achieving value added;	0.34	0.16
	Arable and livestock farmers / horticultural, farmer controlled / contractors / Vets	Farmers becoming more progressive in terms of partnership building; contacts such as vets now seen as partners	Extent to which farmers are being more progressive in terms of partnership building;	0.25	0.19
	Dairy farmers / farmer controlled	Business expansion, value added and increased profitability in the dairy industry; creation of local employment and income containment		-	-
Forestry sector	Forestry owners	Woodland owners better informed about development opportunities	Extent to which woodland owners feel more informed about development opportunities as a result of the programme; Additional evidence that woodland owners are better informed	0.4	0.22

			about development opportunities		
	Forestry owners / Rural micro business	Increased business confidence (to apply for larger grants)	Extent to which woodland owners feel more confident to apply for larger grant (Scale 1-5)	0.4	0.22
	Forestry owners / Contractors	Better value wood products in the future; development of niche forestry businesses	Extent to which there will be better value wood products in the future as a result of the scheme; Number of new niche forestry businesses as a result of the programme	0.4	0.22
	Members of the community (with access to woodland)*	Improved woodland access	Degree to which woodland access is perceived to have improved; Number of additional sites now open to the public; length of additional forest trails now open to the public	0.4	0.22
	Forestry owners / Contractors / Additional training beneficiaries (Woodland)	Improved capacity of woodfuel supply chain through WEG; increased capacity of woodland contracting businesses	Perceived improvement in the capacity of the wood fuel supply chain as result of WEG; Appropriate measures of supply chain capacity; Increase in turnover and employment of woodland contracting businesses; perceived improvement in business and market confidence of woodland contracting businesses	0.47	0.3
	Forestry owners / Rural micro business	More productive and profitable firewood processors and equipment; improved business efficiency and woodland management		-	-
	Forestry owners / Contractors	More effective woodland management to enable wood fuel production;	Perceived improvements in woodland management to enable woodfuel production; Tangible improvements in woodland management using appropriate parameters	-	-

	Forestry owners / Rural micro business	Stimulation of supply and demand for wood fuel (in SW) and shortening of supply chains and successful investment in wood fuel boilers	Evidence of increases in supply and demand for wood fuel (perceptions and secondary sources); increase in investment in wood fuel boilers; change in number of links in the supply chain; change in geographical distance of supply chain; Index of links * distance	0.4	0.22
	Forestry owners / Community members with access to woodland	Improved environmental management biodiversity through woodfuel production	Perceived improved environmental management of woodlands as a result of the programme; evidence of improved environmental management (incorporating standard environmental indicators)	0.41	0.16
	Members of the community (with access to woodland)	Improved access to woodland and community involvement in woodland management	Increase in number of woodland sites providing public access; Extent to which community involvement in woodland management has increased (perception by woodland managers and community members)	0.27	0.1
Rural micro business and tourism	Rural micro business / Unknown / arable and livestock farmers	Generation of new business ideas and developments	Extent to which new businesses ideas and developments; number and type of new business ideas that have been generated	0.36	0.43
	Rural micro business / Unknown	Opening up of new markets for businesses and their suppliers	Number of new markets for businesses and their suppliers; geographical range of new markets	-	-
	Rural micro business / Unknown	Enable businesses to collaborate, access knowledge and innovate	Perceived increase in collaboration across businesses for knowledge and innovation;	0.28	0.31
	Young people (with potential for micro-enterprise employment) (16-24)*	Allowing younger generation to start up and get into businesses	extent to which young people perceive they have greater access to business start ups as a result of the programme (Scale 1-5)	0.27	0.1

	Tourism operator / Unkown	Increased promotion of rural tourism and access	Observed increase in marketing and promotion of rural tourism and countryside access	0.39	0.67

*Stakeholders benefiting indirectly and estimated using an assessment of programme reach.

Table 3.9: Evidencing outcomes – Axis 3

Stakeholder group	Beneficiary type	Outcome	Indicator description	Value (Evaluative)	Value (Forecast
Agriculture	Arable and livestock farmers / horticulture / Food industry / Rural Micro business	Improved viability of farm / business through increased scale and / or capacity	Reported increase in farm/ business viability in terms of turnover, profits and economies of scale	0.59	0
	Arable and livestock farmers / horticulture	Increase in farm incomes and income sources through diversification;	Number of additional income sources (on and off farm) as a result of the programme	0.58	0.59
	Arable and livestock farmers / farmer controlled business	Increase in linkages between farms and local economy arising through diversification	Number of non-agricultural diversification projects as a result of the programme; proportional change in farm business sales and purchases made locally; proportional change in local employment	0.58	0.59
	Arable and livestock farmers / farmer controlled business	Increased levels of restoration and maintenance of historic farm buildings; increased provision of natural habitats through maintenance of built environment	Number of historic farm buildings improved as a result of the programme; number of historic farm buildings providing new habitats for wildlife	0.58	0.59
	Training providers/rural micro business/farmer controlled / Local employees* / Additional training beneficiaries	Increased opportunities for training for local employees; increased capacity for training within small businesses; Development of skills for farmers and farm workers (including non-agricultural diversification and traditional rural skills)	Extent to which knowledge and skills of owner/managers have improved (Scale 1-5) b	0.85	0
	Tourism operators / Rural micro business / Community organisations	Increased collaboration between tourism providers for tourism delivery and marketing (i.e. through clusters/networks)	Extent to which tourism providers have experienced / anticipate stronger collaborative links for delivery and marketing (Scale 1-5)	0.33	0

	Tourism operators/ Rural micro businesses/ community organisations	Improvement in tourism service provision; more effective use of ICT in tourism marketing; Development of niche markets (i.e. green tourism)	Extent to which tourism service users have experienced an improvement in service provision (Scale 1-5)	0.39	0.67
Rural Business and Tourism	Members of the community* / tourists*	Increased investment in recreational infrastructure (e.g walking, riding and cycling routes) for local economic benefit;	Extent to which recreational infrastructure has improved (Scale 1-5);	0.36	0.67
	Members of the community* / tourists*	Improved health benefits for local people and tourists	Extent to which recreational users have benefited from improvements in terms of physical and mental health (Scale 1-5)	0.20	0.83
	Rural micro businesses / tourism operators / arable and livestock farms / rural community organisations / Additional training beneficiaries	Improved performance of business including resource efficiency adoption of renewable energy;	Extent to which rural businesses have increased their resource efficiency (Scale 1-5);	0.32	0.60
	Tourism operators / food industry /community organisations	Improved links between tourism businesses and local environmental and cultural assets (including food and drink)	Extent to which businesses have drawn on local environmental or cultural provenance in marketing	-	-
	Rural micro businesses / Young people*	Increase in the creation of new micro-enterprises and growth/development of new micro-enterprises; increased opportunities for employment in micro-enterprise sector	Extent to which the programme has facilitated the growth and development of micro-enterprises; Perceived increase in opportunities in the microenterprise sector (Scale 1-5)	0.96	0.75
	Rural micro businesses / community organisations / Additional training	Increase in entrepreneurship and innovation in rural areas (including social innovation)	Extent to which entrepreneurship and innovation has increased as a result of the programme;	0.44	0

	beneficiaries				
	Rural community organisations / Members of the community*	Increase in the creation and development of rural social enterprises; collaborative and networking social enterprises	Effectiveness of the programme in developing existing social enterprises (Scale 1-5)	0.38	0.58
	Tourism operators / Members of the community*	Improved potential of the natural and built environment as a basis for economic growth (especially through recreation and tourism)	Extent to which the natural and built environment now provides a basis for economic growth (Scale 1-5)	0.58	0.59
	Members of the community*	Improved living conditions and welfare for rural dwellers; increased attractiveness of rural areas through improved economic opportunities and service provision	Extent to which quality of life has improved for rural dwellers as a result of the programme (Scale 1-5);	0.56	0.63
Rural communities and organisations	Rural community organisations / Members of the community (who volunteer)*	Improved social capital, community ties and strengthened civic engagement through greater use of community buildings and public spaces	Extent to which community buildings and public spaces are used more for community activities and civic engagement (Scale 1-5); Perceived increase in trust and reciprocity arising through civic engagement (Scale 1-5)	0.65	0.71
	Rural community organisations / members of the community (who volunteer)*	Increased cross-community development and regeneration through integrated village initiatives	Increased effectiveness of cross-community partnerships as a result of the programme (Scale 1-5)	0.71	0.68
	Members of the community*	Improved well-being through development of cultural, recreational and sports facilities	Extent to which use of new and developed recreational facilities has resulted in increased life satisfaction; improved health and energy and increased optimism and self-esteem (All Scale 1-5)	0.65	0.91

	Members of the community* / Young people (16-24)*	Improved countryside interpretation increased access and through on-site education	Perceived improvement in the quality and range of on-farm and countryside interpretation as a result of the programme; extent to which on-farm visits have contributed to children's formal and life long learning (Scale 1-5)	0.53	0.6
	Members of the community*	Increased use of public transport	Reported change in the use of public transport by local programme following programme implementation (proportional change)	0.58	0.59
	Members of the community*	Improved service provision rural areas	Extent to which retail, transport and community facilities are perceived to have improved following programme implementation (Scale 1-5); Extent to which improved transport has increased access to other basis services (such as health)	-	-
	Members of the community*	Improved service delivery through social and community enterprises; improved access to local services	Extent to which quality and range of service delivery through social and community enterprises has improved as a result of the programme; perceived change in access to services (Both Scale 1-5)	0.5	0.67
	Rural community organisations / Public sector organisations / publicly funded organisations / members of the community who volunteer	Improved capacity for local solutions to local problems; increased capacity for implementation of local strategies	Extent to which capacity for finding local solutions to local problems has improved; perceived increase in capacity for implementation of local strategies (Both Scale 1-5)	0.58	0.59

	Tourists* / Members of the community* / tourism operators	Improved protection, management and conservation of historic resources	Perceived improvements in the protection, management and conservation of natural and historic resources (Scale 1-5)	0.58	0.59
	Rural community organisations / LEADER group / members of the community who volunteer*	Increased number of local promotional events; increased skills development of local leaders	Proportional change in the number of local promotional events as a result of the programme; extent to which skills and confidence of local community leaders has improved (Scale 1-5)	0.58	0.59

*Stakeholders benefiting indirectly and estimated using an assessment of programme reach.

Financial proxies

Central to the SROI methodology is the monetisation of reported outcomes in order that they can be measured in a standardised manner. This also allows the computation of a ratio of the social return on the value of the initial financial investment. Nevertheless, the reader must keep in mind firstly that the approach does not represent a full cost-benefit analysis (CBA) and secondly, that the aim is not to measure the benefits to individuals or to individual businesses, but to capture the broader economic and societal benefits from the investment. The approach is based on defining funding outcomes (the overall achievements of projects and initiatives, as opposed to funding outputs such as project numbers or total grant value), which are then monetised as far as possible. A number of assumptions therefore characterise the three steps of scoping outcomes, identifying beneficiaries and selecting financial approximations for the outcomes identified. Where possible, revealed preference measurements (based on market values) are utilised, but as the method is measuring outcomes that are expressed in terms not amenable to direct quantification, this is not always possible and therefore stated preference measurements must be utilised.

Monetisation under the SROI approach represents more than the sort of primary currency calculations which will be used in facilitating a cost-benefit analysis, and thus the process of monetization should not be viewed as purely reductionist (in the sense that powerful, often context-specific, outcomes can be simply 'reduced' to only those units of output that can be directly monetised for the purposes of financial and economic accounting). The process undertaken in measuring impacts and selecting financial proxies within SROI is more a form of social accounting, within which monetisation allows the 'significance' of outcomes to be compared in a consistent way. The value of the approach therefore lies in its ability to explore a wide range of programme (or project) outcomes rather than ignoring those which cannot easily be expressed in money terms; and therefore it allows a range of benefits to be included in the analysis that might otherwise be missed out or ignored in a more conventional CBA.

The process of monetising the relevant outcomes involves identifying financial proxies for each separate outcome. In other words, *approximations* of money value are sought for each outcome, which in some cases may not be wholly representative of the specific outcome in question. They are instead the 'best approximation' (or one of the best) available, through which to assess the significance of the outcome to society, and thus allow comparison with other monetized outcomes.

In this study four main types of approximation, or valuation, methods were used. These were:

Cost/income - equivalent money cost or income that would produce a similar outcome to that derived from the funded project

Potential cost-saving – an estimate of the reduction in cost (to an agency or the state, representing society) as a result of a negative outcome being partially mitigated by the funded project

Revealed preference – the inference of valuations from the prices of market-related goods.

Stated preference – whereby people are asked how they value things relative to other things, or in terms of how much they would pay to have or avoid something, , or

to avoid the expected negative impact if the projects had not been undertaken (Willingness to Pay).

Throughout the study we have consistently taken a conservative approach to the estimates of benefits derived in this way. The nature of the method means that we are using an approximate financial measure to put a money value on the benefits of engaging in the RDPE. It is recognised that the extent of benefits will vary across all farms/beneficiaries receiving RDP support, and that the way in which farmers and others will benefit may also vary, even where these arise from funding under the same RDP measure. The method is essentially trying to capture both the benefits and their variability by saying 'here is an equivalent measure for which we have some financial data' and this corresponds to the average benefit that someone gains by being a beneficiary. Within the method, benefits are modified by judgements (from both beneficiaries and operational personnel) about deadweight and attribution. It has not beenpossible to introduce further limits by making assumptions about the proportion of farmers that fully engage or otherwise in a project or programme, as no evidence is available on which to base an assumption.

Inevitably some financial proxies are 'stronger' than others, in terms of being more closely related to the identified outcomes of funding and/or in being based more on actual market values, rather than computed values using stated preference methods. One important aspect of the SROI models for the two funding Axes in this study is their limited reliance on more indirect valuations using methods such as Revealed Preference or WTP, although such valuation techniques were used for a few outcomes such as placing a value on 'well-being'. A brief description of the financial proxies assigned to the relevant outcomes is given in Tables 3.10 and 3.11, and a full description and explanation of all proxies, including their source and rationale for inclusion, is given in Appendix 2

Table 3.10 Financial proxies – Axes 1

Axis 1			
Outcome	**Financial proxy**	**Unit**	**Value (£)**
Greater consideration of on-farm resource use by farmers; reduced input costs through improved resource use; More efficient management of on-farm resources including energy, water, air and non-organic wastes	Total input (variable) costs per farm – England	£ p.a. per farm	9,494
Has helped farmers make land management changes more effectively; improvements to soil and land management practices	Estimated cost of soil erosion	£ per year based on £45 per ha and a mean farm size of 50 ha	2250
Increased knowledge of water pollution through provision of a trusted advisor to discuss pollution concerns; increase in farm level action to reduce water pollution	Average grant for tackling diffuse pollution on farms	£ per farm	7300
Improved on-farm environmentally sustainability; lower carbon footprint; improved efficiency, productivity and profitability	Carbon sequestration multiplied by non-traded estimates for social value of carbon	£ p.a. per woodland based on £416 per ha and mean size of 18.8 ha	7820.8
Increased level of engagement across the farming community	Improvement in knowledge and skills from taking a part time course	£ per person	847
Farm woodland owners more aware of economic value of properly managed woodland	Economic values of forestry/farm woodland	£ p.a. per wood based on £35.94 per ha and mean size of 18.8 ha	675.67
Improvement of quality and consistency of farm products (which will have further impacts)	Added value from investing in precision agriculture	£22 per ha per year based on mean farm size of 50 ha	22
Farm woodland owners better informed about value of small woodlands and engaged in funding process			
Diversification into non-agricultural enterprises; diffusion of scientific knowledge and increase in innovative practices	Value of increased and safeguarded sales arising from agricultural diversification through LEADER	£ per farm business	1,099
Engagement of livestock industry in relation to animal health and skills	Average annual (monthly 1845*12) loss to farm business of bTB breakdown	£ per farm business	1,845
Improved competitiveness through livestock programme	Proportion of the average agricultural gross margin for livestock farms	£ per farm business p.a.	4,617
Increased business confidence to apply for higher grants and invest more widely	Percentage change in income required to enter/exit dairy industry	£ per farm business p.a	1,325
Provide a catalyst for the next generation to come into the business	Turnover of a micro-business and return on investing in innovation.	£ per farm business p.a.	35,420
Increased confidence to invest for the longer term	Average farm investment income	£ per farm business p.a.	5,600

	agricultural activities		
Reduced disease costs and improved animal performance	-		
Development of local capacity in value added	Added value from investing in precision agriculture	£22 per ha per year based on mean farm size of 50 ha.	1,100
Farmers becoming more progressive in terms of partnership building; contacts such as vets now seen as partners	dfT estimation of business time savings	Cost per year saved by organisation (based on hourly saving of £39.96, 4 hours per week)	7,352.64
Business expansion, value added and increased profitability in the dairy industry; creation of local employment and income containment	Average food processing and retailing costs for dairy farms	£ per farm business p.a.	3194
Woodland owners better informed about development opportunities	-		
Increased business confidence (to apply for larger grants)	Cost of self esteem course	Per person, per year	215
Better value wood products in the future; development of niche forestry businesses	-		
Improved woodland access	Travel cost estimate to forested areas with low level of facilities; regional number of households divided by estimated hectares woodland over 1ha in size.	£ p.a per wood based on 180 per ha and mean size of 18.8 ha	3,384
Improved capacity of wood fuel supply chain through WEG; increased capacity of woodland contracting businesses	Estimated annual value of wood fuel from 1 ha of woodland	£ p.a per woodland based on 41.33 per ha and mean size of 18.8 ha	777.004
More productive and profitable firewood processors and equipment; improved business efficiency and woodland management	Estimated annual value of wood fuel from 1 ha of woodland with 30% premium for high quality biomass	£ p.a. per woodland based on £46.72 per ha and mean size of 18.8 ha £/ha woodland/yr	878.336
More effective woodland management to enable wood fuel production;	Estimated annual value of wood fuel from 1 ha of woodland with 30% premium for high quality biomass	£ p.a. per ha woodland based on £416 per ha and mean size of 18.8 ha	878.336
Stimulation of supply and demand for wood fuel (in SW) and shortening of supply chains and successful investment in wood fuel boilers	Carbon sequestration multiplied by non-traded estimates for social value of carbon	£ p.a. per woodland based on £416 per ha and mean size of 18.8ha	7820.8
Improved environmental management biodiversity through woodfuel production	Household willingness to pay for biodiversity value of woodland	£/household/yr	45

Improved access to woodland and community involvment in woodland management	Average Annual spend on culture, recreation and leisure	Accounted for elsewhere	
Generation of new business ideas and developments	Earnings differential realised by completing an HND/HNC qualification	£ p.a.	1950
Opening up of new markets for businesses and their suppliers	Cost of membership to CLA	£ per business p.a.	437
Enable businesses to collaborate, access knowledge and innovate	dfT estimation of business time savings	Cost per year saved by organisation (based on hourly saving of £39.96, 4 hours per week)	7352.64
Allowing younger generation to start up and get into businesses	Turnover of a micro-business and return on investing in innovation	£ per business p.a.	35,420
Increased promotion of rural tourism and access	Value of increased and safeguarded sales arising from tourism development through LEADER	£ per business	17,274

Table 3.11 Financial proxies – Axes 3

Axis 3			
Outcome	**Financial proxy**	**Unit**	**Value (£)**
Improved viability of farm / business through increased scale and / or capacity	Value of increased and safeguarded sales for agriculture and forestry through LEADER	£ per farm business	1,243
Increase in farm incomes and income sources through diversification;	Value of increased and safeguarded sales arising from agricultural diversification through LEADER	£ per farm business	1,099
Increase in linkages between farms and local economy arising through diversification	Mean increase in TO of 1099 through diversification * a multiplier of 1.37	£ per farm	1,505
Increased levels of restoration and maintenance of historic farm buildings; increased provision of natural habitats through maintenance of built environment	Contribution to local economy through restoration and management of farm buildings	£ per farm	1,617
Increased opportunities for training for local employees; increased capacity for training within small businesses; Development of skills for farmers and farm workers (including non-agricultural diversification and traditional rural skills)	Earnings differential of moving to a level 2 NVQ qualification	£ pp pa	1,456
Increased collaboration between tourism providers for tourism delivery and marketing (i.e. through clusters/networks)	dfT estimation of business time savings	Cost per year saved by organisation (based on hourly saving of £39.96, 4 hours per week)	7352.64
Improvement in tourism service provision; more effective use of ICT in tourism marketing; Development of niche markets (i.e. green tourism)	Value of increased and safeguarded sales arising from tourism development through LEADER	£ per organisation	17,274
Increased investment in recreational infrastructure (e.g. walking, riding and cycling routes) for local economic benefit;	Average family spend on sports/leisure	Per household per annum	243.8
Improved health benefits for local people and tourists	Avoidance in health care costs from access to the countryside	Per household per annum	20.73
Improved performance of business including resource efficiency adoption of renewable energy;	Utility bill savings through increased resource efficiency	Per entity per annum	138
Improved links between tourism businesses and local environmental and cultural assets (including food and drink)	-	-	-
Increase in the creation of new micro-enterprises and growth/development of new micro-enterprises; increased opportunities for employment in micro-enterprise sector	Turnover of a micro-business and return on investing in innovation.	£ per business p.a	35,420

Increase in entrepreneurship and innovation in rural areas (including social innovation)	Earnings differential realised by completing an HND/HNC qualification	£ p.a.	1,950
Increase in the creation and development of rural social enterprises; collaborative and networking social enterprises	Average spend on social activities	£ p.a per household	520
Improved potential of the natural and built environment as a basis for economic growth (especially through recreation and tourism)	Value of economic benefits arising through increase in visitors through LEADER	£ p.a. per tourism business	1,393
Improved living conditions and welfare for rural dwellers; increased attractiveness of rural areas through improved economic opportunities and service provision	Landscape value of woodland.	£ per household per annum	297
Improved social capital, community ties and strengthened civic engagement through greater use of community buildings and public spaces	Average Annual spend on culture, recreation and leisure	£ per annum per household	3,021
Increased cross-community development and regeneration through integrated village initiatives	Average volunteer hourly rate for England	£ per annum (based on a rate of £13.9 per hr)	9,591
Improved well-being through development of cultural, recreational and sports facilities	Estimated weekly cost of private sports tuition	Cost per person	2,500
Improved countryside interpretation increased access and through on-site education	Average wage differential earned with NVQ level 3 as opposed to level 1	Per person, per year	233.27
Increased use of public transport	Estimated cost per mile of a vehicle movement for leisure purposes	£ p.a (based on cost saving of £4.46 per hr)	2319.2
Improved service provision rural areas			
Improved service delivery through social and community enterprises; improved access to local services	Average cost of a community health visit	£ p.a (based on a rate of £34 per visit and 4 visits per year)	136
Improved capacity for local solutions to local problems; increased capacity for implementation of local strategies	Average size of a charitable donation in the UK	£ pa. per entity	372
Improved protection, management and conservation of historic resources	Tourism value of heritage	£19 per household per year	19
Increased number of local promotional events; increased skills development of local leaders	Cost of leadership management training course	£ per person	780

Measuring impact

Aggregate impact measurement comprised a number of steps. First it required computation of the total value of outcomes according to their incidence, which can be summarised thus:

No. of beneficiaries (stakeholders) * Indicator value

In order to convert this outcome incidence value into a measurement of net impact it was then necessary take into account the empirical estimates for deadweight, attribution, and displacement defined in the following way:

Deadweight - what would have happened anyway without the programme

Attribution - the extent to which observed and anticipated outcomes can be attributed to the programme as opposed to other activities or initiatives

Displacement - whether the programme had displaced other positive impacts which may have otherwise occurred (or simply had the effect of moving benefits from one place to another).

Primary assessment of displacement was not possible because most interviewees were unable to provide estimates that they could be confident in. Secondary information therefore needed to be drawn upon in order to produce a credible estimate of displacement for the purposes of the model. BIS (2009)[4] was consulted as it provided benchmark estimates of product market displacement for socio-economic projects and programmes at the sub-regional level. Median sub-regional displacement estimates for Business Development and Competitiveness and People & Skills were 9% and 11% respectively. The study found that displacement for projects was greater than that for programmes, with respective median figures of 10.9% and 20%. On this basis a displacement figure of 10% was deemed reasonable given that the impact assessment was being undertaken at programme level, and that the thematic areas covered by the BIS (2009) study were relevant to those under Axis 1 and 3.

Data to inform estimates of deadweight, and attribution were collected via the Phase 2 survey interviews. The majority of estimates were requested by outcome group (for example those relating to farm business development, wood fuel, or quality of life, etc.) as it was not realistic to obtain such estimates for individual outcomes. Estimates of deadweight and attribution from across the regions were combined and presented by the strand of outcomes for the principal beneficiary groups within each Axis. This information was moderated (cross checked and if necessary adjusted) by reference to the Phase 1 interviews from which the Programme Theory was developed.

The results for deadweight and attribution for each relevant outcome are summarised in Table 3.12 and, given that they are based on approximations, the coefficients were rounded up to the nearest 1%. Results of this exercise were broadly consistent with the exploratory findings of the Phase 1 Programme Theory development, and again the

[4] Department for Business Innovation and Skills Occasional Paper No. 1. Research to improve the assessment of additionality, October 2009.

views of beneficiaries were cross-checked against those of operational personnel and found to be broadly consistent.

Table 3.12: Results for Deadweight, Attribution and Displacement

Axis 1			
Outcome strand	**Deadweight**	**Attribution**	**Displacement**
Agricultural sector	0.40	0.75	0.10
Forestry sector	0.57	0.86	0.10
Rural micro-business	0.43	0.72	0.10
Axis 3			
Outcome strand	**Deadweight**	**Attribution**	**Displacement**
Agricultural sector	0.32	0.77	0.10
Rural Business and Tourism	0.21	0.80	0.10
Rural community and organisations	0.33	0.67	0.10

Estimates of Deadweight were higher for Axis 1 compared to Axis 3, implying that a greater proportion of Axis 1 benefits would have occurred anyway without programme funding. Deadweight was highest for forestry related outcomes where beneficiaries deemed that slightly more than half of all impacts would have occurred without the programme. There rationale for this difference has not been explored, and we are not able to test whether the deadweight measures are significantly different from one another due to small sample sizes. Deadweight estimates were obtained directly from personnel involved in programme development and delivery, thus they reflect the views of a small group of respondents. A larger study that utilised a broader sample of respondents might be able to improve the reliability of these estimates.

Around three quarters of Axis 1 impacts could be attributed wholly to RDP funding and not to other programmes or initiatives. Forestry sector projects report a higher measure of attribution, suggesting that a greater proportion of benefits can be attributed to RDP funding than to other programmes, but we have no evidence on which to base any rationale for this difference, which may just be the result of small sample size or reflect differences in the policy environment (where forestry arguably has fewer alternative sources of support to the RDPE than might be the case for agriculture or other sectors).

In the case of Axis 3, beneficiaries overall deemed that around 30% of impacts may have occurred anyway without the programme, whilst around 80% of benefits could be attributed wholly to RDP funding and not to other programmes, initiatives or activities. For community-based outcomes the conviction that the RDP funding was the primary

driver of the outcomes was slightly lower than for other types of outcome. Nevertheless, beneficiaries felt that around two thirds of the observed or anticipated outcomes could be directly attributed to Axis 3 funding.

Duration, drop-off and discount rate
Three final pieces of information were required in order for impact estimates to be produced for each outcome, namely: duration; drop-off; and discount rate. A brief description and the approach to computation of these measures are described below.

Duration
Given the complexity of the outcomes and potential outcomes identified through the programme theory, the duration over which they should be measured was an important consideration. Ideally they needed to be based either on the number of years that had elapsed since the project began, or the number of years that an outcome could be expected to endure following implementation of the programme. As indicated by the programme theory (i.e. the intervention logic), interviewees were questioned about the impacts that they had begun to recognize, as well as those that were anticipated as a result of their experience to date. This proved pertinent for many outcomes, especially those with longer lead-in times and those where progress had been slower than anticipated in the initial stages of implementation. For consistency, it was deemed sensible to base the headline SROI ratios on a combined assessment of impact; which evaluated the benefits that had taken place over the previous 5 years (evaluative) and looked forward over the next 5 years (forecast).

Drop-off
Over time, the amount or significance of an outcome is likely to reduce or, if it remains constant, is more likely to be influenced by other factors, meaning that the attribution of the outcome to the programme is lower. 'Drop-off' is a measure used to account for these effects, and it was calculated for all those outcomes deemed to last more than one year. Drop-off is calculated by deducting a fixed percentage from the remaining level of outcome at the end of each year. For example, an outcome of 100 that lasts for 3 years but drops off by 10% per annum would be 100, 90 and 81 in years 1, 2 and 3 respectively.

Identifying an accurate drop-off coefficient for each outcome would require systematic periodic evaluation at either outcome or project level. The extent of drop-off almost certainly varies across outcomes, but in the absence of reliable data to inform its magnitude, an arbitrary figure for drop-off was assigned to all outcomes. This was informed by consulting benchmarks of drop-off calculation used in comparable SROIs, and favouring the production of conservative impact estimates. On this basis a drop-off coefficient of 0.2 was applied to almost all outcomes in the model (it only varied where there was convincing evidence of a different drop-off rate). Thus, an outcome incidence of 100 would reduce to 80, 64 and 51 over 3 years.

Discount Rate
Discounting recognizes that people generally prefer to receive money today rather than tomorrow because there is a risk (e.g. that the money will not be paid) or because there is an opportunity cost of not investing the money elsewhere. This is known as the 'time value of money' and it is standard practice to incorporate an annual discount rate into the impact calculation. The basic rate recommended by HM Treasury is 3.5% and this is

the rate used in the majority of SROI studies. A yearly discount rate of 0.035 was therefore applied to all outcomes.

Computation of the SROI ratios

All of the information set out in the previous sections was brought together in order to calculate the impact and produce evaluative and forecast SROI ratios for Axis 1 and 3 support under the programme. This involved first calculating the Present Value (PV) of benefits, which involved multiplying the number of beneficiaries for each outcome by the indicator value, before reducing the outcome incidence to take account of deadweight, attribution and displacement. Annual total value figures were then calculated for outcomes lasting more than one year using compound drop-off estimates. Finally, total values were converted to Present Values by applying HM Treasury's coefficient of 0.035.

This process was repeated for each outcome with the totals then summed to arrive at the Total PV. It was then possible to calculate an initial SROI ratio that would indicate the financial return to society for every pound invested in Axis 1 and Axis 3. To arrive at the ratio the discounted value of benefits is divided by the total investment:

$$\text{SROI ratio}^{5} = \frac{\text{Present Value}}{\text{Value of Investment}}$$

In computing the SROI ratio a distinction was made between the total value of the investment (including the agreement holder's contribution or any match funding) and the value of the grant award itself (the public funding). While the former provides a clearer assessment of the return on investment of Axis 1 and 3 funding, it should be borne in mind that beneficiaries were not questioned about what their contribution would have otherwise been spent on, which would have invariably been fairly speculative. However, it is important to account for the total investment in projects under the two programmes (as the stakeholders' investment could have generated an alternative set of benefits). Total PVs for the two Axes in relation to the levels of grant and total investment is summarised in Table 3.13.

Table 3.13 Summary of total investment and benefits for the two axes (Aggregated up to England level)

Grant investment (£)	Total investment (£)	Present Value of benefits (£)	
Axis 1		**Evaluative**	**Forecast**
201,510,270	461,580,878	476,889,728	324,009,385
Axis 3		**Evaluative**	**Forecast**
223,322,724	453,123,679	979,468,930	986,645,828

[5] An alternative calculation is the net SROI ratio, which divides the Net Present Value (NPV) by the value of the inputs. The NPV is the PV minus the total value of inputs.

It is recommended that the headline ratios for reporting purposes should be those based on the return to the total investment in Axis 1 and 3 projects, and not just the grant award. The derived SROI ratios are provided in Table 3.14. The complete versions of the empirical impact maps are contained in Appendix I.

Table 3.14 includes the evaluative and forecast ratios derived over a period of five years. The decision over assigning returns on investment between evaluative (benefits have already been received) and forecast (benefits are expected) returns is based on beneficiary responses in the face-to-face interviews. Beneficiaries were asked directly, in relation to each of the outcomes explored, whether they had received benefits, and whether they expected to receive all or additional benefits over the next five years. In some cases beneficiaries had already received returns on investment, in other cases (particularly Axis 3 projects which were delayed in some instances), beneficiaries indicated future expected returns. Determination of evaluative and forecast benefits is therefore not straightforward.

In addition to the evaluative and forecast ratios a combined ratio is provided (evaluative plus the forecast ratio), and an average of the two. There is some discussion over the most appropriate approach to combining evaluative and forecast ratios and this is an area where further work could improve the robustness of the evidence from the SROI model. In certain cases addition of the two ratios is the appropriate approach for an outcome as some projects have generated some benefits up to the present and others are yet to start producing benefits in the future. In other cases an average approach might be suitable, for example, where a project has started to produce benefits and will continue to do so over the next few years.

Table 3.14: SROI ratios for Axis 1 and 3

	Axis 1		**Axis 3**	
Return on:	**Grant investment**	**Total investment**	**Grant Investment**	**Total investment**
Evaluative	2.37: 1	**1.03: 1**	4.39: 1	**2.16: 1**
Forecast	1.61: 1	**0.70: 1**	4.42: 1	**2.18: 1**
Combined (addition of the Evaluative and Forecast ratios)	3.98: 1	**1.73: 1**	8.81: 1	**4.34: 1**
Average (of the Evaluative and Forecast ratios)	1.99: 1	**0.86: 1**	4.40: 1	**2.17: 1**

Table 3.14 illustrates that both for grant investment and total investment Axis 3 produces higher ratios of return than Axis 1. For Axis 3 the difference between evaluative and

forecast ratios is small, possibly due to a higher level of forecast benefits due to delayed programme start-up. The ratio for forecast total investment under Axis 1 is negative, perhaps indicating the significant estimates of deadweight, attribution and drop-off selected, which lower the rate of return over the five year period. As a result the overall average ratio for Axis 1 returns on total investment is negative. Even under the combined estimate the ratio for total investment under Axis 1 is relatively low.

This is an area that requires further investigation: to examine in more detail some of the assumptions being made regarding beneficiary numbers and financial proxies; to explore model sensitivity; and to test the extent to which estimated returns reflect the real-world situation. Indicator values, for example, are generally lower for Axis 1 outcomes than for Axis 3. These indicators are derived from the in-depth interviews with programme beneficiaries, which was a small sample from across four regional case study areas. The scores suggest that beneficiary perceptions of existing and future returns are relatively lower for Axis 1 projects than for Axis 3 projects. This is an area requiring further examination to ascertain the reason behind the disparity, and whether it is a sampling issue, or a reflection of greater pessimism rather than a real difference in the value of the returns to society from these investments.

Sensitivity analysis

A sensitivity analysis was undertaken to check the robustness of the findings relative to the assumptions made and in turn, to examine how sensitive the ratio is to changes in key indicators and proxies. This allows a confidence range to be presented, based upon the information currently available. In order to present the most realistic and conservative case, only worst case scenarios were computed, with the initial set of ratios in the above table representing the top end of the range.

For each of the two Axes, the three outcomes with the largest Present Values (PVs) were identified and selected for inclusion in the sensitivity analysis. For each of the three outcomes identified the judgments and estimates made in arriving at their value were examined in more detail and some less favourable scenarios calculated. Parameters such as deadweight, attribution, displacement, proxy value, and stakeholder quantity were revised in order to test the sensitivity of the ratio to changes in parameter magnitude. The results of this exercise are given below in Tables 3.15 and 3.16.

Table 3.15(a) Axis 1 - Outcome 1: Improved on-farm sustainability

Element	**Existing calculation**	**Possible variations**	
Quantity (Beneficiaries)	65754		
Duration	1-5		
Financial proxy value	£7,820		
Deadweight	0.4		
Attribution	0.75	0.5	Other initiatives or programmes contribute
Displacement	0.1	0.2	Closer to project level as opposed to programme level estimates (BIS, 2009)

Drop off	0.2	0.3	The extent of drop off increases
Impact (PV)	£134.7m (EV) £128.3m (FC)	£32.3m (EV) £17.7 (FC)	
Effect on SROI ratios	1.03 (EV) 0.70 (FC)	0.89 (EV) 0.56 (FC)	-13.6% -20.0%

Table 3.15(b) Axis 1 - Outcome 2: Improved woodland access

Element	**Existing calculation**	**Possible variations**	
Quantity (Beneficiaries)	57,533	40,000	Fewer community members reached
Duration	1-5		
Financial proxy value	£3,384		Travel cost estimates of £150 per ha as opposed to £180
Deadweight	0.57	0.7	More would have happened anyway
Attribution	0.86		
Displacement	0.1		
Drop off	0.2		
Impact (PV)	£79.87m (EV) £43.3m (FC)	£32.3m (EV) £17.7m (FC)	
Effect on SROI ratios	1.03 (EV) 0.70 (FC)	0.93 (EV) 0.65 (FC)	-9.7% -7.0%

Table 3.15(c) Axis 1 - Outcome 3: Younger generation starting up and getting into business

Element	**Existing calculation**	**Possible variations**	
Quantity (Beneficiaries)	7,081	5,664	Reaching 20% less young people
Duration	1-5		
Financial proxy value	£35,420		
Deadweight	0.4		
Attribution	0.75		
Displacement	0.1	0.2	Closer to project level as opposed to programme level estimates (BIS, 2009)
Drop off	0.2	0.6	Benefits drop off over time at a faster rate
Impact (PV)	£77.1m (EV) £28.5m (FC)	£27.4m (EV) £10.3m (FC)	
Effect on SROI ratio	1.03 (EV) 0.70 (FC)	0.93 (EV) 0.66 (FC)	-9.7% -5.7%

Table 3.16 (a) Axis 3 - Outcome 1: Creation of new micro-enterprises

Element	Existing calculation	Possible variations	
Quantity (Beneficiaries)	9,766		
Duration	1-5		
Financial proxy value	£35,420	£25,000	Turnover hit by recession or other external shocks
Deadweight	0.21		
Attribution	0.8	0.5	Other initiatives or programmes having a similar effect
Displacement	0.1		
Drop off	0.7	0.8	Business failure rate increases further
Impact (PV)	£256.5m (EV) £200.3m (FC)		
Effect on SROI ratios	2.16 (EV) 2.18 (FC)	1.82 (EV) 1.91 (FC)	-15.7% -12.4%

Table 3.16 (b) Axis 3 - Outcome 2: Cross community development and regeneration

Element	Existing calculation	Possible variations	
Quantity (Beneficiaries)	22,475		
Duration	1-5	1-3	Impacts cease after year 3
Financial proxy value	£9,591		
Deadweight	0.33	0.5	Wider social changes begin to foster greater cooperation
Attribution	0.67		
Displacement	0.1	0.2	Closer to project level as opposed to programme level estimates (BIS, 2009)
Drop off			
Impact (PV)	£190.5m (EV) £182.5m (FC)	£93.9m (EV) £89.9m (FC)	
Effect on SROI ratios	2.16 (EV) 2.18 (FC)	1.95 (EV) 1.97 (FC)	-9.7% -9.6%

Table 3.16 (c) Axis 3 - Outcome 3: Improved well-being through culture, recreation and sports

Element	Existing calculation	Possible variations	
Quantity (Beneficiaries)	52,671	42,137	20% less community members reached by the programme
Duration	1-5		
Financial proxy value	£2,500		
Deadweight	0.33		
Attribution	0.67	0.45	Other well-being programmes or initiatives have an influence
Displacement	0.1		
Drop off	0.2	0.5	Impacts drop off more sharply
Impact (PV)	£106.5m (EV) £149.2m (FC)	£33.8m (EV) £47.3m (FC)	
Effect on SROI ratios	2.16 (EV) 2.18 (FC)	2.0 (EV) 1.95 (FC)	-7.4% -10.5%

Confidence ranges

Results of the sensitivity analysis indicate the extent to which we can be confident that the computed ratios will fall into a particular range. For Axis 1, the largest change in computed ratios was -14% for the evaluative and -20% for the forecast model. Likewise, in the case of Axis 3 the sensitivity analysis resulted in a largest change of -15% for the evaluative and -12% for the forecast estimates.

These results imply that it would be prudent to identify a lower end of the confidence range for the SROI ratios using these parameters, even though in a number of cases the ratios were less sensitive to changes in the estimates and values used in their computation. The resulting confidence ranges for the various ratios are given in Table 3.17 and it is recommended that these ranges are favoured over the individual ratios, for reporting purposes.

Table 3.17: Confidence ranges for Axis 1 and 3 ratios

	Axis 1		Axis 3	
Return on:	**Grant investment**	**Total investment**	**Grant Investment**	**Total investment**
Evaluative	2.03 - 2.37: 1	**0.88-1.03: 1**	3.73 - 4.39: 1	**1.84 - 2.16: 1**
Forecast	1.29 - 1.61: 1	**0.56 - 0.70: 1**	3.89 - 4.42: 1	**1.92 - 2.18: 1**
Combined (addition of the Evaluative and Forecast ratios)	3.32 - 3.98: 1	**1.44 - 1.73: 1**	7.62 - 8.81: 1	**3.76 - 4.34: 1**
Average (of the Evaluative and Forecast ratios)	1.64 – 1.99: 1	**0.72 – 0.86: 1**	3.81 – 4.40: 1	**1.88 – 2.17: 1**

3.5 Discussion of results in relation to internal and external factors influencing delivery

Axis 1

Table 3.14 implies that the ratio for evaluative impacts (i.e. those that have already occurred) is 2.37: 1 for public investment and 1.03: 1 for the total investment implying that for every £1 of public money invested in Axis 1 a return of £2.37 is generated, while for every £1 of total investment (public and private) the return is much lower at £1.03. It would be worthwhile exploring in more detail the reason for the lower return rate on total investment and the extent to which it might be the result of influences within the model (e.g. selection of proxies, identification of beneficiaries), assumptions regarding displacement and attribution, or external factors such poor investment choices during an economic recession.

The SROI impact map reveals that a large proportion of the benefits are in the form of the following outcomes:

- Improved on-farm environmental sustainability and lower carbon footprint
- Improved woodland access
- Younger generation starting up and getting into business
- Engagement of livestock industry in relation to animal health and skills
- Improvements to soil and land management practices
- Development of local capacity in value added

To a large extent the benefits reflect the levels of investment in training and advice to enhance knowledge and skills in relation to nutrient management, animal health and

welfare, which have helped improve farm sustainability and driven improvements in resource efficiency across the regions used as case study areas. The SROI suggests clear benefits in terms of outcomes from efficiency improvements which results in improved environmental sustainability (the largest present value among Axis 1 outcomes, based on an estimate of benefits from carbon sequestration). Additional benefits are attributed to improved woodland access (based on a travel cost financial proxy and large number of potential beneficiaries), and support for the younger generation starting up in business. Benefits to the livestock industry are also significant, indicating the impact of livestock programmes in the NW and SW regions in particular. Slightly lower benefit levels are indicated for outcomes such as the development of capacity in value added, which might be expected to have a higher benefit estimate but the current models are applying an indicator value of 0.34, along with a measure of deadweight of 0.4, and 0.75 for attribution, which significantly reduce the anticipated impacts of the RDPE investments.

Axis 3

The social return ratio for evaluative impacts (i.e. those that have already occurred) against total investment is 4.39: 1 for public and 2.16: 1 for total investment. This implies that every £1 invested in Axis 3 generates a return of £2.16 for impacts already identified. Forecast impacts produce a slightly lower rate of return at 2.18:1.

The SROI impact map reveals that a large proportion of the benefits are in the form of the following outcomes:

- Increase in the creation of new micro-enterprises and growth/development of new micro-enterprises; increased opportunities for employment
- Increased cross-community development and regeneration through integrated village initiatives
- Improved well-being through culture, recreation and sports
- Improved service provision in rural areas
- Improved potential of the natural and built environment as a basis for economic growth (especially through recreation and tourism)
- Improved social capital, community ties and strengthened civic engagement through greater use of community buildings and public spaces
- Improvement in tourism service provision; more effective use of ICT in tourism marketing; development of niche markets (i.e. green tourism)

This represents a mix of both economic and social benefits arising as a result of investment through the programme funding. In terms of economic benefits the results highlight the significance of new enterprise creation as a basis for achieving improvements in the rural economy. Growth and development of new micro-enterprises, and improved potential of the natural and built environment to provide a basis of economic growth are undoubtedly linked, as is the focus on improving tourism service provision. This may be partly due to case study selection as investment in both the Northwest and Southwest had a marked focus in supporting a tourism sector based on recognised quality of the local environment. But it was also apparent in the East Midlands and the East of England region where there was significant investment in improved tourism service delivery (see Section 3.2 of this report).

In terms of social impacts the improvements in service provision and social well-being clearly bring wider benefits to rural communities through healthier populations that are more likely to engage in economic and social activity. Also identified as significant are the potential gains from cross-community development which is likely to lead to integrated projects that provide wider community benefits to a larger population.

An important difference between the two Axes is the greater potential for future benefits to arise through Axis 3 in comparison to Axis 1. This relates both to the contrasting nature of the benefits, but also the fact that many Axis 3 projects had not progressed as far as those under Axis 1, at the time when this study was analysing them. Of course, one should be mindful of the fact that forecasting impacts is inherently less reliable than producing estimates based on impacts that have already taken place.

Comparison of estimated social returns from the model across Axes 1 and 3

The SROI impact maps for Axis 1 reveal that a large proportion of benefits are derived through improvements in farm efficiency, in terms of reduced inputs (energy, nutrients) and more efficient utilisation of resources (e.g. soil and water). Benefits are related in particular to outcomes concerned with reduced carbon emissions, land and water management practices, and improved efficiency over a five year period. Related to this is improved competiveness of the livestock sector and increased confidence across the agricultural sector for future investment. In the case of Axis 3 the impact maps suggest the largest benefits arise from improvements in micro-enterprise growth, building on the potential to use the local environment as a basis for economic growth, and improvements in community well-being, social capital, and service provision.

The SROI models provide estimates of benefit for the whole of England, although outcomes identified will inevitably vary across regions. Resource constraints mean that the sample data collected at regional level is limited, making it precarious to try and estimate regional-level benefits from this study. It is worth noting however, that a number of factors arising from delivery processes may have influenced the scale and scope of the benefits realised. Influential factors include those outlined below.

The impact map for Axis 1 shows that the outcome values for the livestock sector are significant, reflecting improvements to competitiveness and reduction in expenditure, through more efficient use of resources. Large amounts were invested in two areas (NW and SW) to deliver these outcomes in the form of integrated programmes providing advice, training and grant support. Benefits arising from water related projects are relatively lower (see the impact maps in Appendix 1 for the actual evaluative and forecast amounts), reflecting perhaps that investments were significant in the EM and EE regions but not in the other two case study areas examined.

Dairy modernisation does not have an outcome value associated with it, reflecting the small number of beneficiaries (confined mostly to the EM region in terms of investment) and lack of an incidence value. Under ‘added value’, returns are indicated as moderate, which may be a reflection of the financial proxies used to measure additional value to farm outputs, which are relatively conservative (note that ‘adding value’ only applies to farms and not to other rural businesses).

Forestry illustrates a relatively high level of benefits associated with improved access to woodland and carbon sequestration, but relatively low levels of value associated with

improvements in the wood supply chain. This reflects the high value associated with access (as measured using a proxy related to Travel Cost Methods for forests with low levels of facilities and assumptions about the number of households potentially benefiting), and relatively low levels of investment in woodfuel supply chains that was focused in only a small number of areas (thus there were low numbers of beneficiaries).

Outcomes from training (and skills development) are difficult to ascertain given the wide range of training and support provided, and the multiple ways in which the benefits might manifest themselves (e.g. through improvements in farming, resource use, competitiveness, confidence, etc.). Some benefits will have been captured through the high value outcomes arising from the integrated livestock programmes, and some captured through the relatively lower levels of outcomes in terms of improved confidence (although this is also affected by the state of the economy and market forces), farmers becoming more progressive, and improvements in farm products. Investment in training was high in three out of the four case study areas examined.

A comparison of investment and outcomes for Axis 3 reveals that the highest values appear in relation to support for growth of micro-enterprise and for community support (see the impact maps in Appendix 1 for the actual numerical values). The first issue to note is that there significant levels of benefits across both the economic outcomes and the social outcomes, suggesting a broader spread of benefits than under Axis 1. The outcome based on investment in social and community initiatives is related to large numbers of potential beneficiaries based on assumptions about the number of people in rural communities who volunteer, number of hours volunteered and the proxy of an hourly rate to measure value. The indicated number of beneficiaries may be an underestimate for the whole of England. Although investment in this category of project funding is relatively low in the four case study areas examined, the high level of outcome benefits predicted by the SROI models is supported by the qualitative interviews with project beneficiaries and programme delivery personnel, which both suggest significant impacts in terms of developing social capital and building confidence and skills among local communities.

The other key area where high level outcome values are indicated is in ‘tourism service provision’. In the case of tourism, all regions examined invested heavily in supporting tourism developments, from individual businesses up to large-scale projects with regional impacts. Although potential beneficiary numbers are relatively low, the financial proxy utilised suggests significant benefits per business supported, which accounts for the relatively high value of outcome.

Outcome values linked to support for rural micro-businesses and training are also indicated as relatively low. In terms of training there was less investment under Axis 3 than under Axis 1, and consequently fewer beneficiaries. There is also the same problem as encountered under Axis 1 of trying to isolate the effects of training into single outcomes or a small number of outcomes. Although investment in micro-businesses was significant in the NW and SW regions it was less important in the EM and EE where on average, projects were larger in financial terms and there was proportionally less support for small micro-businesses.

SROI model construction

The present value of benefits indicated on the impact map is clearly influenced firstly by the assumptions made by the model, and secondly by some of the processes affecting delivery in the regions (as suggested above). This section will address some of the factors within the model influencing benefit measures, the effects of delivery processes will be discussed below. In respect of benefit measures, the model is heavily influenced by the following issues.

Outcomes developed during Phase 1 of the study.

These are based on what is termed 'programme theory' developed through analysis of programme documents and interviews with regional delivery personnel. The determination and description of outcomes clearly affects the indicator selected for measuring the outcome. If outcomes are determined in a different manner then there is potential for a different measure of benefits to be calculated.

Selection of financial proxies.

The selection of financial proxies clearly affects the scale of benefits computed. In some cases it is possible to choose from a range of proxies, while in other cases it might be difficult to find any measure that relates to a particular outcome. In all cases it is important to bear in mind that the model is producing a 'social' return on investment (i.e. a return to society at large) and not merely an economic return to an individual. Financial proxies are thus selected to be indicative of broad outcomes and not to measure individual project outputs (e.g. creation of employment). Under Axis 1, the selection of total (variable) input costs per farm per annum as a proxy to indicate cost savings results in a large total annual value produced for the outcome in row 1 of the impact map. The outcome is related to 'greater consideration of on-farm resource use by farmers; reduced input costs through improved resource use; more efficient management of on-farm resources including energy, water, air and non-organic wastes'. This is a wide-ranging category of benefit which mirrors the scale of proxy selected, but in future it might make sense to explore ways to break this down into separate elements of benefit, each with its own financial proxy. In another example, under Axis 3, the average hourly voluntary rate is used as a financial proxy to measure the increase in community development and regeneration. The social benefits of community regeneration are not easy to measure; this proxy tries to give an indication through the payment for volunteer time. Selecting a lower hourly wage rate, or an alternative measure of the value of regeneration will clearly affect the benefit estimates.

Identification of beneficiaries and estimation of beneficiary numbers

Estimating the number and type of beneficiaries can be difficult. The models presented here have taken a relatively simple approach by using broad categories of beneficiary. A range of approaches has been utilised. Where specific data are available (e.g. for the number of veterinary services, numbers attending a training course), beneficiary numbers have been estimated utilising that data, but modified either through use of Defra data sources, or through calculations of the potential numbers actually benefiting from actions under one of the types of programme measure (Axis 1 or 3).

Where specific data has not been available, the concept of programme 'reach' has been utilised: based on the proportion of agricultural holdings receiving grant funding under Axis 1; and the proportion of rural micro-businesses receiving grant funding under Axis 3. It may be possible to obtain more precise estimates through a finer grain identification of beneficiary types linked to a wider range of proxies, depending on how they benefit from a particular project investment (e.g. through direct personal benefit or through indirect effects such as having better access to local leisure facilities, or enhanced potential to undertake training).

Indicator values

Indicator values are derived from empirical estimates of the extent to which different categories of beneficiary are actually affected by the programme or type of investment under consideration. The indicator values in the impact maps in Appendix 1 are drawn from the Phase 2 beneficiary questionnaires and validated through insights of programme delivery personnel in the case study areas. The values indicate the *scale or extent* of impact and clearly affect the overall total value of benefits, as in some cases (particularly under Axis 1), the indicator values are as low as 0.28 suggesting, in effect, that only just over one quarter of beneficiaries are benefiting.

Deadweight, attribution and displacement

Under the present study attempts were made through the Phase 2 interviews to estimate deadweight, attribution and displacement. Most operational personnel interviewees were able to assign some score to deadweight and attribution, providing what is considered to be reasonably reliable but conservative estimates. Interviewees found it much more difficult to assess the level of potential displacement therefore a standard 5% value was used across all projects. This was based on Phase 2 interviews with beneficiaries and programme delivery personnel that emphasised the careful nature of project approval that had taken the potential for displacement into account. The scores utilised in the impact maps thus reflect a conservative approach to estimating the benefits.

Integrated programming

Large-scale integrated programmes for livestock funded under Axis 1 in the NW and SW regions linked training, advice, and management planning (animal health/welfare, nutrients, resource efficiency) with grant support. This had the effect of ensuring those receiving grants were benefiting from knowledge exchange and improved skills. At the same time it ensured that grant support was linked into a clear farm management plan making benefits much more likely to occur. In the EE region attention focused much more on water use, in particular more efficient irrigation and storage. Large scale projects ensured that outcomes went beyond individuals to benefit wider communities and the environment.

Wood fuel investments are another interesting area where attempts at integrated development through focusing on the whole supply chain suggested that benefits could be enhanced. In the NW region it was clear that other policies (e.g. tourism) were helping drive the demand for biomass and thus a programme that could support different elements in the supply chain (woodland owners, contractors, suppliers, and those purchasing biomass boilers) could result in more effective investment. However, some

regions suggested that not all elements in the supply chain could be supported, holding back the level of development, while in the EE region there was concern that despite a supply chain focus a reliance on support to micro-enterprises might not be enough to secure market stability.

Large scale investment

In the EM and EE regions, large-scale investment in crop storage provided evidence of the multiple benefits that could be developed from considering shared infrastructure provision. The evidence from the case study areas suggests that regional scale investment can result in improved sales and marketing, reductions in energy, more efficient utilisation of on-farm space (freed from the necessity for on-site storage), and environmental improvements through energy efficiency, reduced transport and decreased carbon emissions. Under Axis 3 similar scope for multiple benefits could be seen where large scale projects had been supported. In the NW region, for example, grant investment of around £0.5 million in a floating jetty has resulted in a huge stimulus to the local economy, influencing not just private sector investment but also the way local authorities and others think about future development. It is not clear that the multiple benefits generated by large-scale projects have been adequately captured by the model. In some cases the benefits are captured through various outcomes listed in the impact maps, but the innovative and catalytic effects may not be adequately represented.

Local knowledge

At the local level, LAGs were able to utilise local knowledge to ensure that Axis 3 projects in particular would provide a valid contribution to the local economy and society. Detailed knowledge also helped reduce the potential for displacement as facilitators tended to have a good understanding of the existing level of different types of economic activity (e.g. breweries, egg production, tourist accommodation). This is not to say that there have been no project failures (or potential failures), but the evidence from the case studies suggests that such failure has been minimised.

Application processes

There is a suggestion that some applicants found the application processes difficult, and this may have resulted in reduced numbers of applications. In most cases this related to potential beneficiaries with little previous experience of applying for grant funding. There are also suggestions that the RDP did not deal effectively with social exclusion, and many of those benefiting were 'the usual suspects' (i.e. those organisations/individuals familiar with grant applications or with the knowledge and skills to make good applications). LAGs in particular suggested they were under-resourced and not able to provide the level of facilitation required to attract the more excluded groups.

Timing

All of the case study areas exhibited signs of problems linked to a limited time for delivery. In the NW and SW regions a lot of time was taken during the first two years of the programme in consulting and designing programmes. The result was limited delivery time for such programmes, before the delivery system was changed and processes were centralised by Defra. In the EM and EE regions it took a long time to establish LAGs and get them operational. In some cases programmes were only just reaching key delivery

stages when everything had to stop and be re-organised. Although the key delivery staff in many cases remained the same, the change in focus and internal mechanisms clearly had detrimental effects on delivery, resulting in potentially a lower level of outcomes and benefits being delivered as a result of reorganisation.

4. RDP Delivery and Performance

The material in this section, which draws heavily upon the Phase 2 interviews with stakeholders and delivery agents in the four regional case study areas, is organized around some of the key themes specifically mentioned in the project technical specification prepared by Defra:

a) capturing the range of benefits achieved from spending – social, economic and environmental;
b) analysis of targeting, project design and delivery characteristics, with the aim of identifying optimal approaches;
c) examining stakeholder experience and opinions concerning RDP performance and alternative options.

It should be remembered that the term 'interviewees' refers to the range of stakeholders interviewed within each case study area. The terms 'beneficiary' and 'operational personnel' are used to differentiate the views of those stakeholders benefiting directly from public investment, from the views of those involved in programme implementation or delivery. Beneficiaries are those stakeholders actually receiving some form of support (e.g. training, advice, grants); operational personnel are those involved in implementation and delivery.

The reader is reminded that the SROI is not a measure by measure approach but an evaluation of a range of stated and identified outcomes delivered through an array of investments, some of which overlap and support each other, and which vary between regions. It is not the aim of the approach to draw out and summarise the impacts by RDP measure, this can easily be done elsewhere using the RoD information from Defra along with information on project outputs. The focus of the SROI is to enable all *outcomes* to be measured using a single scale – that of monetary value – in order to explore the relative significance of the different outcomes, based on where, and to whom, they accrue.

4.1 Axis 1: Range of benefits achieved

The value of large-scale funding packages and projects

Overall, the most positive assessment of benefits from RDP socio-economic funding has been in respect of the larger, integrated projects which were put together in the first years of RDA delivery and were operational from around 2009 to 2011. Some have continued since the move to a nationally consistent approach by adapting to deliver their aims through the new Defra-designed grant vehicles; some have continued only with contracts that were already in place, while others have been wound up.

In the NW region the North West Livestock programme (NWLP) provided advice, support and small-scale grant funding to improve animal health and welfare, resource efficiency and nutrient management. Take-up has been high and widespread (with no particular geographic targeting) but with a focus on dairy farming, while the beef and sheep

sectors have been less engaged. Interviewees indicate the NWLP's role in improving competitiveness as the most successful element of the RDP in the North West. Farmers helped to design the programme and its delivery; it had short rounds of grant funding, and over 1,000 farmers in Cumbria alone signed up to the network for knowledge exchange, skills development and action planning. Information on the NWLP website suggests that by late 2012, a total of 324 on-farm events and meetings had been held with 7,492 people in attendance and reaching an estimated 3,556 farmers across the region. In addition, a major focus on KE in the programme has resulted in improved business management (greater understanding of priorities), and much better appreciation of farming issues among veterinarians (who also received NWLP training).

There is evidence from interviewees that the KE element of the NWLP has had significant reach into the farming community. One training delivery body suggested that up to 60% of farmers in Cumbria will have attended one or more events over the programme period. Evidence also indicates that farmers in Cumbria are changing management practices, particularly in relation to grassland (to decrease compaction), and testing soils before applying fertilizer. The issue of diffuse pollution has also been addressed through training linked to grassland management and maize production, and training providers suggest it is changing behaviour. Nutrient management is reported to have improved as a large number of farmers are using soil sampling and have undertaken management plans; pollution and fertilizer issues have also been well covered. There has been an increase in number of farmers with improved understanding of animal disease and nutrition, which should result in cost savings through more effective use of preventative medicine, and higher income from stock sales (but no firm evidence exists on the number of farmers actually making these improvements). Farmers have also benefited from improved understanding of soil quality, the need for aeration, and for soil testing. Interviewees reported that the impact of KE and investments are likely to be long-lasting as many farmers have planned developments over a ten-year period. The stimulation to businesses in the livestock sector is likely to encourage enthusiasm and bring younger farmers into the sector. This possibility is supported by training delivery bodies who also suggest that the approach has resulted in more 'young' farmers undertaking training than the older generation.

One problem that had to be overcome by NWLP was a lack of interest and a belief by farmers that they don't need training. The view was expressed that you have to disguise training as something else. Rather than talk about training to a farmer you should 'talk about qualifications that will help them get the best results and increase value'. The issue, as one delivery agent put it, was to do with getting the attention of the farmer:

> *"...the availability of a grant for capital equipment was a helpful incentive when the project first started. Farmers were not eligible for the grant unless they had undertaken the training and had the farm visit. This was very useful in getting across the farm gate to begin with. Once the farmers had had the visit they were very positive about the value of the advice, but it's getting the first contact that is always difficult."*

> *"The potential for a grant is very helpful in attracting interest from farmers...often it is only after a farmer has taken part that they say how valuable the experience has been and it was something that they usually would not undertake." (operational personnel interview, agriculture)*

In the South West Region, the South West Healthy Livestock Initiative (SWHLI) and SWARM were a major focus for funding during the first phase of the RDPE. The general interviewee consensus is that the impact of SWHLI has been positive and animal health is improving across the SW. It was suggested that that the success of SWHLI is partly down to its practical design and effectiveness at farm level. It was suggested that the initiative was well-designed because of wide consultation at the beginning to understand the needs of the livestock industry. Interviewees at regional level, however, did note that most evidence is anecdotal because there has been no independent evaluation of the project. Interviewees suggested that the project has caught the imagination of farmers and it has changed the way farmers view veterinarians, from being a threat to becoming a partner. A question that remains unanswered is whether the farmers who have been directly involved have been able to spread the word, or whether there is just a nucleus of progressive and engaged farmers. Beneficiary interviewees held the project in high regard in terms of knowledge transfer and improving their farm businesses.

Interviewees indicate that the impacts, in terms of economic benefits, will take time to be seen but the expectation from all those interviewed is that there will be cost savings from reduced veterinary and medicine costs, increased fertility leading to increased efficiency and livestock sales, improved quality of finished livestock, and improved prices through having healthy livestock status. In addition SWHLI has established a very successful network including farmers, vets, and delivery bodies.

The South West Agricultural Resource Management (SWARM) project focused on improving the efficiency of resource use. The overall impression from interviews is that SWARM has been a success in terms of raising awareness of resource issues and how they impact on the profitability of farm businesses. Approximately 2,500 to 3,000 farm visits have been undertaken with some degree of overlap between Soils for Profit and Resources for Farmers, resulting in around 1,000 working farm grants. As the programme only operated for two and half years it was reckoned to be reasonably successful in achieving this level of delivery. Interviewees also indicated that, by linking the advisory knowledge transfer/training elements (which are designed to show farmers how they can improve their situation and to change behaviour) with resources to help them implement the recommendations, a greater and more lasting impact was achieved.

In Lincolnshire in the EM region, the main interest under Measure 121 (modernization of agricultural holdings) was for livestock-type farm investments. For example, a large number of dairy modernizations were funded. This funding has reportedly led to better animal health and welfare outcomes and resource efficiency outcomes than if the farmers were just doing enough to stay in dairying. Under this Measure, EMDA had also wanted to support anaerobic digesters (AD) and renewable energy projects, but as a result of increased benefits being brought forward under renewable energy schemes, the RDPE was not the best place to provide private sector funding and therefore the programme re-focussed on other issues. One successful project was an AD plant and water recycling facility for grassland and potatoes at Branston Ltd, a farmer-controlled business with approximately two hundred members. Respondents also reported that although many farmers expressed interest in investing in AD it was viewed as a high-risk investment.

One of the largest recognised outcomes of the programme in the region was adding value to products under Measure 123 (Adding value to agricultural and forestry products). Ten large added-value projects have been funded and are considered to

have had a significant regional impact. These tended to focus on strategic projects, in particular, with benefit for the future, as they are changing farmers' mindsets. They include, for example:

- expansion of a farmer-controlled dairy business;
- development of an abattoir with a group of farmers coming together to create a supply chain and export products; and,
- development of large, collaborative central grain storage, quality control, distribution, and marketing such as Woldgrain and CamGrain.

One interviewee indicated that a good proportion of the projects funded under this measure would not have happened without the risk reduction, incentives, and support that were offered by the RDPE. For example, with the collaborative grain stores, it would have been difficult to persuade farmers to invest significant sums of money in fixed equipment located off their farms, when they had no direct control over it, and had to share it with people not known to them. Some smaller businesses were also supported under this measure, helping their businesses to expand into new products and to develop at a faster rate than they would have done without support.

Fewer projects were funded under Measure 125 and these tended to be smaller-scale projects that included many on-farm investments for the construction of water storage reservoirs, and the associated infrastructure and application equipment for crop irrigation. Beneficiaries interviewed indicated that some of these infrastructure projects may have happened in the future, but over a much longer timeframe, if there had been no RDPE grants.

As the region had no previous small grant scheme under the RIP for farming (there was one for forestry) in the first phase of RDPE, the industry reportedly 'grabbed hold' of the opportunity for funding under FFIS once a nationally consistent programme had been established, and both rounds received a large number of applications from this region. The funding of GPS equipment was particularly popular, as well as funding for equipment to improve energy efficiency and water management. Beneficiaries interviewed indicated that some of these capital investments may have happened anyway in the future, but over a longer time-frame. Non-beneficiary interviewees suggested that many of those who applied had been thinking about investing in the equipment and took the opportunity to apply for grant-funding whilst it was available.

Generally, the view was expressed in Lincolnshire that RDP funding had led to improved resource efficiency, particularly relating to reductions in energy and water usage. In most Axis 1 and 3 projects there was an expectation that waste minimisation, and resource efficient water recycling activities would be included. For example, funding was applied to low energy appliances, ground source heating, and thermal screens. In addition, all building projects required BREEAM achievement, or at least the 'code for sustainable homes' equivalent.

In Norfolk and Suffolk in the East of England region, the level of grant received by interviewed beneficiaries under Axis 1 ranged from £875 to just under £4 million. The short- and long-term impact of Axis 1 projects was perceived to be very variable with the short-term impact being more commonly identified than longer-term impacts. Many grants had an instant impact, especially for start-up businesses where the grant was for equipment or infrastructure.

One of the most successful project types delivering long-term benefits was for water storage reservoirs, reflecting the perceived regional importance placed on improving water supply for agriculture. A total of 11 reservoirs have either been completed, approved, or are waiting approval under the REG, illustrating that the REG was able to recognize and fulfill locally important needs. In an area with severe summer water shortages, these reservoirs are charged during the winter months and the water used for irrigation in the summer. Their use is generating a sustainable water supply for agriculture, helping to secure food and supply chains in the long term, displacing imports and creating an export market for some produce. Usually, they are collaborative ventures thus benefiting more than one producer. A number of other water-related projects, concerned with modernising irrigation systems on farms, were also supported, for example: replacing shallow wells with boreholes and replacing diesel driven pumps with electric variable pumps. Beneficiaries report that these have secured the farming business in the long term through making more efficient use of water and energy. In addition some farmers have also been able to sell water to neighboring farmers, which in turn has either secured or increased their farm outputs. This has been particularly important in the East Broads as improvements in the reliability of water supplies have enabled the extension of the salad crop growing season well into the autumn, which in turn has reduced imports from Spain with the added benefits that come with reduced transport impacts. Other farmers have benefited from way-leave payments for the supply crossing their land. By abstracting from the chalk aquifer, rather than sub-surface groundwater, they have in places also helped to secure areas of wetland biodiversity.

Beneficiaries reported that individual modernization of irrigation equipment would in some cases have happened anyway (i.e. without the RDP), but at a slower pace and on a smaller scale. Beneficiaries commented that the main impact was securing their business and markets, again helping to reduce operating costs and imports rather than helping them develop new markets. Savings in manpower and energy use were considerable, helping to bring about management changes and freeing-up time for other activities. Construction of winter storage reservoirs would not have happened without Axis 1 funding, as the capital outlay was high and it would have been difficult to achieve the farmer collaboration without the stimulus of grant aid.

Drivers for irrigation projects have been:

1. Climate change proofing, securing sustainable water supplies either from deep boreholes or reservoirs that are filled from ditches during the winter months when there is an excess of water.
2. Replacing shallow wells with deep boreholes or reservoir. Shallow wells have increasingly failing water supplies and abstraction can interfere with sub-surface groundwater levels (boreholes are in the deeper chalk aquifer) and there has been pressure from the EA to withdraw abstraction licenses from such wells.
3. Replacing inefficient and unreliable diesel powered pumps with variable electric pumps that react to demand and require less labour.
4. Dependable irrigation has both secured irrigated crop production and increase the area and output of irrigable crops, extending the season, especially in autumn. This reduces imports of salad and potato crops and has established an export market for some specialist crops, e.g. herbs.

The EE region tended to have fewer, but larger, projects than the other regions. One example of a very large scale Axis I project is Camgrain, a mutual co-operative of 400

arable farmers (500 farm businesses). Although located in Cambridgeshire, the project was covered in this study because the grant, of £3.968 million, helped to fund a vendor-guaranteed wheat storage and marketing project of just over £12 million. This project brought about a strategic change in the grain storage sector with the construction of a state-of-the-art advanced grain processing centre, which has produced a wide range of tangible and intangible long-term benefits both to the farmer members, customers, strategic supply chains and the environment across the region. Sainsbury's bakeries now source all of their wheat from Camgrain, eliminating the 15,000 tonnes once imported from Canada, with an average food mile saving of 4,295 miles per tonne. Carbon savings from the project have achieved their target of 1,000 tonnes per annum. This has been achieved through new, efficient grain driers, economies of scale and a significant reduction in transport because of efficient logistics and a zero rejection rate of lorry deliveries against an industry average of 7-8%[6].

In many ways the Camgrain project is unique, particularly in terms of the scale and the numbers of farmers benefiting across the region. The scale of benefits was only recognised through an independent evaluation of the project carried out by external consultants. In other ways, Camgrain is indicative of what can be achieved through large 'regional' scale investments (at least two other examples of large scale investments were picked up in this work, related to waterfront development and anaerobic digestion) and the catalytic, 'knock-on' or indirect effects of such projects need to be carefully assessed.

The Camgrain project created 36 FTE jobs and an unquantified number of indirect jobs. Spin-off benefits include farm diversification on some members' farms where redundant grain stores have been put to alternative uses or sites sold and cleared for redevelopment. Without the grant, Camgrain would have remained a regional business rather than the national business it now is. A project of this magnitude required considerable input from EEDA and Defra at the highest levels because of cost and the strategic national benefits it has provided.

The training partnership in Eastern Region delivered 22,983 days of training to 4,800 higher level trainees and 13,100 days to 6,060 vocational trainees over a three and a half year period. This represented a 107% increase in the number of training days and a 210% increase in the number of unique trainees at a cost of 42%, contracted by EEDA. The Landskills East programme completion report[7] (2013) identifies a total of 8,917 unique trainees (or 30% of the region's full time agricultural workforce) attending 37,223 training days (at a training level of 4 or above). The majority of those benefiting were from Norfolk, Suffolk and Cambridgeshire. In Norfolk it is estimated that almost 50% of

[6] The SROI, as currently developed, has not captured the full range of direct and indirect benefits put forward by an independent external evaluation of this project. The SROI is capturing environmental benefits of energy reduction through financial proxies measuring the outcomes of improved efficiency and lower carbon footprint. These outcomes are assigned to estimated numbers of beneficiaries under each Axis. In this case the beneficiaries of the Camgrain project will have been included in the SROI accounting, but only using the average estimates of efficiency improvements applied across the whole sector by the model, which may not capture, for example, the specific savings from reduced transport costs delivered by this particular project. A more advanced iteration of the SROI model could incorporate the environmental benefits from large-scale regional projects by using detailed project evaluations which could then be utilised to modify the anticipated impacts of an outcome and/or the financial proxy.

[7] Mack, M. (2013) Landskills East Programme Completion Report, Newmarket, Suffolk.

the full time agricultural workforce received training and in Suffolk almost 40%. A significant number of trainees were between 22 and 34 years of age and a demand for higher level training was noted for those in their early twenties. In addition a total of 80 training providers received training themselves over the programme period.

Woodland management and woodfuels

Woodland management varied both within and across the regions depending on prior experience, local area objectives, and existence of suitable woodland. In the NW region woodland management efforts were almost entirely focused on Cumbria and Merseyside. Regional delivery staff indicated some areas of strength, particularly in woodfuel and rural economic infrastructure, both of which were improved. In Cumbria there has been a significant increase in woodland management due to increased demand for wood fuel, which has also resulted in new business start-ups. Impacts have been felt through the supply chain based on increasing demand for biomass boilers within the tourism industry (due to increasing energy costs and a desire on the part of tourism providers to be seen as more sustainable). There was some suggestion that the drive towards sustainability was being driven by county and regional level tourism policies, and that indirectly this was increasing demand for wood fuel and biomass boilers.

In the SW, interviewees indicated that the RDA was 'ahead of the game' compared with other regions because it had allocated 'single pot' funds for the development of the wood fuel economy prior to the beginning of the RDPE. The scheme was called Woodland Renaissance, which had recognised early on that wood fuel could be very beneficial in terms of woodland management and supporting a market. This meant that a lot of the networks were already in place (FC, NGOs such as woodland trusts, commercial companies, farmers/woodland owners and foresters). Under the RDPE the Silvanus Trust acted as the accountable body and £1 million was put into the project by the RDA. Interviewees report this was the reason the project got off the ground quicker than expected. Opportunities and constraints linked to the development of a wood fuel market were recognised early on and there was a lot of understanding of where the market was failing before the RDPE started. As a result there has been successful investment in woodland management and the grants for improving equipment are helping to improve business efficiency and woodland management. The grants for chippers are identified as being very successful and a lot of woodland contracting businesses have increased their capacity through the grants. Investment in wood fuel boilers, which will increase the demand for wood fuel, is also identified as a successful strategy.

Forestry is a small industry in the East Midlands region with many under-capitalised businesses that are unable to afford large grants. As a result the programme supported a forestry micro-enterprise scheme worth £0.24 million and which funded 21 projects in the region under Axis 1 and 3. It was suggested that the MEG (Micro-Enterprise Grant) had helped to increase the capacity and efficiency of the forestry businesses in the region, mainly through the funding of equipment, resulting in more woodland management, a positive impact on biodiversity and habitats, and improved business productivity. Projects funded included log splitters and low-impact harvesting machines. There was also some support for farm diversification into forestry and the development of firewood businesses. During the programme period there was an increase in demand for biomass and a number of greenhouse biomass heating projects were supported.

The MEG was replaced by FFIS but this received virtually no applications from the forestry sectors. One reason, suggested by one respondent, is that less support is available to facilitate FFIS. The respondent noted that forest landowners and other stakeholders are particularly difficult to engage with, as they tend to be insular, not easy to reach, and many are not computer literate; also, that under MEG the FC was able to set up a series of seminars and do some handholding through the application process, but this did not occur under FFIS (note, these views have not been verified with the FC).

In Norfolk and Suffolk in the East of England region, the Woodfuels East programme supported a total of 90 micro-businesses. These included start-up support for 20 micro-enterprises, most of which would not have started without this intervention and the programme helped 70 micro-enterprises to develop and grow. It has turned what was considered a waste product into woodchip, a valuable commodity that reduces demand on fossil fuels. The programme is reported as being successful in developing a sustainable supply chain, establishing small businesses involved in woodland management and abstraction, processing of wood into chips or logs, and developing sales and distribution of woodfuel and woodfuel specialist heating system installation, whilst at the same time promoting better woodland management and biodiversity. The focus has been almost exclusively on establishing a wood fuel supply chain, with support to micro-enterprises representing all aspects of the chain. Additional benefits include better management of woodlands (particularly small ones), which is also helped by deer control from the venison project (the Wild Venison project is supported by the Forestry Commission), aimed at encouraging better woodland management and securing incomes through the processing and marketing of culled deer.

Interviewees point out that there now exists a supply chain that was not there before – and the key was to engage with woodfuel boiler/stove fitters and suppliers as well as others in the supply chain. The evidence suggests that the impact of the investment is positive but as it is based on many one-person micro-enterprises the supply chain is still viewed as potentially unstable. Woodfuels East is confident of a growing demand for woodfuel in these two counties, which are among the least wooded in England, but the regional-scale impacts are less clear.

In sum, it appears that particularly in the initial phase of Regional Implementation Plans, the programme gave a significant stimulus to the development of woodfuel supply chains and to enhanced woodland management, in several regions.

4.2 Axis 3: Range of benefits achieved

The value of local knowledge networks and personal engagement in the delivery process

In Cumbria, operational personnel interviewed at regional level suggest significant support for rural business and diversification, in particular through ‘underpinning younger peoples’ businesses and new businesses’. Interviewees suggest the RDPE was ‘game-changing’ for farm businesses receiving funding support for modernization. They report that the recession influenced the nature of schemes by reducing the number of

applications for large-scale business development, and increasing the number of applications for tourism grants. This may be a local effect related to the significance of tourism in the local economy in the Lake District National Park.

Regional level interviewees (i.e. delivery personnel) also suggest that a 'fair amount' of rural development would have occurred without RDPE support as "many businesses were profitable and could probably afford to expand", although this may not have been the case after the recession started. In terms of displacement the interviewees generally felt this did not occur as the issue was taken seriously by delivery bodies and a wide range of advice was sought when setting up projects to avoid displacement. The regional view also was that there was little or no stimulus from other funding sources due to the manner in which other EU schemes were managed, and the potential to link with ERDF and ESF was not developed.

In Cumbria, the LAGs played a key role in delivery of Axis 3. Interviewees report a range of benefits from this, including an increase in human capital and levels of trust, and more willingness to collaborate but not among all communities, and not necessarily through formal arrangements. There are suggestions that the recession has played a role in forcing people to become more reliant on each other, but also, a perception that increasing cooperation comes from '…putting opportunities in front of people so they realize they need to work together'. One LAG expressed it as follows:

> *"Just dangling money in front of people doesn't change them – changes only come over time from working with them." (Non-beneficiary interview, Cumbria LAG)*

LAGs indicated there had been improvements in value-added particularly by making connections within and throughout the supply chain (e.g. eggs, wood fuel). LAGs also used the 'fair and local' approach to 'badging' products in order to help re-invigorate the local food supply chain.

RDPE beneficiaries reported that their business confidence improved by going through the application process and receiving support from the LAG. The majority of programme beneficiaries expressed improved business confidence as a result of the experience; those going through the process said they had, "come out wiser about their business". LAGs also felt they had improved confidence in the county through activities such as 'speed dating' where individuals talk to each other and find out about each other's businesses – and report that in some cases it even led to some people buying goods and services from each other 'there and then' at the event.

At community level, LAGs also supported improvements in livelihoods of local people through creation of jobs and support for continued provision of services where the local council or private sector have pulled out. One community organisation operating in a peripheral location commented:

> *"We have tried to re-balance from public service delivery to community service delivery." (Community organization beneficiary, Cumbria)*

Another focus has been on the provision of multi-functional space. Rather than just supporting provision of a village hall, the LAGs have provided for community hall-type

'facilitators' who enable activities to take place and bring in an income to make a community building sustainable.

> *"…quality of life actions have allowed us to stand still in a recession." (Cumbria LAG)*

The range of impacts is bound to vary but evidence from Cumbria illustrates that some projects can have significant impacts across large areas. Size is not always the most important factor, it is more a case of how a project is tailored to fit into an area and fulfill a set of needs, or satisfy latent demand. The recent floating jetty development on Lake Windermere, for example, is having a catalytic effect on tourism in the wider area through altering the perceptions of both local authorities and local service providers of what is possible with new technologies. The extent of the impact on local authority and private sector thinking about what changes could be achieved, was unexpected by those undertaking the investment. In a different way, a much small project (in terms of level of investment), the new wild play area (woodland recreation) at Whinlatter has reversed the visitor decline to a forest centre and is providing benefits not just to local visitors and outsiders but also to schools in a wide area that bring children from across the ability spectrum to use the facilities. This suggests that investments don't have to be huge to have a large impact, if they fulfill a need, or a gap in local/regional provision. For example, another project (in south Lancashire) creating a fishing lake for the disabled, is much smaller in scale but due to its location near population centres, and the lack of any alternative facilities for disabled people in the wider area, is also having a transformational effect in terms of the manner in which it is delivering social benefits.

In the South West, SWRDA built on the experience of an Objective One programme that had established a facilitation service for primary end and food sectors to help them to understand what the adding-value opportunities were, and to develop projects so that applications weren't entirely speculative. The SW rural enterprise gateway (REG), which was the regional level rural branding of Business Link known and accepted by the farming sector, was utilized as an entry point. Business Link suppliers were contracted through Peninsular Enterprise who sub-contracted Great Western Enterprise which covered the rest of SW to deliver an enhanced IDB, Business Link service. The rationale for the facilitation service was that under the old ERDP programme (2000-2006), the fall-out rate was close to 50% and many applications had been rejected because of the gap between what the programme was trying to achieve and what the client or consultants thought was wanted. During the period that SWRDA was responsible for RDPE delivery there was a similar success ratio to that of Objective 1, with around 80%+ success. Applicants were not always successful at first but an appraisal often resulted in fine-tuning and later success. Examples include the following.

- A dairy processing business in Cornwall is reported as doubling the number of suppliers, pays more for milk, is extending contracts with retail outlets, and is now supplying clotted cream to the food industry. It was a dairy farm and is now one of the major milk processors in Cornwall. They are offering a local outlet for Cornish milk which would otherwise have headed out of the county in a tanker.
- A large abattoir in the Forest of Dean has relocated onto a bespoke site from two different locations. It is a major job creator and opened up new markets for the company and its suppliers.

- A vineyard in Cornwall is looking to create full-time, year-round employment for up to 12 people. Grapes are grown and processed in county, value comes back to the local area and employment is created.

Tourism support in Cornwall was undertaken in a slightly different manner. An industry group came together led by SW Tourism with £15 million available to invest in the tourism sector and wanted it to have a regional scale impact. Initial discussions focused on whether to have a grant scheme to upgrade local accommodation (e.g. B&Bs), create more accommodation, or whether to invest in the large 'attractors', (i.e. the reason that people come to the SW for a holiday). The consensus was that it was better value for money to invest in the attractors, which would generate demand for other facilities. This was backed up by evidence from previous research undertaken by the Tourist Board on the need for better quality bed space. A competition was run, which generated 50 outline applications of which only 6 were finally supported. These projects were selected in part because they pledged to work collaboratively with each other, and the World Heritage site partnership has helped the six projects to promote themselves through a common platform.

Another area where the SW region is different from the rest of country is in its focus on social and community enterprises, with a desire to support rural service projects which go beyond just requiring a public sector subsidy. RDPE funding has been used where a grant would help to move a community or social enterprise beyond the need to rely on public sector support. Interviewees reported that in 2008 it was clear that public funding was going to be tight and that some projects would need a 'drip feed' of subsidy. The region tried to use the RDP support to explore the practicality of village shop or village hall committees, to help them to put together a business model that would become largely self-sustaining. The network of Rural Community councils was consulted and a facilitation service, called CASE, resulted. This led to the development and submission of a number of projects that addressed rural service provision. Inevitably some of those that came through weren't successful, were not viable, or were just aspirational. Overall, interviewees considered it was a worthwhile intervention. It showed that there is an appetite for a community business approach to the provision of rural services. What it does not do is to provide universal access to rural services, and the profile of the communities involved reveals that they were either larger communities, small towns or more aspirational communities with retired lawyers and accountants, or where the city commuters lived. Thus the approach did not address social exclusion issues, in particular.

A strong focus on regional tourism and identity

In the EM region, LAGs played a smaller role in RDPE delivery. Measure 311 Farm diversification was mainly delivered by EMDA with some funding going through the LAGs. Under this measure the programme funded many tourism-related farm diversification activities, including farm B&Bs, campsites, farm shops and cafes. In Lincolnshire, holiday cottages were popular although delivery personnel that were interviewed suggested that the demand for these is now saturated. Whether or note there were higher levels of displacement are not known as there was insufficient evidence to assess this at the regional level. Other activities included creating retail and light industrial space and wedding venues. In addition all building projects under Measure 311, especially those where there were more traditional types of buildings,

required BREEAM achievement or at least the Code for Sustainable Homes equivalent. That caused some difficulties as interviewees noted that these requirements work well for new builds, but many of the Measure 311 projects were conversions of redundant buildings and it was very difficult to impose a generic set of principles on what are inevitably bespoke renovations, depending on whether they are listed, and the requirements for using local materials.

In the majority of projects the grant investments are reported as being crucial/critical: without them most of the beneficiaries would not have been able to implement their projects, and in some cases they helped secure additional funding. It is too soon to evaluate the effect on the financial viability (annual accounting not completed yet or in the case of new business there are no figures for comparison) of these projects. Generally, most of the projects (businesses, non-profit organisations) are successful, exceeding targets, and increasing their turnover, so there is every hope for improved viability (the main aim of many projects). The positive effect on the local economy can be seen in a number of places (e.g. networking, higher spend locally). Management practices have not been affected by the grant funding, but most beneficiaries admitted that going through the process helped them to focus more on their business, its potential and opportunities. For many, especially small businesses and organisations, this was the first opportunity to get a deeper understanding of their business.

In the EE region Axis 3 projects accounted for 36% of approved RDPE projects in the two counties of Norfolk and Suffolk. Of these 87% were in the four LEADER areas, predominantly the Waveney Valley and Norfolk Coast and Broads. Measure 312 – Support for business creation and development, was particularly popular as it allowed for more general aspects of rural development to be funded. For instance, it enabled the establishment and development of a significant number of micro-businesses in the Waveney Valley, bringing short-term benefits but also contributing particularly to a long-term benefit of helping create an area brand and identity. All LAGs reported new markets being developed, often for innovative products. The Norfolk Broads and Coast reported that measure 311, Diversification into non-agricultural activities, was considered to be its most successful measure delivering long-term benefits. Examples include the funding of what now is a successful and popular brewery (£160k grant). This came about because the farm business could not support the second generation, so a brewery has been built on the farm, run by the son, securing the family livelihood and providing local employment. Livery stables and luxury dog kennels have also been grant-aided on farms as well as self-catering businesses, straw bricket manufacture, and barns converted to business premises.

All LAGS promoted measure 313 – for the encouragement of tourism, and there was a wide range of projects. The Norfolk Coast and Broads' objective was to encourage tourist activity away from the popular tourist areas and also encourage out of season tourist attractions, including grant funding an out of season marketing campaign. There are a number of grants for indoor tourist facilities and attractions that reflect this. One substantial project is supporting a museum of magic. The Waveney Valley encouraged tourism projects that would help create a sense of identity for the area and draw tourists away from the more popular Broads areas. Projects included Waveney Valley identity projects, conservation and wildlife gardens, and a river guide. A successful food festival was supported to encourage tourism and local food producers to come together to help create the Waveney Valley food quality label. The improvement of long distance footpaths was encouraged along with supporting tourist facilities in three of the four

LEADER areas. Marketing and publicity of tourist attractions and accommodation was centralised under a common internet platform so that potential tourists could view attractions across the counties and have direct links to accommodation close by. The tourism and micro-business projects were reported to have helped create a sense of identity for the area and were considered to be successful.

Improved collective resource management

Opinion was expressed that the primary focus on developing the Norfolk Coast and Broads was not achieved as well as was wished; that is, in developing sustainable businesses in the landscape and environment away from the coast. On the other hand, an unforeseen success has been the conservation and sustainable use of resources, particularly water, in a number of clustered areas. This clustering was not a deliberate objective but came about because neighbouring businesses, usually farms, learned about the grant funding from each other and applied themselves, or have bought water from project-funded boreholes or reservoirs.

The Waveney Valley LAG has gone some way to establishing an identity for the area and is seen as being successful in this objective. The Fens and Adventurers LAG made it a condition of approval that projects had to have an element of collaboration. This proved difficult and time consuming to implement the early years but, once the concept and ground rules were understood, it has been a very successful policy. An example is a council tenanted arable farm that saw the opportunity to buy an eight-bin grain drying and conditioning plant that was no longer needed by a company. The LAG agreed to fund 30% (£22,000) of its reconditioning and installation cost if the plant could be used collaboratively. The applicant already runs a farm machinery ring with two other council tenant farmers so the applicant invested 60% of the match funding and other tenants 20% each. The county council built the infrastructure to house the plant. The facility is shared by the three farmers and other farmers have expressed an interest in using the facility.

4.3 Targeting, project design and delivery: general comments

Benefits of integrated approaches

In the North-West Region, the North-west Livestock Programme (NWLP) was regarded as an effective instrument. The grant process was supported by simple application forms which required farmers to apply to the Scottish Agricultural College (SAC) to get support for developing an animal health plan, and/or to Promar to get a nutrient management plan and resource efficiency audit (Promar is a large farm and agri-food consultancy and advisory service). In order to access grant funding, the relevant plan had to be submitted along with the application and also required registration on the programme website. The capital grants were used as a carrot to draw people in, especially the more difficult to reach. Applicants had to pay for an animal health plan and other plans (e.g. resource efficiency, nutrients). However, this came with a large amount of one-to-one advice from advisors and veterinarians and a high level of training. Interviewees indicated that the application process was easy for those wanting training.

There were additional benefits to getting large numbers of vets involved as they received targeted training and also communicated with each other much more than previously, through networking and mentoring sessions. However, administration was an issue as every grant, however small, had the same level of paperwork, and there were a large number of small grants.

Crucial role of facilitators

In the NW region LAGs reported that their application process was too long for applicants and there were a lot of rules that were not understood. This resulted in a large number of small mistakes which then required support to be corrected. The development officers helped applicants to develop ideas and deal with the paperwork, and the level of support provided by LAGs was high according to beneficiaries interviewed. Interviewees indicate there was plenty of support for applicants as they were better staffed in Cumbria than in other areas, due to the larger budgets being managed. LAGs indicate the programme would not work without development officers to provide support to applicants. On the negative side beneficiaries report that there were often long delays before approval letters were received. All LAG projects went to the NWDA (because RDAs were debarred by the Regional Development Agencies Act 1998 from delegating approval of projects to LAGs) for approval which slowed down the process. Claim processes were carried out in Cockermouth using the Regeneration Support Team.

In the south-west also, the presence of facilitators, for example those provided by the SWUI projects and the Silvanus Trust, was appreciated by beneficiaries who thought the application process was difficult. A high level of support was provided.

In Lincolnshire, interviewees suggested that the support to applicants from the EMDA/Defra delivery team was good. The delivery team were said to be of 'high calibre', had good knowledge of the application process, and were responsive to queries. Beneficiaries indicated that when making applications staff were always available and helpful in answering queries by telephone or email. Furthermore, information workshops and seminars provided at the start of the programme were popular with applicants. One stakeholder organisation had received no complaints from its members, even from those whose applications had been rejected, which was regarded as an indication that the level of support provided was acceptable. EMDA was a small RDA in comparison with some of the others and there was never a sense that the RDA would be able to provide any extra one-to-one support to applicants, so instead the team report that they focused on making the process as user-friendly as possible.

In Lincolnshire, Leicestershire, and Nottinghamshire, potential applicants are inclined to use the commercial farm agent community much more than in other parts of the country, largely because they tend to be more business-focused. The RDA therefore took the view that if it offered on-farm support itself it would interfere with the market place. However, there was concern expressed by one of the stakeholders interviewed that the need to use consultants was a barrier to applications. It was perceived that applicants should not need to use consultants, and only did so because the consultants often gave the impression that the process was more complicated than it actually was in practice.

In Eastern England, all beneficiaries commented on how helpful facilitators had been in supporting them through the application process. Two beneficiaries used an agent or

consultants to work up their applications but facilitators were always on hand to help. The dedicated work done by facilitators either from LAGs or regional level organisations is probably the most consistent positive message given by beneficiaries. Resources for facilitation were variable with only one LAG reporting that they were perfectly adequate. Others reported that they were, "adequate – just about" also suggesting that they were inadequate when the programme was at its peak with high numbers of expressions of interest or full applications.

Longer planning time can constrain operational delivery time

In Cornwall there was general agreement SWRDA had done its best to design a regional implementation plan (RIP) that could work and deliver at a strategic level. Many of the non-beneficiaries interviewed had been included in the initial consultation undertaken by SWRDA on the design and content of the RIP. This was seen a good practice as it established a climate of inclusion and partnership at the very beginning of the programme. The major negative aspect of the consultation process at the start of the programme period was that it inevitably pushed back delivery. The time line for the start of delivery got pushed back to 2009 and then the general election and spending review called a halt to a lot of activity at a crucial stage when many projects were gaining momentum. The problem of compressing the delivery period was brought up by a number of non-beneficiary interviewees charged with delivery. Some felt that there was too much of an expectation that their projects 'hit the ground running' and not enough thought was given to setting up high quality projects with adequately trained staff that would be respected among their client groups.

> *"The next programme needs to short-cut the implementation design stage. The programme took 2 years to design and a further 2 years for stakeholders to figure out what was and was not eligible. This means that delivery was starting in years 4 and 5 of the programme just as people were turning attention to the next programme and thinking about exit strategies for the projects they were just getting off the ground. Delivery needs to start in year 2 of the programme not years 4 and 5." (Non-beneficiary interview, forestry)*

A need to design delivery to suit application/applicant types

In Cornwall, some operational personnel interviewees thought that the application process should be proportionate to the level of assistance being received. For example, there was criticism that the FFIS was too bureaucratic in relation to the size of grants. It must be borne in mind, however, that there are minimum programme requirements and some activities (e.g. 100% claim checking), which have to be done. Specific issues related to: too much information being required from applicants even for relatively small amounts of money; and the length of time to reach decisions.

In the SW region, forestry sector interviewees were critical of the RDPE for not making assistance available to the whole of the supply chain. This was seen as a missed opportunity. Assistance was only available to the growth, extraction and primary processing of timber.

In Eastern England some delays in getting projects approved were reported but generally this seemed to be a result of unfortunate timings with LAG steering committee approvals. Beneficiaries were normally pleasantly surprised over how quickly approval was given. This is a reflection of the thoroughness of the application process so there tended to be no surprises when the project went for approval. Approval methods by steering committees were adapted to the demand. The period between LAG steering committee meetings could vary. For example, the Woodfuel East steering committee started with meetings every three months. As the number of applications grew, this changed to every six weeks and then every month. At periods of high demand, some LAG committees would meet by telephone to ensure that projects submitted for approval were discussed in a timely fashion.

In the EE region difficulties with the application process caused the most tension between EEDA and local delivery groups. The LAGs took the initiative and redesigned the application forms making it more appropriate for grants of less than £100,000 and EEDA accepted the changes. Even so, this was still considered to be inappropriate for micro-businesses where the grant application may be a few thousand pounds or less, and proved particularly troublesome for the Woodfuels East and Wild Venison programmes. Most applicants to these programmes were micro-enterprises, often single person businesses, the owners of which had little experience of the application requirements associated with schemes of this nature.

Training has special requirements

Smaller training delivery organisations in the North West reported that they were affected by administrative requirements and had cash flow problems due to the retrospective nature of funding. The time delay on claims from the delivery body can be up to five months (quarterly claims which can then take up to two months to be paid), resulting in impacts on cash flow. One organization, that buys in specialist trainers to undertake course delivery also indicated that the procurement process created difficulties and delays (e.g. the need for three quotes on whatever is being purchased, regardless of scale), and the inability to reclaim overhead costs significantly reduced their capacity to deliver training and outweighed potential benefits to the organization. This was identified as a barrier to the involvement of small local organizations that might be more responsive to local needs. However, EU requirements to enable full accounting for RDP schemes are clear and all the organizations involved would have been aware of the procedural and reporting requirements before entering into any delivery contract. The problems identified by interviewees should have been anticipated but lack of familiarity with EU funding may have led some organizations to make significant commitments without a clear understanding of the procedural burdens involved.

One delivery body reported having to borrow money from its long term investments to fund delivery of training, which reduced its investment income and affected the organisation's activities in other areas. With hindsight, they reflected that if they had understood the implications of the delivery they would not have got involved. These are perhaps salutory lessons about capacity and complexity, some of which would require changes at EU level, to be overcome.

One design issue with training grants was the demand-led nature of the approach, even though funding was directed through training providers. A training needs analysis (TNA) did not identify the need for higher level skills such as business management and

entrepreneurial development, even though training providers and other stakeholders said this would be useful.

In Cornwall (SW Region) accessing and receiving training was relatively straightforward with trainees claiming a proportion of the fees as a grant. However, for training providers, the bureaucracy associated with claiming back fees and expenses proved a significant handicap to delivery and they reported similar problem to those indicated by training providers in the NW region. Interviewees report that some training providers withdrew from the programme and others made a loss as the administration costs of reimbursement, especially of expenses, was greater than the amount to be claimed. This bureaucracy (due to EU requirements) was perceived as a real problem and interviewees reported that some training providers, particularly successful ones with full order books, are now reluctant to bid for RPDE funded training. All of which suggests the need for greater consideration of how to enable small providers (often known and trusted within a local area) to engage in a beneficial manner (e.g. through sub-contracting to a central provider).

In the EE region the Landskills East Project Completion report notes that 78% of course applications by training providers were completed, while 21% were cancelled by delivery partners, and 2% were rejected by the Course Approval Panel. Average course size was 7 trainees with a significant number of courses running with only 2 or 3 trainees. Landskills East also noted that 36% of trainees (or 3,674 individuals) progressed onto further training from their initial experience. The occurrence of low numbers on courses may be reduced, and numbers going onto more advanced training enhanced, through the development of the National RDPE Skills Framework which provides links to 32 training bodies across England.

LAGs and scale issues

NW Regional level interviewees recognised that the large number of small grants imposed a very heavy administrative burden resulting in failure at times. In hindsight there is the suggestion that a simpler set of rules for small grants based on the level of risk would have been a better approach. Providing proportionate approaches to supporting micro-enterprises whilst remaining EU compliant is a key challenge. Regional delivery personnel indicated a key issue was the inability to delegate responsibility to the LAGs (RDAs were legally debarred from delegating approval) so that anything the LAGS approved had to go through regional administration for quality control and final decision. The contract has to be between the accountable body and the applicant (and not between the LAG and the applicant). In the NW region the regional delivery personnel also suggested that the LAGs were not prepared for the increased level of scrutiny that would accompany a tenfold increase in the level of funding they were disbursing (i.e. the LAGs did not have the capacity to deliver the higher level of funding they received compared to Leader+).

The perception of the LAGs was that administration on large capital projects was felt to be reasonable but the lack of proportionality meant that an £8,000 project required the same level of detail as a £250,000 project resulting in massive files for very small projects with all the cash flows, accounts, quotes and business plans as for a large project. Small projects were felt to be overcomplicated in terms of the administration requirements but this is the context of the EC regulatory framework in which Defra has to operate, and which is largely understood by delivery personnel at all levels.

The information requirements issue is exacerbated in the minds of local delivery agents due to limited human resources to administer the processes. In Lincolnshire, for example, the LAGs noted they were limited with respect to their resources. Interviewees reported that the responsibilities and workload requirements had many times stretched their human capacities to the limit, resulting in particular in a lack of resources for animation and promotion.

Forestry personnel interviewed indicated Measure 122 was only available to forest owners and not to the contractors who would actually undertake most of the work. Limited delivery time was also felt to be a major constraint. Only Cumbria and Merseyside put forest advisory support into their sub-regional plans (Measures 114 and 115) and then took a long time to work out how to deliver the services There were delays in the procurement of advisory services and getting the programme started (which took nearly two years). It was also stated that in forest work there also tends to be a time delay after woodland owners have received advice, before they come back seeking additional support (training, grants). This is partly attributed to business confidence and partly to understanding how woodland management fits into their wider business plans. It was suggested by regional delivery personnel that forest advisory services should have been delivered at regional rather than sub-regional level, as this would have been more efficient and effective.

4.4 Impact of investment and views on type of support

In Cumbria, projects aimed at business development are helping local business to expand and survive. Where markets are growing the investment appears to be successful, for example with wood fuel, and artisan products (beer, jam), although this is not always the case. One project examined (ice cream production) clearly lacks follow-up support following the initial investment and may fail as a result. As this study only presents a small sample of total projects funded, it is likely there are others in a similar position, (though it is difficult to identify numbers anecdotal evidence does suggest some failures). One issue that arises is the need for monitoring and evaluation during the period after an investment has been made (for one to two years perhaps), and provision of additional support to protect the investment where necessary.

A related issue that arises from community projects funded under Axis 3 is that of continuity. Although two of the community projects examined indicate considerable success with moderate amounts of grant investment, there is some concern for the long-term outcomes. Once funding has ended and facilitator support withdrawn there is the possibility of collapse of the social capital that may have been developed over a time period of several months or even years. This again suggests that some form of longer term monitoring and provision for support might continue in order to protect investment in an area. Phased withdrawal of support over a longer time period might help ensure the benefits of grant investment are sustainable. Many of the community development projects are short-term, usually with limited time to deliver the transformational effects desired.

In Eastern England, the selected case studies included a project grant of £874 and one of almost £4 million. Interviewees suggested that the cost of administering small grant applications would be close to the value of the grant itself and it must be questioned if applicants receiving such small amounts, especially businesses, could not raise the full cost themselves. However, small grants such as for 'wheels to work' schemes or helping voluntary organisations, (e.g. with child care) can make a difference to individuals or communities.

The largest project examined involved a grant of £4 million on a project of £12 million in total. Many of the benefits of such a grant are quantifiable, and have been measured as part of the monitoring process. The regional and national strategic benefits are less easily quantified. In this instance, the grant was to a co-operative of 400 members with 500 businesses so the grant per member works out at £10,000 or less. The long term national and regional strategic benefits of this project (in the grain storage and processing sector), however, are far greater than could be achieved with individual £10,000 grants to 400 grain farmers. It can be argued that such projects are less likely to happen without grant support, and more so during an economic downturn. In the case of grants of much lesser value, beneficiaries often mentioned that that some or all of their projects would have gone ahead anyway, albeit over a longer time period. The larger, projects, involving higher levels of risk and investment, are much less likely to occur without grant support.

By way of contrast, the Norfolk Coast and Broads LEADER programme has a budget of £3.8 million and has to date (March 2013) a total of 52 completed and approved projects. It is unlikely that, by the end of the programme 400 businesses will have benefited directly although the total investment is almost the same as the example in the grain sector mentioned above. It could be argued that large, collaborative projects deliver the most benefit at a proportionally lower administrative cost. This however does not take into consideration the local economic and social benefits to businesses and communities that smaller projects can offer in areas characterised by low population densities, limited public services and few employment opportunities. As well as helping ensure that individuals can remain living and working in their communities there are the intangible benefits felt by beneficiaries, their families and the community. These may include a sense that Government acknowledges some of the difficulties that they face and is willing to support them. This is especially true of community Axes 3 projects, such as support for care farms, local museums run by charities, and food festivals. It has been mentioned (particularly in the East of England region) that such projects are not returning funds derived from Single Payment Scheme voluntary modulation back into the farming community, but such projects help by bringing Defra support to the wider rural community.

A number of interviewees commented that the present system favours those people who understand grant systems, have ready access to match funding and help with the application process. It is more difficult for those with small or very small businesses to access RDPE grants. They are often unaware of the existence of grant opportunities and the public money needed to reach and empower them can be seen as disproportional to the cost of the grants. It can be argued that it is such businesses at, or near market failure that are in most need of a grant to kick-start or develop a business, and these businesses are least likely also to be able to access loans. In these circumstances, the value of delivery approaches including facilitation and/or supporting advice alongside grant aid may be heightened.

4.5 Type of support: loans as an alternative to grant funding

In Cumbria, interviewees were asked for their views on access to a loan as an alternative to grant funding. Responses were variable although unsurprisingly, those in the private sector seemed to consider a loan as a viable possibility while those in the public sector indicated it was less likely to be acceptable. Reasons for not finding a loan acceptable varied: to a certain extent it was the nature of the project (whether it generated revenue), and for others it was the nature of the organization. Where there appeared to be clear demand for a product, and interviewees had confidence in the return on investment, then a loan appeared to be more acceptable. For those just starting out, or with a small business, then taking out a loan, or a larger loan than that required by match funding, may prove too difficult.

Table 4.1 Cumbria: views on loans as an alternative to grant funding

Type of business/project	Acceptability of a loan	Beneficiaries
New wood fuel business	Yes	Saw the need for the business in the area. Issue was whether we could afford two loans – the business needed large scale investment to be effective
Farmer diversifying into ice cream production	Possibly	Depends on rate of interest and payback period – not as attractive as a grant.
Expanding brewery	Not sure	Grant provides reassurance – shows that others have faith in us. The business plan requirement for the grant forced us to look at the business really hard which we had never done before.
Expanding jam/chutney producer	Yes – maybe	A loan is less attractive but we were confident we could grow – we could afford to take the risk.
Tourism accommodation	Possibly	Our business plan was based on a grant – the issue is risk management. In current climate bank would not lend enough money for this project.
Community development	No	No means of paying it back; the organization does not have an income.
Community development	No	Directors opposed. No guaranteed return on investment. Could not afford to take the risk.
Woodland recreation	No	Would not consider it due to the way the business is structured.
Fishing lake	No	I took a loan for the match funding to the grant– I could not have borrowed any more. Grants always better for starting an organization off. But if expanding an existing organization then a loan

		might be better.
Lake waterfront development	No	Infrastructure development that does not pay back – cannot attribute direct economic benefits to it.

One non-beneficiary interviewee in Cornwall felt that small scale grants are not very effective. He thought that there was definite merit in the approach SWRDA took with SWARM where it linked behavioural change, knowledge and understanding of what can be done with the grant. The interviewee had been involved previously in banking and was well aware that the discipline that comes with managing and determining loan applications can drive down the need for intervention, because the due diligence process required will be seen by the banks as taking out some of the risk. There are examples in the SW where the scale of project meant that a venture capital contribution rather than grant might have achieved the same end result.

From interviews in Lincolnshire, it was suggested that one of the difficulties with loans was that farmers viewed the RDPE money as their own modulated money and therefore would be resistant to the idea of loans; although one non-beneficiary noted that currently many applicants are surprised that they do not have to pay the money back. There were mixed views about the impact of loan. Most interviewees stated that the success of a loan scheme would depend on the conditions attached. It was suggested that a loan with a re-payment holiday would be attractive, or if the loan tracked below the commercial rate.

It was suggested that the introduction of loans would result in a fall in applications particularly for those related to farm diversification as grants tend to provide support to projects that cannot obtain help from other sources. Also more innovative projects might be affected as the banks are less likely to loan to projects with higher risks. Interviewees suggested that there are some projects that would not have happened without access to a grant as they are unable to generate an income to repay a loan, for example, conversion of buildings into office space in a remote community. One suggestion was that one advantage of a loan guarantee scheme was that it might benefit tenant farmers and those that cannot offer land as security.

Individual attitudes to borrowing would also affect uptake. Many farms are family businesses and older farmers, in particular may be less reluctant to take on more debt. The view was expressed that unlike the agricultural sector, the forestry-sector is suspicious of schemes and would be reluctant to take on debt. Also it would be difficult for the forestry sector to take on loans as these are small businesses which are under-capitalised and have limited access to capital.

In respect of Axis 3 beneficiaries (Leader) most beneficiaries reported they would not consider loans due to a fear of repaying in time and the conditions attached. For private sector businesses it would very much depend on the conditions attached to the loan and interest below commercial rates would be required. There were mixed views on how it might affect the uptake and number of applications, some interviewees thought that loans might be more suitable for larger businesses but not at all appropriate for small projects applicants. The fear is that it would lead to supporting large scale projects with small projects losing out. A combination of grant and loan might be a workable option.

In Norfolk and Suffolk no interviewees commented that loans for projects would be more beneficial than grants. Most understood the logic of fund recycling that loans offer. A farmer commented that if he needed a loan, as an owner occupier, he could access a business loan at a favourable rate of interest quite easily. A tenant farmer would have more of a problem, in which case, some state administered loan may seem attractive if no grant was available. A loan could also help with cash flow problems that match funding a grant can create. Arguments against a loan system included:

- Costs of administration
- Limited life span of the RDP cycle in which to repay the money – for some investments the payback period would need to be longer
- How would defaulters be handled?
- Micro-enterprises would be wary of loans in case the business was not successful and they could not afford the repayments.
- Hire purchase would be preferable to a loan for the purchase of equipment as, if the business failed, the equipment would be returned to the supplier and there would be no outstanding payments.

4.6 Application procedures

A number of suggestions were proposed for improving the application process. It was suggested that the variable quality of applications received might indicate that guidance notes could be improved (although respondents did not provide details of which aspects might require improvement), and in some cases it might be additional support in terms of facilitation that is required. It was also suggested that there should be more commercial awareness in the development of the application forms, ensuring that those responsible for developing the forms had more business experience. The intention of some questions was not always clear and sometimes applicants were not able to provide the information required. The forms are designed to meet EC reporting requirements, however, which may not always be clear to the applicants.

Whilst it was acknowledged that a certain amount of detail is required in the application forms to prevent fraudulent behavior, both beneficiaries and non-beneficiaries recommended simplifying the application process, making it more user-friendly and easier to understand and reducing the volume of information required, particularly for smaller grants. Evaluations of government programmes almost always elicit negative views on ‘bureaucracy’ but care should be taken not to dismiss such concerns too casually, nor blame EU requirements. Some programme beneficiaries did note the value of the rigorous business auditing and planning requirements but there is an issue with application processes, particularly for small projects which seem to require the same level of administrative input as large projects, suggesting that improvements are required.

For example, a number of beneficiaries favoured a site visit after the EOI had been submitted to discuss the proposal further and to guide them through the application process. It was also suggested that Defra should set out the questions to be answered and leave it to the applicant to answer these the way they thought best. This might then lead to different and innovative ways of getting a point across. Also it was felt that

applicants for large grants should be offered an opportunity to present their application, as happens in the private sector. This would help to ensure that the applicant is not disadvantaged if the people who are assessing the application lack knowledge about the business.

Workshops and seminars for prospective applicants were provided by EMDA, where they could listen to or visit people who had been through the application process. These were viewed positively by both non-beneficiaries and beneficiaries and it was suggested that these should be re-instated for the next programme.

A further suggestion was that Defra should be more respectful of deadlines. If decision deadlines are extended this can have a large impact on a project, for example with farm seasonal work it could mean applicants losing a year of funding, and quotations obtained for application can expire after 6 months affecting the whole financing of the project. However, deadlines are often extended specifically to allow for late applications, the incompleteness and poor quality of many applications, and the level of resource available to process applications.

The remarks regarding application processes came from both beneficiaries and non-beneficiaries. It was suggested that the language used in the applications needs to simplified along with a reduction in duplication of questions. More flexibility regarding budget variations is needed as it was very time consuming repeatedly submitting variation letters each time the price, or the techno/machinery used, changed. The need to have simpler applications and fast tracking for smaller projects (within a firm financial limit) was stressed several times. Applications are standardized and therefore not flexible to the needs of some applicants, especially new technological/innovative projects.

One suggestion was that applications should be submitted under a continuous rolling programme. This would mean that applications could be submitted at anytime and would provide more certainty about the application process. Under Defra, the schemes operate an application window which can prove particularly difficult for larger grants which need to get funding and requirements in place, such as planning permission, environmental impact surveys, bat surveys etc. This delivery mode clearly has implications for both applicants and implementation personnel and there are advantages and disadvantages to both alternatives that merit further investigation. Rolling programmes, for example, can lead to lax attitudes towards application, while application windows tend to focus both applicants and the delivery workload. A related issue is programme budgeting and many of the LAGs would like to see a programme budget for the entire period, rather than annual budget, without the possibility to carry unspent money forward. This would also ease the enormous pressure on spend, and could lead to supporting better projects across the programme lifetime. There are concerns, however, that this approach might increase the difficulty of managing spending across the lifetime of the programme, possibly resulting in unallocated funds.

There needs to be a grant application, administration and monitoring process that is easily understandable to those in the rural population that may not be well educated, either academically or in the ways of government support and bureaucracy. The administrative process for approving these grants needs also to be simplified so the cost of so doing is proportional to the size of grant and risk.

Similarly, the claims procedure for organisations engaged in delivering projects or programmes needs to be simplified and based on sound business practice and requirements of the Rural Development Regulation. The complex and time consuming process of claiming overheads by commercial training organisations had a noticeable negative influence on the skills training programme. Administration should be proportional to the level of grant and risk.

5. Recommendations for the next programme cycle

The analysis has identified a number of issues associated with the design and delivery of the RDPE that should be addressed in preparation for the next programming cycle from 2014 out to 2020. Please note that these recommendations are the views of the authors, based on independent research carried out by CCRI over the period October 2012 – March 2013, and do not necessarily reflect Defra policy.

Local delivery vs a nationally consistent approach

There was a strong view that the next RDP needs an element of 'local control and delivery'. By this respondents were referring to the perceived need to be able to respond to local characteristics and issues, which were felt to be insufficiently recognised through a nationally consistent offer. Also, local (regional and sub-regional) knowledge held by delivery personnel was felt to be under-used through a nationally consistent delivery system, and respondents were suggesting a need to find ways in which local knowledge (of farming, stakeholders, and economic, social and environmental conditions) could be better utilised to the benefit of programme outcomes.

The move to a nationally consistent approach of the programme had delivered some benefits such as enabling consistency in delivery for some types of beneficiary, a redirecting of funding to deal with issues that had not previously been considered (broadband), and some cost efficiencies in terms of application procedures (small grants). However, arguments were also made that more local input into the delivery processes had significant benefits in terms of the following:

- Local knowledge can contribute to decisions about applications in relation to reducing displacement and deadweight.
- Allocation of funding is more effective due to knowledge of the local economy that can identify and develop links in supply chains, support collaboration, and maximise benefits from targeting funds to the points in the supply chain where they will have maximum impact.
- There is a need for local knowledge input to help identify and determine capacity for large-scale projects that might have region-wide or catalytic impacts.
- Flexibility in targeting is required to enable regional differences and the local context to be taken into account.
- Application process support is more effective at the local level where personal relationships can play a role and answers provided more quickly.

Local training providers (particularly small organisations) suffered from high administrative demands and the long-time frames for payment. There is a role for local trainers, however, who are often known to the farming community, and deliver a high quality service. The administrative and financial issues could be resolved through sub-contracting with larger regional or centralised organisations, similar to procurement through a skills framework, which has been the approach following the move to a single national programme.

Application procedures

For some projects it would be beneficial to have appropriate training as a condition of receipt of grant. This training could be grant aided. A simple example would be for people involved in a grant-aided tourist venture to have suitable training in hosting, marketing and possibly business management. Many beneficiaries commented on how useful it had been to prepare a business plan. Operational personnel interviewed commented that the greatest training need was for business management so it would seem to be helpful to all if business management training was part of the grant approval where appropriate and assuming that such training was accessible. It may not be appropriate, however, to fund generic business management training under EAFRD, and it may not be equitable to make this a condition of grant if it is only available through other means of support or not available in certain areas.

Allocation of funding

A broad view was expressed that the way RDP money is allocated nationally needs to be reviewed. This view was based on historical allocation of resources which resulted in the greatest share of funding going to the South West and North. Whom to target and why is a perennial question (do you go for the 'usual suspects' or spend more to seek out the hard to reach). Whether a funding programme should focus on supporting opportunity or on perceived needs is a difficult question. In practice it makes sense to do both and actively target both ends of the spectrum on the basis that funding both might offer more additionality.

It was also suggested that there is a need for wider stakeholder engagement. There was a feeling amongst some stakeholders that grants tended to go to those who are good at writing bids and who tend to be more successful than the average rural business. While it can be argued that this does not matter as long as economic activity is successfully stimulated, there is a perceived need among respondents to enlarge the pool of applicants and to find a way of engaging with those who do not currently benefit from the funding. The forestry sector in particular was identified as one where applicants required more hand-holding through some of the application processes. The issue of wider stakeholder/community engagement was highlighted by many Axis 3 beneficiaries, with the suggestion that help and advice should be made more easily available to those who have difficulties or lack the capacity to access programme benefits. In order to engage more fully with the 'hard to reach' in rural communities more effort needs to be expended on facilitation and advice. This is where local facilitators can play a strong role through building up trust and knowledge about the local economy and communities within it.

Programme funding cycle effects

At the programme level, interviewees felt that it was an inefficient use of resources to close down programmes which were achieving good results and still 'had a job to do' because of the funding cycle. Programmes take time to get established, and have often spent considerable effort to gain the trust and respect of their client groups, who can be difficult to reach. Such trust can be damaged when a programme closes down, resulting in ambivalence towards succeeding interventions.

The transition from one programme cycle to the next needs to be better managed and there was criticism that the stop-start nature of funding was a very inefficient use of

resources. A longer term perspective is often needed in rural development terms, particularly when the client groups have little social capital to build on and where KT projects have to build trust in the client community in order to become effective. Some interviewees felt that there was too much expectation that their programmes 'hit the ground running' and not enough thought was given to the very important process of setting up high quality programmes, with adequately trained staff that would be respected among their client groups.

In addition, the RPDE budget should not be flat-profiled. Currently, when applications are low this just increases the pressure to spend the budget within the budget period, including on projects that may not offer the best value for money. Given the widely-recognised value of enabling time at the start of a programme period to put together integrated multi-annual and strategic projects, it would seem sensible to adjust the spending profile to provide a relatively greater proportion of resources towards the end of the period, for all investment-type measures such as those supported under Axes 1 and 3.

Project scale

Greater flexibility needs to be built either into the RDP implementing regulations or their interpretation at operating level to enable efficient delivery of a wide variety of project scales. The present application and administrative systems work in favour of large projects. Whilst this makes financial sense in terms of administrative costs there is a large demand in rural areas for relatively small grants. Large numbers of micro-businesses exist in the rural economy, and respondents suggest that small scale support can have beneficial impacts in creating new economic activity or securing existing activity.

The administration costs of smaller projects are disproportionately high. One LAG indicated that it proposed a streamlined application process for projects of less than £50,000 but this was not deemed possible. The majority of LEADER grants are probably for half of this amount. Complex application procedures, particularly for small businesses, mean that there are greater demands on facilitators' time to help steer applicants through the process. Some LAGs did develop streamlined processes but were hampered overall by limitations on the extent to which they could simplify application processes, and provide facilitation. The impression gained is that there were inadequate resources for facilitators in all but one of the sub-regional programmes. Resources should be flexible to cope with the lifecycle of the RDPE with more resource available during the period of peak applications. One possibility would be to utilise facilitators more effectively by sharing them across LEADER groups.

Other issues

Other issues that should be addressed in the next RDP include:

- **Outcome aspirations should be met with effective delivery tools**: The RDP needs to pay more attention on how it can achieve the outcome aspirations it has set. There was a widespread feeling among the non-beneficiary interviewees that the RDPE rules constrained effective delivery of

increased competiveness in the farming, food and forestry sectors. The development of sustainable, competitive, viable businesses has been held back by constraining eligibility criteria in some instances. For example, in the forestry sector the restriction of assistance to primary production and processing was criticised as it cut off funding halfway along the supply chain and ignored the secondary processing sector, which some interviewees saw as a missed opportunity to stimulate growth in an area experiencing market failure.

- **Recognition that some forms of rural development activity will need to span programme cycles**: Some types of rural development do not fit easily into seven year cycles where there is no contingency to carry on the work from one cycle to the next. There are inefficiencies related to the 'stop-start' approach to funding with entry and exit strategies often taking up to half the effective project time and severely constraining the delivery period. While interviewees recognised that there were a range of rural development projects that were compatible with the seven year cycle, some of the major barriers to increasing competitiveness in the agriculture, food and forestry sectors require longer term intervention. For example building capacity and business confidence takes time and is easily dissipated meaning the next programme has to start again from a low base level.

- **Encourage experimentation and creative solutions:** It was suggested by some of the interviewees that the RDPE had not achieved its full potential because it was too conservative and not prepared for a small number of projects to 'fail'. A high level of aversion to failure meant that developing creative solutions towards meeting rural development challenges through experimentation was avoided. It was recognised that there had to be checks and balances, particularly in relation to the risk of disallowance, but also the culture under the RDPE was perceived as too conservative.

- **Evidence gaps and needs**
  There was widespread comment about the lack of ongoing evaluation of delivery and impacts and outcomes. In some instances respondents indicated ex-post evaluation of projects had occurred, in other cases no evaluation was indicated. Even where project evaluation had taken place it was often limited in scope and of limited utility for improving programme delivery. There was general agreement among respondents that a system of on-going evaluation and feedback would help projects achieved outcome aspirations. It was suggested that early warning of any aspects of project delivery that were going wrong would also be beneficial.