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# Evaluation of the Area Investment Frameworks in the South East

**Final Report  
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## Executive Summary

In January 2008, the South East of England Development Agency (SEEDA) commissioned DTZ to undertake an independent evaluation of the Area Investment Frameworks (AIFs) in the South East.

The AIF programme came to an end during the preparation of this work in March 2008. Therefore, findings of this programme evaluation will be influential at a number of levels, for strategic future policy making and in order to inform the most appropriate forms of future intervention. In particular, good practice and lessons learned from these partnerships are pertinent for the processes underpinning Local and Multi Area Agreements including engagement of SEEDA and the Area Teams with these in order to secure both compatibility with the goals of the Regional Economic Strategy and alignment between different strands of local delivery.

The specific objectives of the evaluation are summarised below:

- To reflect and assess the achievements and impact they have had as far as possible.
- To review the processes, systems, partnership and devolved arrangements put in place for the development, management and delivery of the AIFs.
- To explore any market failure/policy gaps that have been highlighted or addressed through the selection of projects and assess the counterfactual.
- To assess the contribution and strategic added value of the SEEDA intervention through these initiatives.
- To assess the net impact of the intervention accounting for additionality, deadweight, multipliers and leakage, if and where possible.
- To identify lessons learned and make recommendations for the future.

The evaluation also provides an assessment of net outputs and value for money of this investment. However, it needs to be recognised that it is too early to get an accurate picture of the net impact of this intervention and the streams of benefits are likely to unfold over a considerable period of time; assessment of the net impact of such interventions is only possible when the outputs of the developments that have taken place under the AIF funds and partnerships materialise.

To meet the objectives of this assignment, a combination of desk-based and qualitative primary and secondary research tools were deployed including:

- Desk-based review of relevant documentation, monitoring and evaluation reports covering each of/all the AIF areas.
- Review of monitoring data including outputs and spend for all 10 AIFs.
- Review of socio-economic indicators (current and pre/during AIF intervention) has also been undertaken in order to establish the market failure and gaps and explore the counterfactual and (possibly) attribution.
- A combination of consultation techniques including stakeholder interviews, interviews with strategic level beneficiaries that received SEEDA AIF funding and a small number of benefited projects.

A summary of key findings and issues raised in the main report are presented here.

## Rationale

The Area Investment Frameworks (AIFs) represent a significant funding intervention by SEEDA alone – just under £39m from April 2004 to March 2008 to respond to the investment needs of the most deprived wards and local authorities in the South East in order to tackle deprivation and its causes.

The rationale for this intervention was set out clearly in the World Class Communities and Renaissance chapter of SEEDA's Regional Economic Strategy in 1999. AIFs would contribute to the Regional Outcome Targets agreed between SEEDA and the Government as part of SEEDA's Corporate Plan and included mainly under the Regeneration theme: in particular the target referring to start bringing the residents in the 119 wards in the South East that were in the bottom 20% of wards nationally (as indicated by the Index of Multiple Deprivation) back into mainstream economic life (i.e. tackling social exclusion through economic development and inclusion).

An AIF would act as an analytical tool to identify the totality of the financial investment needed to improve the area's socioeconomic position as measured by the IMD, and SEEDA funds would be made available to enable unlocking of the potential and further funds and actions by other local partners and partnerships. Indeed, the guidance issued by SEEDA emphasised the importance of partnership in the preparation of the AIF. The SEEDA guidance for producing AIFs also stated that it was for local partners to determine priorities for achieving economic growth and regeneration in their areas and thus the scope of an AIF, having had regard to the strategic principles set out in the RES and the Tier 2 Regional Outcome Targets. Once priorities were agreed through the AIF process, SEEDA would negotiate the level of its support and agree specific targets and milestones with deliverers. However, no specific region wide outcome/output targets were set collectively for all AIF intervention by SEEDA i.e. expected improvement of IMD in the target areas by 'x' positions in the index, or improvement in basic skills and/or business creation by 'x%'.

Review of the 10 AIFs that were launched in the region as part of this evaluation indicates that a wide range of areas were covered by the 10 AIFs – and these (largely coastal parts of the region) contained the majority of wards that fell within the 20% most deprived wards nationally. Review of relevant socioeconomic indicators has also shown that the need for regeneration and improvement in economic performance varied by AIF – therefore, the rationale for individual approaches and customised targeting is well justified.

The evaluation has confirmed that the scheme was embraced with enthusiasm by a wide range of local agencies and partnerships. SEEDA's devolved approach offered the opportunity for local engagement, decision making, responsibility and accountability in managing and implementing AIFs, with: SEEDA providing the core funding; the Partnership/LSP providing local contextual knowledge required to target and appraise investment decisions; Local Authorities providing technical support and contract management; and the individual partners developing and delivering project activity.

However, the scale of ambition of the AIF's original objectives appeared to be well above the scope of the available resources. In nearly all cases, this over-ambition was recognised at an early stage by the Partnership Boards and objectives were 'toned down', in particular where additional other public/private sector funding did not look promising.

## Achievements and Impact

There have been some notable successes in the 3 years to March 2008. These include in terms of **net additional outputs**:

- 1,991 jobs created and sustained
- 2,845 people supported to get jobs
- 302 businesses created and sustained for at least 12 months
- Just over 5,000 businesses have been supported to improve their performance
- Over 11,000 people receiving some form of skills development
- Over 10 hectares of brownfield land have been remediated

Private and public sector leverage is a key performance indicator for such an initiative whose primary purpose has been to unlock potential funding by the private and other public sector funding sources. The ratio of leverage funding to SEEDA funding is estimated at 1:1.7, reflecting, however, a wide variation amongst AIFs and relatively high ratios in the Channel Corridor AIF (1:3.10) and the South East Hampshire AIF (1:2.88).

Leverage of private sector appears relatively poor at an estimated £11m (according to data provided by the AIFs) representing 47% of the original target set for this indicator. This may be a result, however, of the AIF remit and lifetime. As one partner stated '*...It [leverage] tailed off as AIF funding withdrawal became clear*'.

In addition, net impact assessments of the AIF investment have shown that:

- Private sector levered funding as part of the AIF is 100% additional.
- The vast majority of projects related to land remediation, public realm and community regeneration projects would not have happened at all or as quickly without the SEEDA AIF funding.
- Leakage is also estimated to be low at regional level – although there are projects located close to regional boundaries where leakage may be experienced into the adjacent region e.g. the South West and London.
- On the basis of the additional FTE jobs created/safeguarded alone, it is estimated that the AIF investment has contributed an additional £109,220,290 to the regional GVA change between 2002 and 2008. This indicates a return of £2.8 for every £1 of SEEDA funding invested on this programme.

Review of management and administration information at AIF level also indicates that management costs have been kept on average around/below 10% over the 3 years to 2008. Comparisons over time also indicate that a relatively high proportion of funds was allocated to management and administration in the first year of operations than in subsequent years e.g. approximately 14%-16%. Compared to SRB Programmes, where Management and Administration is capped at 5% of the Programme budget, and URBAN II (a local area based ERDF programme), where 'technical assistance' funding is typically 5%-8% of the ERDF funding, the AIF management and administration costs appear to have been slightly higher on average.

DTZ have undertaken an independent assessment of the market conditions in the area looking at key socio-economic and deprivation indicators in each AIF area before and after the intervention and have compared this with the SEEDA AIF funding. Analysis of this information indicates that the Local Authorities that make up the AIF areas witnessed a worsening situation over the three year period to 2007, on average having their IMD score fall by 8 ranks, meaning increased levels of deprivation and also persistence of the market failure. This is particularly

important as the key ultimate objective of the AIFs was a marked positive change in the Index of Multiple Deprivation for the targeted areas. Analysis of this information also suggests that:

- Some AIF areas are improving more than others whilst the need for intervention remains for some. Some AIFs also continue to perform poorly in nearly all indicators e.g. Hastings & Bexhill whilst others present 'contradictory' indicators e.g. North Kent, with the highest average weekly wages yet a relatively high increase in benefit claimants (which may be due to the localised presence of disadvantage and the coexistence and proximity of wealth and deprivation).
- The expectation would be that the investment would bring about a greater level of positive change in the areas. It is recognised that incremental change may not be captured by data at this level; and, secondly, benefits and impact may materialise over a longer period of time to have an impact on socio-economic data. At the same time, this information suggests that a one-off investment alone does not always have the desired impact in reversing a whole host of other structural factors and persistent or difficult to reach disadvantage.

### **Strategic Added Value**

The evaluation has shown that the AIF intervention has *made a difference* in terms of partnership engagement, leadership, leverage and sustainability. For example, the AIFs have been instrumental in bringing people together to take decisions on needs and priorities but also deliver projects. In some cases, this was the first time that local and sub-regional organisations, in particular Local Authorities came together.

By design, the AIF programme introduced a more structure approach and strategic thinking and a move away from a project by project bidding and application processes. Capacity building projects at AIF area level such as feasibility studies, masterplans, multi modal transport studies and due diligence studies, all represent strategic investment tools that would not have happened otherwise, or they would have happened at a smaller scale and lesser added value for the wider area. Most importantly, these projects represent key reference material for future developments beyond the lifetime of the AIFs.

The overall structure indicates that in principle SEEDA's devolved approach offered the opportunity for local engagement, decision making, responsibility and accountability in managing and implementing AIFs, with: SEEDA providing the core funding; the Partnership/LSP providing local contextual knowledge required to target and appraise investment decisions; the Local Authorities through their accountable body role providing technical support and contract management; and the individual partners for developing and delivering project activity.

## 1. Introduction

In January 2008, the South East of England Development Agency (SEEDA) commissioned DTZ to undertake an independent evaluation of the Area Investment Frameworks (AIFs) in the South East.

### 1.1 The Evaluation Remit

The key aims of the evaluation have been to review and assess the **impact** the AIFs had, to explore any market failure/policy gaps that were highlighted or addressed through the selection of projects; and also provide an overall assessment of the **process** that has underpinned it all.

The AIF programme came to an end during the preparation of this work in March 2008. Therefore, findings of this programme evaluation will be influential at a number of levels, for strategic future policy making and in order to inform the most appropriate forms of future intervention. In particular, good practice and lessons learned from these partnerships are pertinent for the processes underpinning Local and Multi Area Agreements including engagement of SEEDA and the Area Teams with these in order to secure both compatibility with the goals of the Regional Economic Strategy and alignment between different strands of local delivery.

The specific objectives of the evaluation are summarised below:

- To reflect and assess the achievements and impact they have had as far as possible.
- To review the processes, systems, partnership and devolved arrangements put in place for the development, management and delivery of the AIFs.
- To explore any market failure/policy gaps that have been highlighted or addressed through the selection of projects and assess the counterfactual.
- To assess the contribution and strategic added value of the SEEDA intervention through these initiatives.
- To assess the net impact of the intervention accounting for additionality, deadweight, multipliers and leakage, if and where possible.
- To identify lessons learned and good best practice.
- To enable a better understanding of the evolved structure of this model of delivery to tackle pockets of deprivation, review exit strategies but also sustainability and legacy related with the various types of approaches and interventions that have taken place through AIFs.
- To, therefore, inform evidence based strategic future policy making and the most appropriate forms of future intervention.

Most importantly, however, this review also aims to draw conclusions in relation to:

- **Overall programme legacy** – to enable continuous support of what has worked well, maximising the potential for a long-term sustainable change in the way in which disadvantage is addressed and targeted and labour market functions and performance are uplifted in areas most in need.

- **Overall programme efficacy and succession/exit** – what could have worked and can work more efficiently without reinventing the wheel and without expending unnecessary resources; where synergies and linkages with other local strategic and delivery mechanisms can be optimised; and what needs to be done next to contribute to effective and transparent delivery and planning that benefits both local and regional priorities.

## 1.2 Evaluation Approach and Key Issues

To meet the objectives of this assignment, a combination of desk-based and qualitative primary and secondary research tools were deployed including:

- **Desk-based review** of relevant documentation, monitoring and evaluation reports covering **each of/all the AIF areas** and other programmes/partnerships including individual projects and activities but also other evaluation documents that cover SRB and area based partnership programmes.
- As described below, within its resources and time constraints, this evaluation did not aim to undertake an extensive investigation of every single AIF. Therefore, throughout the evaluation an attempt was made by the DTZ team to work closely and support individual AIF evaluations and evaluators, where possible, in order to ensure that within given resources and time constraints relevant information was collected to inform the evaluation of the AIF intervention as a whole.
- It is important to highlight that although aggregate monitoring data at AIF level is relatively good, information about the contribution made by each project and evaluation activity amongst the 10 AIFs varies. For example, some individual AIF evaluations commenced just prior to this evaluation whilst others have been taking place at the same time as this evaluation. It is understandable that the evaluation reports do not follow the same format and nor do they collect similar types of information as the baseline and monitoring information available at AIF level varies considerably. Resources dedicated to evaluation may also vary. Therefore, it needs to be recognised that extraction of information from the various documents and its analysis has been/is a time consuming exercise.
- **Desk-based review** also included review of the project approval and monitoring forms to identify the extent of available baseline information and any targets (original and revised). It also included **review of monitoring data including outputs and spend for all 10 AIFs**. Although, as mentioned above, detailed information available at AIF level i.e. project related monitoring information, is not consistent, review of the available material has enabled the establishment of a database that enables some categorisation of the intervention and descriptive analysis of performance at AIF level including:
  - Rationale and targeted area of intervention
  - Partners involved
  - Funding available at AIF level (AIF specific, private and other public)
  - Range and type of project funding
  - **Review of monitoring and performance related information (e.g. SEEDA outputs and expenditure)**
- **Review of socio-economic indicators** (current and pre/during AIF intervention) has also been undertaken in order to establish the market failure and gaps and explore the **counterfactual and (possibly) attribution**.

- Desk-based review also included literature and desk based review of evaluations produced for other area based programmes such as the Single Regeneration Budget (SRB) in other regions and national studies. However, any comparison of financial information for the two programmes at regional South East level would not be valid due to the different geographic areas covered by the evaluations. Nevertheless, qualitative comparisons would offer valuable insight into the workings and lessons learned from the delivery of the two area based initiatives and reference to these is made in Section 5 of this report.
- Desk based reviews were complemented by a **combination of consultation techniques** including:
  - **Stakeholder** interviews (with key SEEDA staff, Area Teams Managers and selected Chairs and Project Managers).
  - **Interviews with beneficiaries.** Two tiers of beneficiaries in receipt of this investment were also identified:
    - ❖ 1<sup>st</sup> Tier/direct, strategic level beneficiaries that have received SEEDA AIF funding e.g. local and sub-regional agencies that have received funding in selected AIFs. These include Local Authorities, Regeneration and Economic Partnerships, the Voluntary and Community sectors and the private sector.
    - ❖ 2<sup>nd</sup> Tier beneficiaries that have benefited from the intervention e.g. businesses supported and individuals.

Early review of the available information indicated that the proposed methodology for this initiative did not lend itself to a large survey of 2<sup>nd</sup> Tier beneficiaries due to the lack of consistent baseline information across all individual projects. It could be also argued that this level of beneficiaries is not usually familiar with the alternatives which might have been available. Furthermore, the most common use of SEEDA AIFs funding has been to *enable and unlock further funds, supplement and offer 'gap funding'* to other local and sub-regional initiatives. Therefore interviews with this group of beneficiaries would enable estimation of the **additionality and net impact of AIFs** for selected indicators and outputs.

Within the time constraints of this evaluation and considering that nearly half the evaluation reports of individual AIFs contain relevant feedback from key partners and agencies only recently collected, interviews with this group of beneficiaries would focus on a representative sample of AIFs. Criteria for selection emerged following thorough review and tidying up of the available baseline and monitoring information. These include size of funding received and emphasis on addressing different needs in the targeted areas (e.g. skills and learning, business support and community engagement and participation). However, interviews were also dictated by availability of relevant personnel. With the AIFs coming to an end in March 2008, a significant number of designated project managers and staff had already moved on.

Review of the impact of the intervention on the 2<sup>nd</sup> Tier of beneficiaries of the AIFs intervention e.g. businesses and individuals, is based on the findings of the individual evaluations. Unfortunately, only a very limited amount of monitoring information has been kept in relation to the details of beneficiaries of individual

projects that have taken place under each AIF and this makes it impossible to track the impact of the intervention at this level.

Overall, due to the scope of the AIF intervention and its remit including its relatively short lifetime, but also the methodological constraints and resources, this regional evaluation of the AIF intervention has focused on measuring the contribution of the programme to unlock funds with the key performance indicator being funding leverage; assessing the counterfactual position, rationale and relevance for this intervention and what it means for the future of regeneration activities in the South East; assessing the processes put in place to support partnership led regeneration activities at local level; and highlighting the strategic added value of the intervention and also good practice and legacy projects.

The evaluation provides an assessment of net outputs and unit costs. However, the robustness of these estimates has been limited by the lack of detailed, comparable and consistent information at AIF and end-user/beneficiary levels at this stage. On the other hand, it also needs to be recognised that it is too early to get an accurate picture of the net impact of this intervention and **the streams of benefits are likely to unfold over a considerable period of time**; assessment of the net impact of such interventions is only possible when the outputs of the developments that have taken place under the AIF funds and partnerships materialise.

### 1.3 The Structure of this Report

The remainder of this document is structured as follows:

- Section 2 provides a profile of the AIFs, summarises the rationale underpinning the intervention and the emerging logic chain supporting it.
- Section 3 presents an assessment of the performance of the intervention as a whole and the contribution of individual AIFs, where possible. It also presents estimates of the net impact of the intervention based on the interviews undertaken with project managers and key stakeholders and drawing upon previous research.
- Section 4 summarises emerging information relating to strategic added value, good practice and lessons learned from the establishment of the AIF partnerships, their management and delivery. It also presents the market conditions in the areas covered by the AIFs prior to the intervention and now and makes an assessment of the counterfactual.
- Section 5 draws conclusions and recommendations for future planning of interventions based on multi-area and local partnerships.
- Annex A presents a more detail socio-economic context and indicators for each AIF.
- Annex B presents the list of organisations and individuals consulted.
- Annex C presents a list of the evaluation documents reviewed to inform this overarching evaluation.

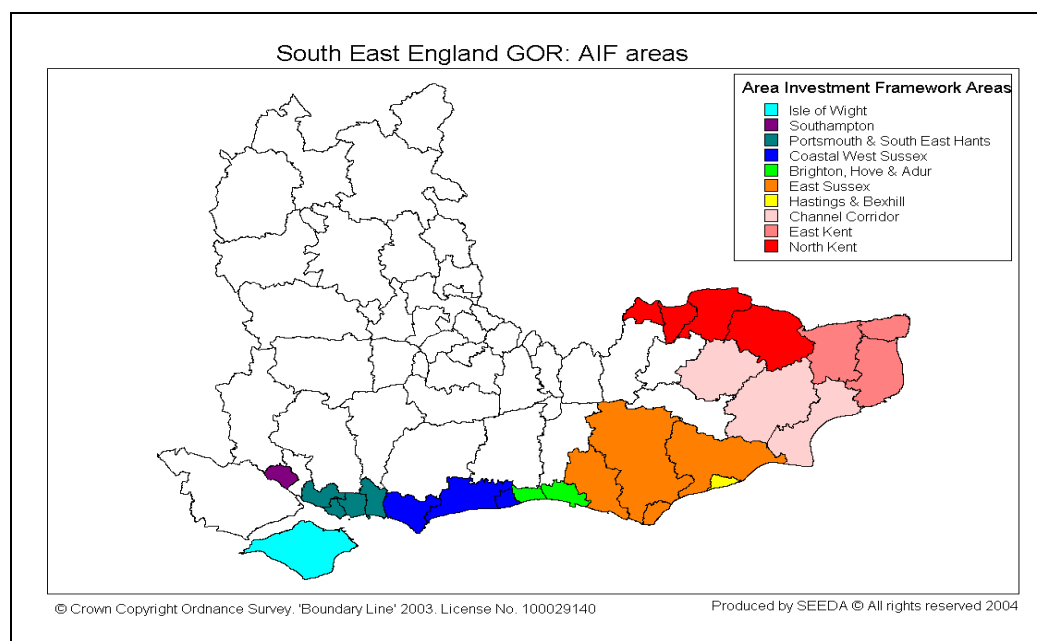
## 2. The Area Investment Frameworks in the South East

### 2.1 The Context and Rationale

Area Investment Frameworks (AIFs) were identified as a key action in the last SEEDA Regional Economic Strategy (2002-2012), building on the success of a series of pilots across the region. AIFs were seen as the development of new sub regional delivery arrangements in priority regeneration areas.

Ten AIF areas were identified and became operational in April 2004. **These largely coastal parts of the region contained the majority of wards that fell within the 20% most deprived wards nationally and 26 Local Authorities, 16 of which were ranked in the lower half of national rankings** (see Section 4 and Annex A). These 10 AIFs are shown in the AIF map below and were<sup>1</sup>:

- Brighton & Hove and Adur AIF
- Channel Corridor AIF
- East Kent AIF
- East Sussex AIF
- Hastings & Bexhill AIF
- Isle of Wight AIF
- North Kent AIF
- South East Hampshire AIF
- Southampton AIF
- West Sussex Coastal AIF



The main focus of AIFs has been to help those within deprived areas driven by the rationale that economic success outside of deprived wards can have an impact on those within deprived wards. AIFs therefore focus on wider sub regional areas, encompassing local economic geographies rather than precise local authority boundaries. Therefore

<sup>1</sup> The Milton Keynes, Oxfordshire, Berkshire and Buckinghamshire (MKOBB) sub-region introduced Area Programmes in 2004.

AIFs were seen as a mechanism to move regeneration activity away from the ‘usual way of doing business’ and ‘making a difference’ in an integrated way and joint effort **amongst key regional and sub-regional partners to address a range of issues from social inclusion and community capacity building to strategic employment sites** within geographical levels that were more relevant to the ‘need’ and the cause and effect of disadvantage rather than conventional administrative boundaries.

Within an AIF, all partners would come together to identify the need and **agree priorities that would enable successful regeneration of the particular target area**. As stated in one of the AIFs’ Governance Policy agreement, ‘SEEDA devolved funding should be used in a catalytic manner encouraging local people, businesses and other organisations to come together as partners in a joint approach to meet the needs and priorities of the area’<sup>2</sup>.

Therefore an AIF would act as an **analytical tool to identify the totality of the financial investment needed to improve the area’s socioeconomic position as measured by the IMD**, but also have a **practical plan of action** and activities to enable the negotiation of funding contributions and the development of programmes and projects as prioritised in agreement with all partners operating within the AIF. Within this context, SEEDA funds would be made available to **enable unlocking** of the potential and further funds and actions by other local partners and partnerships.

The AIFs were originally set out in the World Class Communities and Renaissance chapter of SEEDA’s Regional Economic Strategy in 1999. After an initial piloting programme, the 2002 Regional Economic Strategy committed SEEDA to launching Area Investment Frameworks in each of its priority regeneration areas.

SEEDA set out **five key objectives for the AIFs**, highlighting the additional nature of the information required by adding to and not duplicating what already existed. These objectives are shown below:

- a) Clearly link to an agreed strategy with identified outcomes to be achieved and priority actions;
- b) Cover the short, medium and longer term (with the level of investment planning sensitive to the different timescales);
- c) Analysis and agreement on the resources already in place or required to implement the strategy;
- d) Clearly identify roles, responsibilities and resources for taking action forward; and,
- e) Outline the process for monitoring and assessing progress.

The guidance issued by SEEDA **also emphasised the importance of partnership in the preparation of the AIF**.

In particular the role of the LSP was emphasized along with other regional and sub-regional stakeholders (such as Business Link and Learning and Skills Councils). Ten AIFs were set up to replace existing SRB and area-based rural programmes with Area Teams taking over responsibility for these programmes from April 2003. AIF Partnerships were initially awarded funding in 2003/04 for their development stage and were then allocated three years funding from April 2004, subject to performance. All 10 Area Investment Frameworks became operational from April 2004 and each developed its own action plan.

<sup>2</sup> East Kent Partnership Governance Policy, East Kent Partnership, June 2005.

SEEDA were not unique in recognising that previous public sector intervention aimed at redressing the balance of economic activity had not worked. The 2000 Comprehensive Spending Review and, in particular, the supporting review of Government Intervention in Deprived Areas (GIDA) recognised that successive phases of area-based intervention failed to reduce inequalities. To address the issue, the Government introduced Local Strategic Partnerships to achieve co-ordination at the local level<sup>3</sup>.

It also needs to be recognised that SEEDA's originally stated aim had been to run the AIFs for at least three years, which, subject to the government's Comprehensive Spending Review, would be renewable annually. However, in the light of the 2007 CSR and the sub-regional partnership review commissioned by SEEDA in early 2007, SEEDA decided to cease funding the AIF programme from April 2008. SEEDA's Board confirmed this decision in July 2007.

## 2.2 Strategic Fit and SEEDA Funding for AIFs

As noted above, the AIFs were originally set out in the World Class Communities and Renaissance chapter of SEEDA's Regional Economic Strategy in 1999. Other key strategies that SEEDA expected partners in the AIF areas to consult to inform the AIF were:

- The 2002 Framework for Regional Employment and Skills Action (FRESA);
- The Regional Sustainable Development Framework and Social Inclusion Statement;
- The spatial development plan frameworks for the sub region provided by Regional Planning Guidance, structure and local plans;
- Sub-regional economic strategies prepared by the Region's 11 South East Economic Partnerships;
- Local Economic Development Strategies prepared by local authorities; and,
- Community Plans prepared by LSPs.

The guidance provided by SEEDA<sup>4</sup> stated that as far as SEEDA was concerned, each AIF should:

- See clear agreements on the specific outcome targets partners hope to deliver;
- Encourage partners to develop a framework based on shared PSA targets or other similar performance frameworks;
- Encourage vertical as well as horizontal integration of outcome targets and contribute to the achievement of the Tier 2 Regional Outcome Targets<sup>5</sup>; and,
- **Deliver a marked impact on wards in the target area that fall within the 119 most deprived wards in the South East.**

The 2002-04 SEEDA Corporate Plan also stated that the less economically successful areas would provide a continuing focus for SEEDA's regeneration activities. AIFs were specifically mentioned as the principal means of establishing future SEEDA regeneration funding, by:

- Ensuring that local individual investment funders work together with shared objectives, priorities and commitment to maximise the benefits to local communities;

<sup>3</sup>The AIF concept was not necessarily a new or original idea. The Local Government Association had promoted the New Commitment to Regeneration with a number of pilot local authorities (including Southampton in the South East). See also Southampton AIF Evaluation, Tribal Consulting for Southampton City Council.

<sup>4</sup> SEEDA GUIDANCE NOTE: PRODUCING AN AREA INVESTMENT FRAMEWORK September 2002.

<sup>5</sup> These were quantified targets for the region as a whole (covering 11 areas) and clearly included in the SEEDA Guidance for the preparation of AIFs.

- Mapping and co-ordinating all investment from public, private and voluntary sectors over the short, medium and long term; and,
- Identifying any financial shortfalls between what is planned and funding available.

The 2002 Regional Outcome Targets (Tier 2) agreed between SEEDA and the Government as part of SEEDA's Corporate Plan included under the Regeneration theme the following regional outcome targets (to be achieved through various initiatives and **not just through AIFs**):

- By 2004/05, start to bring the residents in the 119 wards in the South East that are in the bottom 20% of wards nationally (as indicated by the Index of Multiple Deprivation) back into mainstream economic life (i.e. tackling social exclusion through economic development and inclusion), measured by a **10% improvement** in the following specific elements of the Index of Multiple Deprivation:
  - i. 6,780 fewer adults in income support households (1999 baseline 67,805 individual claimants)
  - ii. 1,831 fewer adults in income-based Job Seekers Allowance households (1999 baseline 18,315 individual claimants)
  - iii. Unemployment claimant count reduced by 2,433 (1999 baseline 24,335 claimants)
- The following intermediate targets were also proposed (subject to confirmation of baseline position and current trend, and to confirmation that other regeneration funding streams are aligned in support of the same PSA target):
  - i. Improvement in each element of 2.5% over baseline for each indicator by March 2003; and,
  - ii. Improvement in each element of 5% over baseline for each indicator by March 2004.

The SEEDA guidance for producing AIFs stated clearly that it was for local partners to determine priorities for achieving economic growth and regeneration in their areas and thus the scope of an AIF, having had regard to the strategic principles set out in the RES and the Tier 2 Regional Outcome Targets. Once priorities were agreed through the AIF process, SEEDA would negotiate the level of its support and agree specific targets and milestones with deliverers.

This meant that projects identified in an AIF seeking SEEDA funding would need to demonstrate how they would contribute towards the achievement of appropriate output targets. Partners were also reminded that in driving the economic development and regeneration agenda, SEEDA was committed to addressing social exclusion and sustainable development, and would expect AIFs to reflect these.

However, no specific region wide outcome/output targets were set collectively for all AIF intervention by SEEDA i.e. expected improvement in the target areas by 10%, or improvement in basic skills and business creation by x%.

Furthermore, variations in allocation of SEEDA funds amongst the AIFs have not been reviewed through the AIF funding period in order to explore the reasons underlying these variations i.e. why £1m was made available in one AIF area and £500K in another. SEEDA, as originally envisaged, adopted a 'federal' system of administration and delivery and funding was mainly devolved to partners in the form of a grant. AIF Partners decided on where to invest funds against the investment gaps identified in the AIF.

Each AIF would decide on their priorities and needs and fund appropriate projects. Every project funded by AIF funds would be appraised locally, with those projects greater than £250k being referred to SEEDA (although there have been some exceptions to this approach). Funds to individual AIFs would be allocated against standard SEEDA outputs. SEEDA, however, advised AIF delivery partners that SEEDA's funds were to be deployed in a genuinely additional way and without supporting activities that were – or could be – funded from elsewhere.

Figure 2.1 presents a summary of SEEDA funding for each AIF area. The SEEDA funding in AIF areas aimed to support:

- A partnership process that brought together local partners initially to produce an AIF that set out the investment going into the area from several partners and investment gaps. Some AIFs went further than this and set out an economic strategy for the sub region. Others drew on Local Community Strategies developed by Local Strategic Partnerships.
- Ongoing support for the Partnership to manage the process and to apply SEEDA project appraisal process (SPAG).
- Funding for projects identified as investment gaps that met the criteria in the RES and were eligible for SEEDA funds.
- Work with other partners to align their funding streams to the AIF or develop projects in line with investment gaps.

**Figure 2.1: Allocation of SEEDA AIF Funds, 2005-2008**

AIF	Total £ ('000s)	% of total
Brighton & Hove and Adur	3,885	10%
Channel Corridor	3,979	10%
East Kent	4,013	10%
East Sussex	4,363	11%
Hastings & Bexhill	2,750	7%
IOW	2,660	6%
North Kent	4,523	12%
South East Hampshire	5,287	14%
Southampton	4,722	12%
West Sussex Coastal	2,594	7%
<b>Total SEEDA AIFs</b>	<b>£38,776</b>	

Figure 2.2 provides a breakdown of funds into capital and revenue.

As indicated by the information below, the majority of AIF areas have utilised a larger proportion of their funding for enabling intervention – as reflected by an overall split of 57% Revenue Funding against 43% Capital Funding. Only three of the AIF areas: East Sussex, Brighton & Hove and Adur, and West Sussex Coastal have utilised the majority of funding for infrastructure intervention over the period.

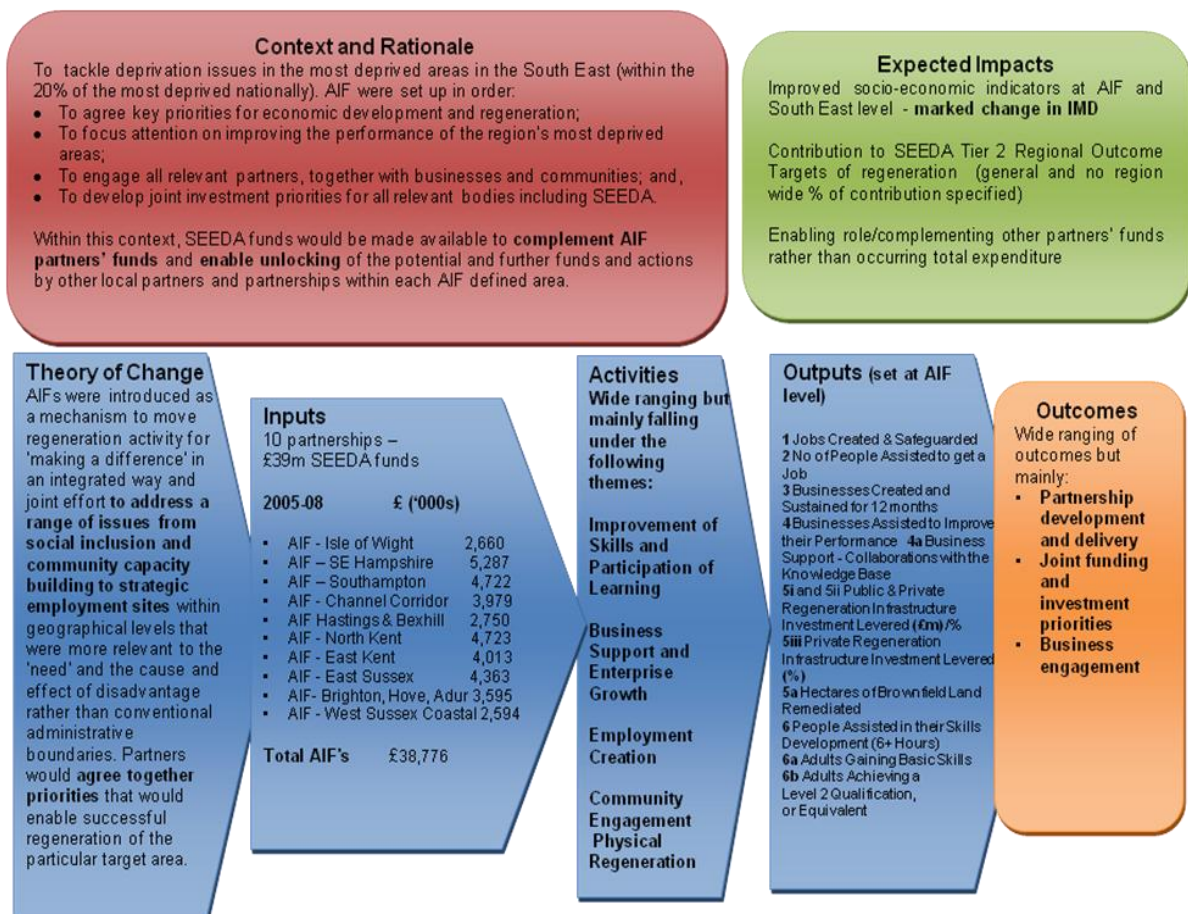
Figure 2.2: % of Total SEEDA Funding for each AIF

	% Total SEEDA funding	% revenue	% capital
Brighton & Hove and Adur	10%	45%	55%
Channel Corridor	10%	51%	49%
East Kent	10%	54%	46%
East Sussex	11%	48%	52%
Hastings & Bexhill	7%	56%	44%
Isle of Wight	7%	62%	38%
North Kent	12%	62%	38%
South East Hampshire	14%	72%	28%
Southampton	12%	68%	32%
Total AIFs	100%	57%	43%
West Sussex Coastal	6%	42%	58%

Source: SEEDA

On the basis of issues highlighted above, Figure 2.3 presents our interpretation of the logic chain and rationale underpinning this SEEDA intervention.

Figure 2.3: Logic Chain and Rationale Underpinning SEEDA funding for the AIFs



## 2.3 Profile of the AIFs, Management and Governance

Figure 2.4 provides a summary description of each AIF in terms of areas covered, original objectives and partners.

Figure 2.4: Profile of the 10 AIFs

Name of AIF	Area Covered	Key Objectives	Key Targets	Delivery Lead	Partners
Brighton & Hove	Brighton & Hove and Adur districts	Support Business Competitiveness and Innovation; Renewing the urban and physical environment; Improving the City's Transport; Marketing the city to business and leisure users; Creating jobs and raising skills; Providing homes for people; Providing city leadership.	Attract inward investment to secure development of the Brighton Centre. Attract inward investment to secure the development of key economic regeneration projects ensuring that residents of deprived areas benefit from their economic impact. Increase employment rates in neighbourhood renewal areas. Increase entrepreneurial activity by supporting the sustainable growth of key employment and cultural sectors in the City. Promote and extend opportunities for those over-50s who wish to work, learn or volunteer.	Brighton & Hove City Council	Business Investment & Innovation; Brighton & Hove Economic Partnership; Adur Economic Partnership; Sussex Enterprise; City Centre Business Forum; West Sussex Enterprise Agency; B&H Regeneration Partnership; West Sussex CC; Adur LSP; Sussex LSC; Univ of Brighton; Univ of Sussex; Brighton+Hove CVS; Adur CVS; Brighton & Hove City Council; GOSE
Channel corridor	3 Districts of Maidstone, Ashford and Shepway	To harness the impact of the growth agenda to develop economic prosperity across the whole of the Channel Corridor Area	Investment, Business & Enterprise, Place and Partnership Development	Accountable Body = Shepway District Council/Shepway LSP	Ashford Borough Council/Ashford LSP, Maidstone Borough Council/ Maidstone LSP, Kent CC, CVO, Maidstone and Weald PCT, Ashford PCT, Maidstone Studios, K&M Learning and Skills Council, SEEDA, Business Link Kent, GOSE, Kent and Medway Economic Board, Kent Institute for Art and Design (KIAD)
East Kent	Canterbury, Thanet and Dover	Ensure that East Kent realises its full potential with a local economy that in scale, dynamism, structure and enterprise compares favourably with the best in Kent and the South East, and where communities thrive and share in the area's growing prosperity and improved quality of life.	Develop strategy and provide a shared vision and agreed objectives for East Kent. Provide leadership and champion the interests of East Kent at all levels, and lead a coordinated East Kent voice on critical lobbying issues; Provide evidence on the needs, priorities and opportunities of East Kent, to support achievement of the overarching vision; Lobby for and facilitate investment for East Kent projects; Act as a 'critical friend' and on occasions challenge the views of partners in support of the shared vision for East Kent.	Thanet DC	Dover District Council; Business Link Kent; Thanet College; Canterbury City Council; University of Kent; Thanet DC; Canterbury 4 business; Federation of Small Businesses; Kent CC; Kent & Medway Economic Board; Environment Agency; GOSE; Technology Enterprise Kent; East Kent CVS; Freudmann Tittle International; Canterbury Christ Church University; East Kent Partnership; Canterbury & Coastal Primary Care Trust; LSC for Kent & Medway.
East Sussex	Eastbourne, Hastings, Lewes, Rother Wealden	Business development and enterprise – education and skills - transport and communications -urban and rural survival -	Greater company births; Greater number of companies surviving beyond 12 months, 24 months, 3 years and 5 years. To retain employment land, and to actively retain 5 hectares and to enable 10,000 sq. m of new business floorspace. % increase in the number of VAT registered businesses utilising broadband provision from 38.4% to 80% by March 2008. To ensure that a sustainable model of addressing unemployment in hard to reach groups is adequately addressed and to reduce overall unemployment levels. The creation of a sustainable network for community and regeneration partnerships to develop best practice. The creation of a coordinated approach to business and employer engagement; An agreed strategic approach to supporting the voluntary and community sectors. Accepted transparent method of communication and decision making.	East Sussex County Council	East Sussex Borough and District Councils; East Sussex Strategic Partnership; VOICES; East Sussex Learning Partnership; Sussex Partnership; Sussex LSC; SEEDA (observer)
Hastings	Hastings, Bexhill and Rye Harbour	1. Improve economic prosperity - Achieve an increase in the value and productivity of key sectors through strategic and co-ordinated targeting of support services; 2. Employment and Skills - Raising residents aspirations, ensuring they are equipped with the skills and ability to access local and regional job opportunities; 3. Physical Infrastructure and 4. Social and Economic Inclusion - Identify & tackle the barriers within the social and community infrastructure which create or maintain the exclusion groups and individuals preventing them from accessing training and employment.	To achieve increased investment and retention of existing key employers within the targeted key sectors of advanced engineering, destination management & creative industries. Increase the effectiveness of the support services for small businesses. To improve educational participation and achievement from primary through to further education/higher education. Clear pathways from learning into employment for all ages across the Hastings and Bexhill area. To improve the availability of quality offices and workspace that meets the needs of potential occupiers by developing key small sites. To accelerate access utilisation and uptake of broadband. To increase capacity of local communities to participate in the regeneration of the area through active citizenship and gain a better understanding of the social circumstances that are perceived as barriers to social or economic inclusion.	Hastings Borough Council	Rother District Council; East Sussex County Council; Hastings Regeneration Partnership; Bexhill Regeneration Partnership; Sussex LSC; GOSE; Sussex Enterprise; East Sussex Economic Partnership; 1066 Enterprise
Isle of Wight	The Isle of Wight	The five objectives of the AIF are: (1)Economic Regeneration (Cowes Waterfront), (2) Isle of Wight branding, (3) Educated Island, (4) Healthy Island, (5) Accessible Island	To attract a target of £60million investment to the Island (main focus Cowes Waterfront); increase employment opportunities; raise islanders' aspirations through the Inspire Programme; develop a better skilled workforce that meets business needs; improve higher and further education performance; implement a Healthy Living programme; improve integration of transport; and develop improved distribution infrastructure.	Isle of Wight Council	The Island Futures Partnership, ( The Island's LSP); The Island Futures Support Group (IFSG); The Isle of Wight Economic Partnership (WEP).
North Kent	Medway and the boroughs of Gravesend, Dartford and Swale.	Business Development/ Economy - Learning and Skills - Community Engagement with major regeneration opportunities - Enable the existing communities to benefit from the new developments and regeneration taking place in North Kent.	Improve productivity, increase local employment opportunities, increase the number of jobs in key sectors, increase in growth of start ups and survival rates of new businesses, promote and attract new investment, increase average earnings, reduce unemployment. Increase the number of pupils gaining 5 or more GCSE A-C and achieving NVG level 3 or above in English and Mathematics respectively, increase the number of residents accessing HE/FE, contribute to reduction in the gap between North Kent and national indicators of literature; contribute to improved quality of physical community facilities and subsequently the range and	Medway Council	BPP regeneration; North Kent Community Forum; Kent and Medway LSC; Land Securities; Gravesend Borough Council; Kent & Medway Economic Board; Dartford Borough Council; Kent CC; Medway Ports Ltd; Medway Council; Swale Borough Council
South East Hampshire	Four local authority areas of City of Portsmouth, Fareham, Gosport and Havant	To improve the performance of the local economy measured in terms of output growth and jobs. To have a well motivated, aspirational and successful workforce – to improve the skills and employability. Inclusive and Prosperous economy. To create quality urban places – creating a high quality urban, liveable and coastal environment; and to achieve a fully integrated transport system and competitive cultural offer for SEH.	Achieve economic growth rates at or above SE England averages with specific targets attached to levels of qualifications, employment and unemployment rates.	Portsmouth and South East Hampshire Partnership	Fareham LSP/ VT Shipbuilding , Fareham LSP, Gosport LSP, Portsmouth LSP, Havant LSP, Hampshire Strategic Partnership, Gosport LSP/ Gosport Voluntary Action, Portsmouth LSP / Portsmouth Community Network, Hampshire Strategic Partnership / Defence Estates the LSC, Business Link Wessex, JCPPlus, P&SHE Partnership / Blake Laphom Linnell
Southampton	Southampton city area	Developing Southamptons Businesses; Providing High Quality Infrastructure; Raising Skills levels; Improving the City's Image & Offer; Reducing inequalities between Southampton's priority neighbourhoods and the rest of the city.	Set an overall strategic vision for the city of Southampton and secure partnership commitment and action to deliver the vision; Develop and implement a Community Strategy for the City of Southampton; Tackle disadvantage by finding ways to 'narrow the gap' between Southampton's 11 Priority Neighbourhoods and the rest of the City.	Southampton CC	Southampton & Fareham Chamber of Commerce; Children & Young Peoples Strategic Partnership; City Centre Management Board; Community & Voluntary Sector; Southampton Regeneration Executive; Southampton Safe City Partnership; Health and Social Care Partnership; Cultural Consortium; Higher Education; Southampton Institute & University of Southampton; Southampton Sustainability Forum; Transport & Infrastructure; Hampshire & IOW learning & Skills Council; Southampton City Council, Southampton PCT; Hampshire Constabulary
West Sussex Coastal	Includes the towns of Shoreham and Lancing in the east through to Worthing, Littlehampton, Bognor Regis, Chichester, Selsey and East Wittering in the west; and covers all of Adur, and Worthing, most of Arun, and the south west part of Chichester district.	Coastal West Sussex aims to establish the area as the location of choice for Britain's most ambitious companies - and most discerning residents.	The creation of the Arena Skills Centre in Bognor Regis supporting the development of vocational skills with a focus on construction. The development of the 5 Towns Network which up-skills regeneration professionals and promotes collaborative working across Coastal West Sussex. The establishment of Arun Enterprise Gateway an initiative to support the start-up and development of businesses. The Better Business Park project with a programme of environmental improvements on industrial areas.	West Sussex County Council	West Sussex County Council Chichester District Council Arun District Council Worthing Borough Council Adur District Council SEEDA West Sussex Economic Partnership Western Sussex Primary Care Trust Sussex Learning and Skills Council Sussex Enterprise West Sussex Coastal Partnership Government Office South East Business First Magazine Spring Marketing Ltd

Review of the available documentation has shown that:

- A wide range of areas are covered by the 10 AIFs. However, these (largely coastal parts of the region) contained the majority of wards that fell within the 20% most deprived wards nationally. At a Super Output Area (SOA) level, Southampton, Coastal North Kent, Brighton & Hove and Hastings and Bexhill all record a high incidence of deprivation, with a collection of their SOAs in the 205 most deprived SOAs in the country. The most deprived study area is Hastings and Bexhill which is ranked 31 out of 354 local authorities in England. Furthermore, the ten AIF comprise of 26 Local Authorities, 16 (61.5%) of which are ranked in the lower half of national rankings. When analysing each of the AIFs, 6 clearly stand out as areas of high concentration of deprivation, these being North Kent, the Isle of Wight, Southampton, Brighton & Hove and East Kent (see further analysis in Section 4).
- Although the range of objectives in each AIF appears similar, the emphasis of intervention varies by AIF with the emerging 5 key themes being:
  - Business and Enterprise Support;
  - Provision of Training/Learning (basic but also higher skills and also development of educational infrastructure);
  - Regeneration, Community engagement and Social Cohesion;
  - Development/improvement of physical infrastructure; and,
  - Local capacity and capability i.e. resourcing relevant/related partnerships and research and planning such as masterplans and due diligence studies.
- It is important to note that interviews with Board members of the various AIFs indicate recognition that the scale of ambition of these original objectives was well above the scope of the available resources. In nearly all cases, this over-ambition was recognised at an early stage by the Partnership Boards and objectives were 'toned down', in particular where additional other public/private sector funding did not look promising. Hence, the resulting focus on specific themes/areas.
- As stated above, in launching the AIF intervention, no specific targets for improvement in key socio-economic indicators were set at regional South East level. Similarly, only a few AIFs set targets for improvement in key socio-economic indicators e.g. South East Hampshire, East Sussex and Southampton. On the other hand, AIFs were allocated funds against contribution to RDA outputs. Figure 2.5 summarises target outputs set for all AIFs in total in terms of outputs for funding received by SEEDA between 2005 and 2008.

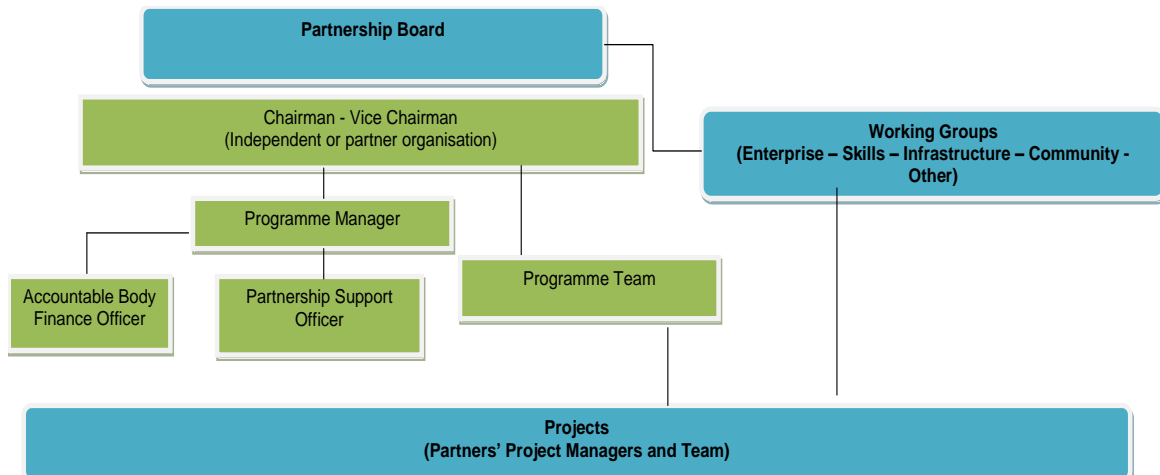
**Figure 2.5: Target Outputs for all AIFs, 2005-2008**

No of jobs created and safeguarded	2,412
No of people assisted to get a job	4,331
No of new business created and sustained for 12 months	445
Number of Businesses Assisted to Improve their Performance	7,866
Business Support - Collaborations with the Knowledge Base	219
Public & Private Regeneration Infrastructure Investment Levered	£86.9m
Private Regeneration Infrastructure Investment Levered (£m)	£22.5m
Private Regeneration Infrastructure Investment Levered (%)	50.0%
Hectares of Brownfield Land Remediated	8
Number of People Assisted in their Skills Development (6+ Hours)	23,488
Number of Adults Gaining Basic Skills	2,396
Number of Adults Achieving a Level 2 Qualification or Equivalent	768

- Furthermore, review of SPAG forms and the various AIF partnerships' performance plans indicates that in general, there is no always clear direct fit between the target strategic outcomes set by the partnerships and the outputs against which funding has been allocated by SEEDA.

Figure 2.6 depicts a typical AIF management and governance structure.

**Figure 2.6: Typical AIF Governance and Management Structure**



In summary:

- Local authorities acted as the accountable bodies but a wide range of partners were involved and the established local partnerships were responsible for running the scheme on the ground. The Learning and Skills Council (LSC) and the JobCentre Plus (JCP) tend to be key partners in training/related projects; Business Link in business and enterprise support and Local Authorities in Physical Regeneration and Regeneration engagement projects.
- The AIF is a SEEDA funded programme with responsibility for programme administration (project appraisal, approval and contract management) devolved to the AIF Partnership/LSP.
- All AIFs established Partnership Boards to determine the objectives and priorities of the programme and to oversee the programme's delivery.
- Partnership Boards established working/tasks groups to deal with specific thematic issues. These groups in general appeared to include a wider range of organisations than the Boards. The original roles of these groups were to scope out and send projects to the Partnership Board to reflect the area priorities.
- At operational level, AIFs appointed a Programme Manager, with responsibility for the programme as a whole, including staffing and budget management. The AIF Programme manager has also been responsible for managing the relationship with SEEDA.
- Programme Managers have been supported by Programme Teams whose members tend to be employees of the accountable body/lead partner organisation. Their job has been to deliver effective and appropriate appraisal, monitoring and financial systems to meet SEEDA's devolved funding requirements, as well as the



requirements of the accountable body. The Programme Teams also ensured that projects are appraised properly, and has recommended projects for approval at appropriate levels. The teams have also provided the secretariat for the Partnership Board and the various task groups.

- The overall structure indicates that in principle SEEDA's devolved approach has offered the opportunity for local engagement, decision making, responsibility and accountability in the management and implementation of the AIF programme: SEEDA providing the core funding; the Partnership/LSP providing local contextual knowledge required to target and appraise investment decisions; the Local Authorities through their accountable body role providing technical support and contract management; and the individual partners for developing and delivering project activity.

## SUMMARY – THE AIFs IN THE SOUTH EAST

The Area Investment Frameworks (AIFs) represent a significant funding intervention by SEEDA alone – just under £39m from April 2004 to March 2008 to respond to the investment needs of the most deprived wards and local authorities in the South East in order to tackle deprivation and its causes.

The rationale for this intervention was set out in the World Class Communities and Renaissance chapter of SEEDA's Regional Economic Strategy in 1999. AIFs would contribute to the Regional Outcome Targets agreed between SEEDA and the Government as part of SEEDA's Corporate Plan and included mainly under the Regeneration theme: in particular the target referring to start bringing the residents in the 119 wards in the South East that were in the bottom 20% of wards nationally (as indicated by the Index of Multiple Deprivation) back into mainstream economic life (i.e. tackling social exclusion through economic development and inclusion).

An AIF would act as an analytical tool to identify the totality of the financial investment needed to improve the area's socioeconomic position as measured by the IMD, and SEEDA funds would be made available to enable unlocking of the potential and further funds and actions by other local partners and partnerships. Indeed, the guidance issued by SEEDA emphasised the importance of partnership in the preparation of the AIF.

The SEEDA guidance for producing AIFs also stated clearly that it was for local partners to determine priorities for achieving economic growth and regeneration in their areas and thus the scope of an AIF, having had regard to the strategic principles set out in the RES and the Tier 2 Regional Outcome Targets. Once priorities were agreed through the AIF process, SEEDA would negotiate the level of its support and agree specific targets and milestones with deliverers. However, no specific region wide outcome/output targets were set collectively for all AIF intervention by SEEDA i.e. expected improvement of IMD in the target areas by 'x' positions in the index, or improvement in basic skills and/or business creation by 'x%'.

Review of the 10 AIFs that were launched in the region as part of this evaluation indicates that a wide range of areas were covered by the 10 AIFs – and these (largely coastal parts of the region) contained the majority of wards that fell within the 20% most deprived wards nationally. To our knowledge, however, no interim evaluation and/or monitoring at *overall programme level* took place at any point to assess distance travelled and progress towards the original objectives of this SEEDA intervention and in particular the contribution of the funds to improving key socioeconomic indicators in the region's most deprived areas. This meant that projects identified in an AIF would continue to receive SEEDA funding if they demonstrated how they would contribute towards the achievement of appropriate output targets, but funding would not be directly linked to the improvement of specific socioeconomic indicators in this area.

The evaluation, however, has shown that the scheme was embraced with enthusiasm by a wide range of local agencies and partnerships. SEEDA's devolved approach offered the opportunity for local engagement, decision making, responsibility and accountability in managing and implementing AIFs, with: SEEDA providing the core funding; the Partnership/LSP providing local contextual knowledge required to target and appraise investment decisions; Local Authorities providing technical support and contract management; and the individual partners developing and delivering project activity.

However, the scale of ambition of the AIF's original objectives appeared to be well above the scope of the available resources. In nearly all cases, this over-ambition was recognised at an early stage by the Partnership Boards and objectives were 'toned down', in particular where additional other public/private sector funding did not look promising.

Section 3 discusses in more detail emerging findings in relation to the performance of AIFs against key outputs, leverage and spends.

### 3. Programme Outputs and Impact

This section contains a review of the performance and achievements of the AIF intervention as a whole in terms of gross outputs delivered and reported to SEEDA. This is based on analysis of monitoring and financial information received from SEEDA. The funding and output figures received are for the years 2005/6 to 2007/8.

Analysis of information in relation to private and public sector leverage is also presented. This is a key performance indicator for such an initiative whose primary purpose has been to unlock potential funding by the private and other public sector funding sources.

Furthermore, this section presents an assessment of gross unit costs/funding per output, using the available financial and output information. It also discusses gross to net adjustments and additionality and presents an assessment of the efficiency in delivering the programme.

#### 3.1 Gross Outputs

Figure 3.1 summarises performance of the programme as a whole to date and presents the gross outputs generated by the AIF initiative as a whole<sup>6</sup>. In the 3 years to March 2008, significant successes can be listed:

- 3,225 jobs created and sustained
- 4,864 people supported to get jobs
- Over 9,000 businesses have been supported to improve their performance
- 14 hectares of Brownfield land have been remediated

Figure 3.1: Delivery of Outputs, ALL AIFs, 2005-2008<sup>7</sup>.

Output	Gross Actual	Target	Difference	% Target Achieved
1	3,225	2,412	813	134%
2	4,864	4,331	533	112%
3	349	445	-96	78%
4	9,142	7,866	1,276	116%
4a	308	219	89	141%
5i (£ m)	64	87	-23	74%
5ii (£ m)	11	23	-12	47%
5a	13	8	5	160%
6	30,143	23,488	6,655	128%
6a	1,753	2,396	-644	73%
6b	451	768	-318	59%

<sup>6</sup> Review of project monitoring forms and consultations with SEEDA staff and project managers indicate that the gross outputs reported here represent only those outputs that are attributable to SEEDA funding.

<sup>7</sup> **Tasking Framework Output Description** : 1 Number of Jobs Created & Safeguarded; 2 Number of People Assisted to get a Job; 3 Number of New Businesses Created and Sustained for 12 months; 4 Number of Businesses Assisted to Improve their Performance; 4a Business Support - Collaborations with the Knowledge Base; 5i Public & Private Regeneration Infrastructure Investment Levered (£m); 5ii Private Regeneration Infrastructure Investment Levered (£m); 5a Hectares of Brownfield Land Remediated 6 Number of People Assisted in their Skills Development (6+ Hours); 6a Number of Adults Gaining Basic Skills; and 6b Number of Adults Achieving a Level 2 Qualification or Equivalent.

The 'traffic' light system indicates:

- **Overachievement in specific areas (green highlight)**
  - 5a: Brownfield Land remediated (160%)
  - 4a: Business support – collaboration with knowledge base (141%)
  - 1: no of jobs created/safeguarded (134%)
  - 6: no of people assisted in their skills development (128%)
- **Over 70% achievement in 4 key indicators (purple)**
  - 3: no of new business created and sustained
  - 6a: Adults learning/skills development
  - 5i: public & private sector investment
- **Underachievement in relation to private sector engagement i.e. below originally set target (40%-60% achievement)**
  - 5ii Private Regeneration Infrastructure Investment Levered (expressed in £m)
  - 6b: Adults learning/skills development qualified to Level 2

### 3.2 Contribution of each AIF area to overall AIF outputs

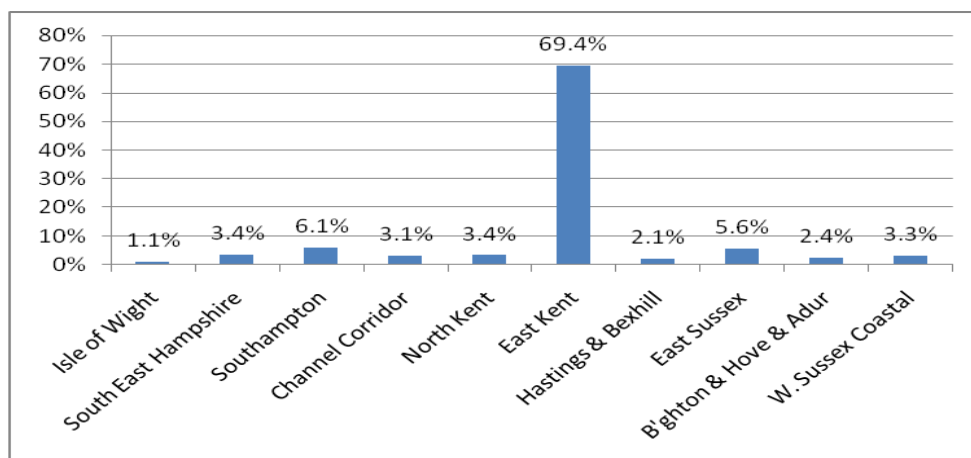
Review of performance at AIF level indicates that the extent of contribution of each AIF to these overall outputs depends on and reflects the emphasis of each AIF's activities. For example:

- East Kent area for jobs created and safeguarded
- East Sussex area for business support related targets
- South East Hampshire, Southampton and North Kent areas for skills and learning

Contribution of each AIF to key SEEDA outputs is summarised below.

- **Number of Jobs Created and Safeguarded:** East Kent has contributed relatively more outputs by far in terms of the number of jobs created and safeguarded at 69.4% of all jobs created and safeguarded across all the AIF areas.

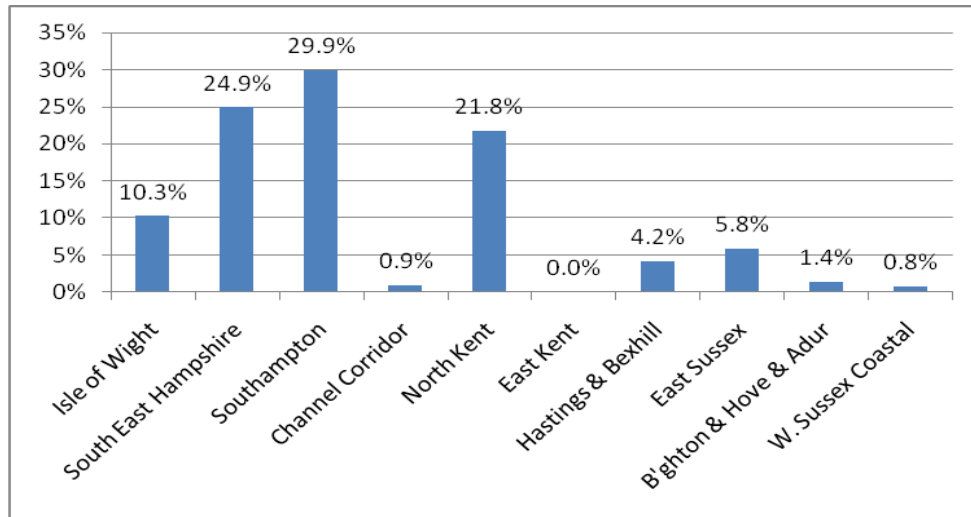
**Figure 3.2: Number of Jobs Created and Safeguarded**



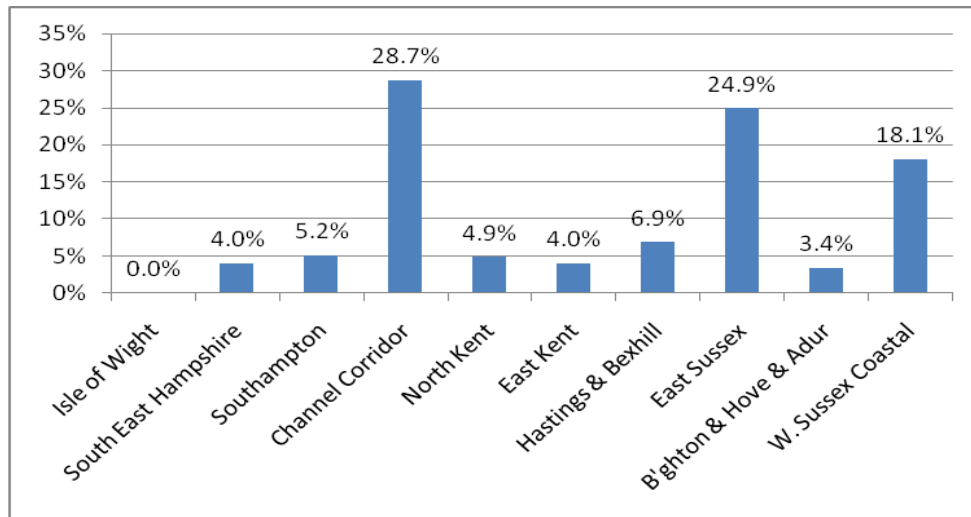
- **Number of People Assisted to get a Job:** As Figure 3.3 indicates, Southampton, South East Hampshire and North Kent that have contributed 29.9%, 24.9% and 21.8% of all the people assisted getting a job respectively.

- Number of New Businesses Created and Sustained for 12 months:** The overall AIF target in relation to this indicator has not been achieved. As Figure 3.4 indicates, the Channel Corridor, East Sussex and West Sussex Coastal AIFs have reported relatively high rates in creating and sustaining new businesses for 12 months over the period.

**Figure 3.3: Number of People Assisted to get a Job**

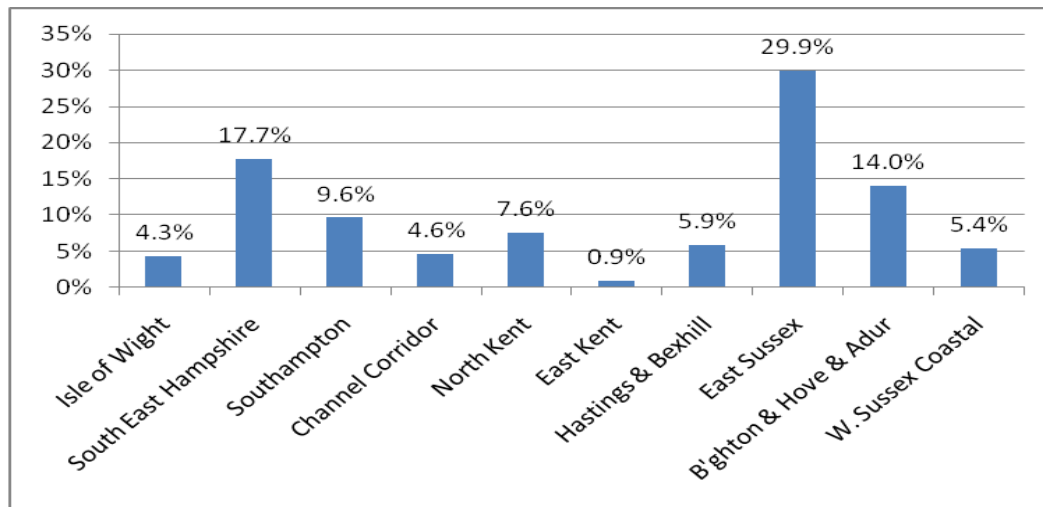


**Figure 3.4: Number of New Businesses Created and Sustained for 12 months**

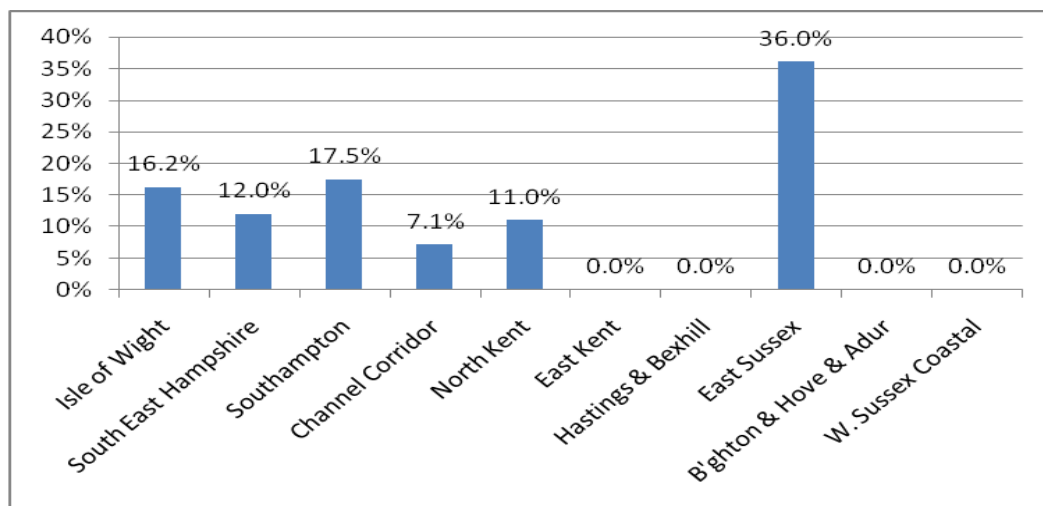


- Number of businesses assisted to improve their performance:** As Figure 3.5 indicates, the East Sussex AIF area has provided almost 30% of the overall AIF assistance to improve businesses' performance, with South East Hampshire contributing 17.7%, followed by Brighton & Hove and Adur contributing 14% of the overall AIF assistance to improve businesses performance.
- Business Support - Collaborations with the Knowledge Base:** In terms of business support, the East Sussex AIF area contributed 36% of collaborations with the knowledge base, followed by Southampton (17.5% of overall output) and Isle of Wight (16.2% of overall output).

**Figure 3.5: Number of Businesses Assisted to Improve their Performance**

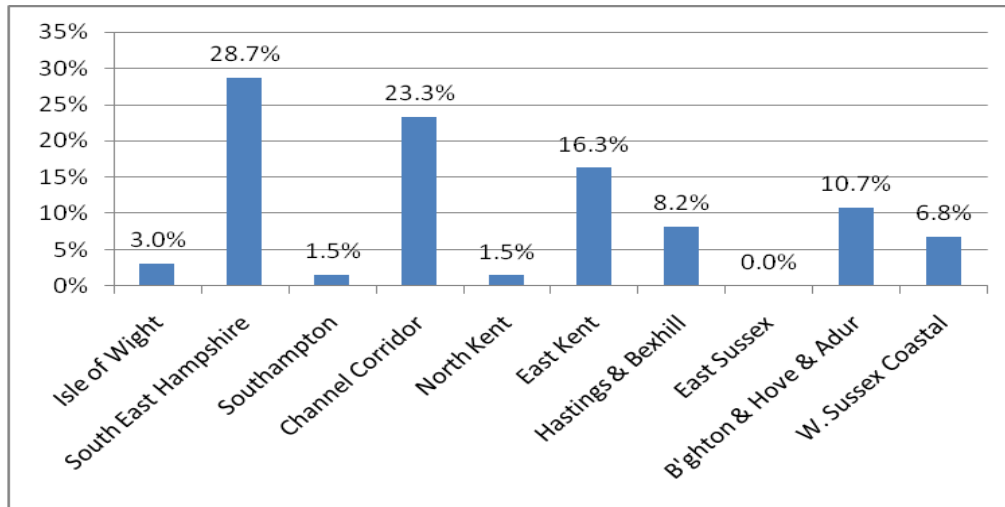


**Figure 3.6: Business Support - Collaborations with the Knowledge Base**



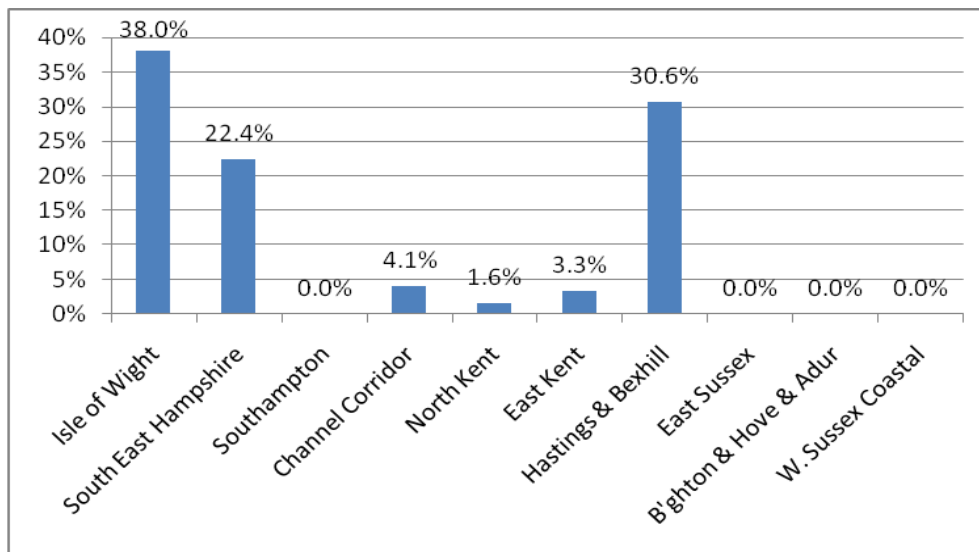
- Public & Private Regeneration Infrastructure Investment Levered:** The AIF intervention has underperformed in delivery of the indicators that demonstrate private sector engagement. On the other hand, there has been some progress in relation to public & private regeneration infrastructure investment levered, which should be expected as one of key aims of the AIFs was to coordinate funding and investment at AIF level.
- As the following figure indicates the South East Hampshire and Channel Corridor AIFs have contributed just over 50% of the total output for this indicator (28.7% and 23.3% respectively). In general, comparisons at AIF level should be avoided as definitions and data provided by various AIFs in relation to funds levered may differ.

**Figure 3.7: Public & Private Regeneration Infrastructure Investment Levered (£m)**



- In terms of **private sector investment**: The Isle of Wight and Hastings & Bexhill AIF areas have contributed each around a third of all AIFs total private regeneration infrastructure investment leverage.

**Figure 3.8: Private Regeneration Infrastructure Investment Levered (£m)**



According to the information presented in Figure 3.9:

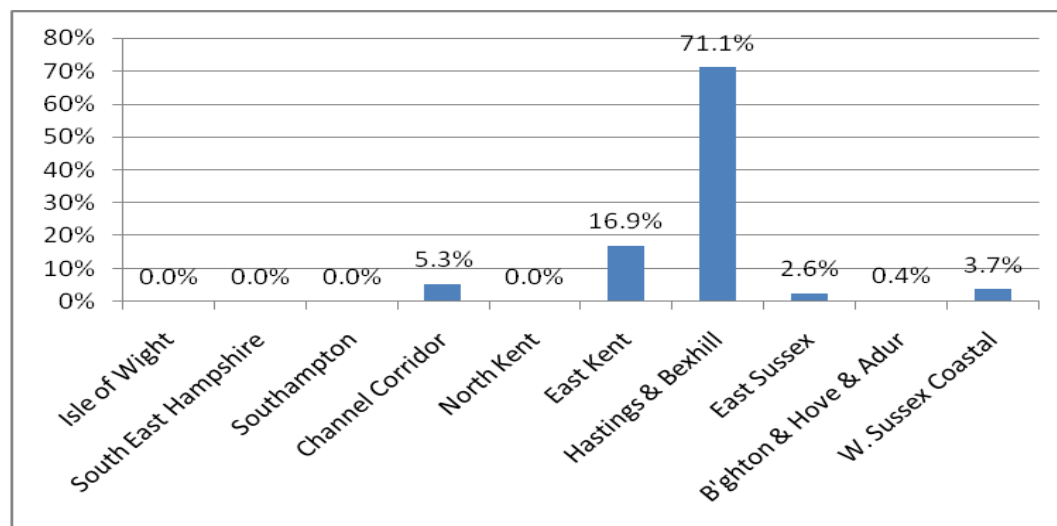
- On average each AIF leveraged approximately £1m of private sector funding and £5.4m of public sector funding.
- The SE Hampshire, Channel Corridor and East Kent AIF areas all leveraged in funding well above the average, with approximately £15.2m, £12.3m and £8.6m respectively.

**Figure 3.9: Public and Private Sector Leverage analysis (3 years)<sup>8</sup>**

AIF	Private Funding Levered	Public Funding Levered	Total Leverage	AIF	Leverage ratio
B'ghton & Hove & Adur	£1,655,000	£3,796,000	£5,451,000	£3,885,000	1.4
Channel Corridor	£110,000	£12,230,000	£12,340,000	£3,979,000	3.1
East Kent	£90,000	£8,554,000	£8,644,000	£4,013,000	2.2
East Sussex	£2,375,500	833,000	£3,208,500	£4,363,000	0.7
Hastings & Bexhill	£1,064,819	£4,584,000	£5,648,819	£2,750,000	2.1
Isle of Wight	£1,030,000	£580,000	£1,610,000	£2,660,000	0.6
North Kent	£1,053,000	£2,010,000	£3,063,000	£4,523,000	0.7
South East Hampshire	£606,000	£14,614,000	£15,220,000	£5,287,000	2.9
Southampton	£1,900,000	£3,300,000	£5,200,000	£4,722,000	1.1
W. Sussex Coastal	£676,062	£3,770,578	£4,446,640	£2,594,000	1.7
<b>Total</b>	<b>£10,560,381</b>	<b>£54,271,578</b>	<b>£64,831,959</b>	<b>£39,000,000</b>	
Estimated Average	£1,056,038	£5,427,158	£6,483,196		1.7

- Hectares of Brownfield Land Remediated.** This is an output where there is significant overachievement. More specifically: Over two thirds of total Brownfield Land remediation has occurred in Hastings & Bexhill AIF area, with a further 16.9% in East Kent and 5.3% in the Channel Corridor AIF areas.

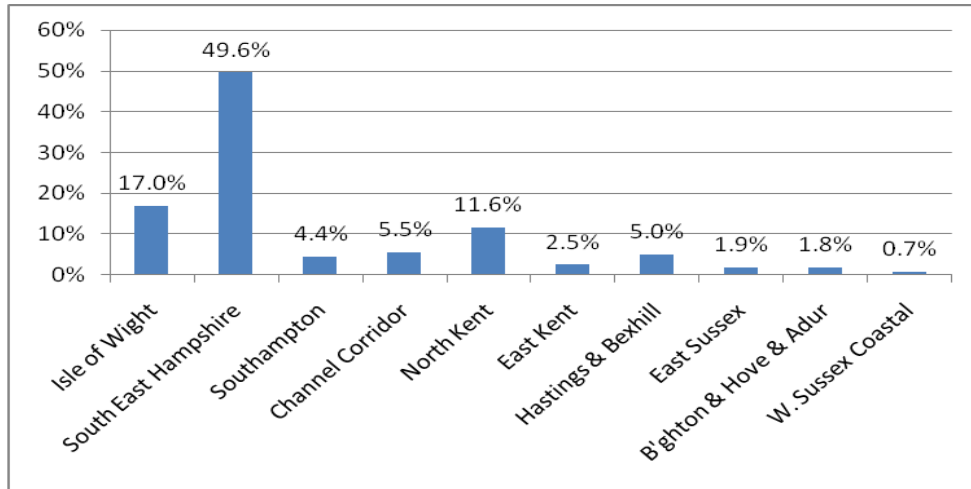
**Figure 3.10: Hectares of Brownfield Land Remediated**



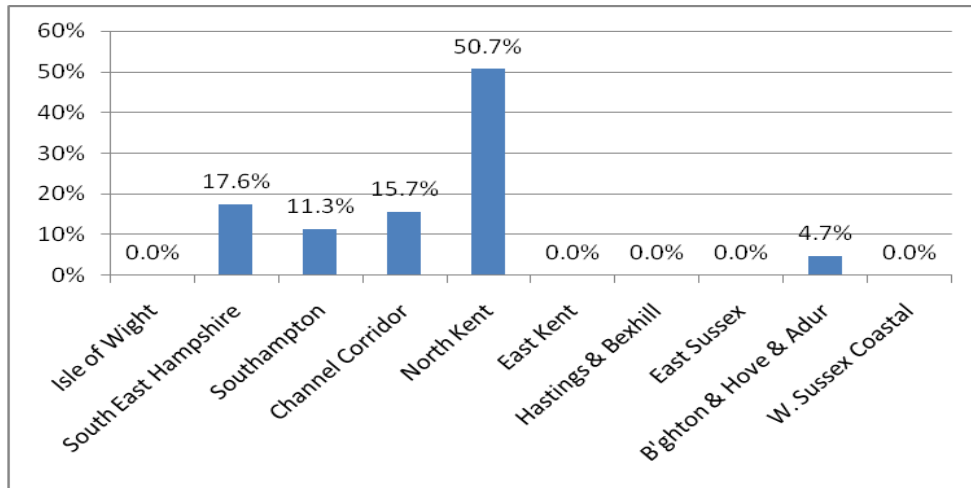
- Number of People Assisted in their Skills Development (6+ Hours).** This has been perceived as a relatively easy target to meet by a number of stakeholders we talked to i.e. people undertaking personal skills development/learning for a minimum of 6 hours. AIFs are overachieving on this target having delivered 128% of their target in total. As Figure 3.11 indicates, more specifically, the South East Hampshire AIF has provided approximately half of the total AIF output in terms of number of people assisted in their skills development (6+ hours). A further 17% was provided by Isle of Wight and 11.6% by North Kent.
- Basic Skills and Level 2 or Equivalent:** On the other hand, basic skills and Level 2 or equivalent have not been as easy to achieve, and in particular the latter. Over half of overall output in the number of adults gaining basic skills has been produced by the North Kent AIF.

<sup>8</sup> This is based on information provided to DTZ by April 2008.

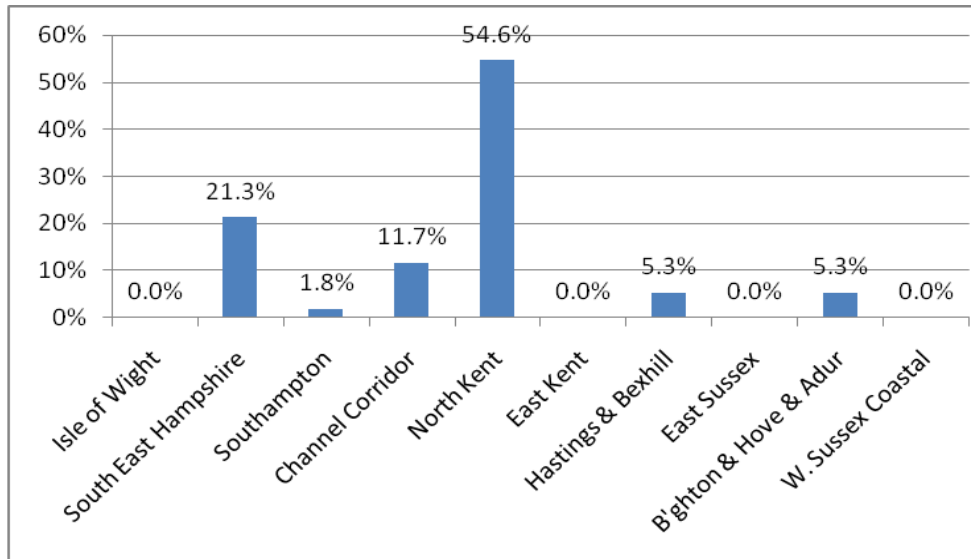
**Figure 3.11: Number of People Assisted in their Skills Development (6+ Hours)**



**Figure 3.12: Number of Adults Gaining Basic Skills**



**Figure 3.13: Number of Adults Achieving a Level 2 Qualification or Equivalent**



### 3.3 Gross Unit Cost/Funding per Output by AIF area

In generating gross unit costs by output for the SEEDA investment, the primary unit of analysis is total spend against total gross outputs. Using the monitoring data received from AIFs and combining this with output data from SEEDA, the amount of funding per unit of output is assessed. Figure 3.15 presents this information for the AIF areas for which information at project level has been made available to DTZ during this evaluation.

The purpose of this information is to provide an indicative measure of investment that may be required to deliver key outputs in different localities in the region. Comparisons amongst various AIFs to assess value for money for SEEDA's investment would be meaningless given the different baseline position, priority needs and leverage ability of each AIF. Some unit costs could also appear exceptionally high because funding is not entirely dedicated to the creation of certain outputs i.e. some AIFs may have invested relatively large amounts in the delivery of specific projects and outputs and smaller amounts delivering a secondary output. For example, if an AIF has primarily invested on infrastructure and land development, most of the inputs will contribute to reclaiming and developing land and putting in place infrastructure; at the same time, secondary outputs could be produced such as business assisted, making these units, however, appear relatively high.

The steps taken to provide this assessment are summarised below:

1. Allocate the use of SEEDA monies into four key strategic investment priorities – Learning, Business, Infrastructure and General (capacity building). This is done by making a judgement as to how to best match the funding categories used by each AIF to these four priorities.
2. Pick the most appropriate output indicator for each of the four investment priorities.
  - a. Learning – Output 6: '**Number of people assisted in skills development (6+ hours)**'.
  - b. Business – Output 3: '**Number of new business created and sustained for 12 months**' + Output 4: '**Number of businesses assisted to improve their performance**'<sup>9</sup>.
3. Calculate funding on a per unit basis. This is done by dividing funding in each investment priority (step 1 above) by the appropriate total outputs (step 2 above) for each AIF.

**Figure 3.14: Total SEEDA funding per strategic investment priority by AIF area**<sup>10</sup>

	Hastings & Bexhill	Brighton	Channel Corridor	Coastal WS	East Sussex	Southampton
<b>Learning</b>	£1,144,437	£891,028	£910,361	£416,749	£250,000	£680,000
<b>Business</b>	£918,076	£818,316	£1,368,067	£682,237	£3,015,000	£2,310,000

The key messages emerging from Figure 3.14 are summarised below:

<sup>9</sup> A caveat should be made here that some double-counting may occur as those businesses created and sustained may also have been assisted to improve their performance.

<sup>10</sup> Selected only AIF areas for which information is available. It needs to be noted that the Hastings and Bexhill AIF Evaluation Report contains calculation of Gross Unit Costs for key outputs (the report has been prepared by Ottaway Strategic Management LTD, March 2008).

- The Hastings & Bexhill AIF area allocated most of the SEEDA funding to the **learning** strategic investment priority (£1.1m) over the life of the AIF. The Channel Corridor AIF also funded just over £900k in activity related to this investment priority, making it the second largest ‘spender’ of SEEDA in this area of investment.
- On the other hand, the East Sussex AIF contributed the most funding towards the **business** strategic investment priority with just over £3m used for this purpose. Southampton (£2.3m) and the Channel Corridor (£1.4m) were the two other AIFs to allocate more than £1m for this priority.

Figure 3.15 presents funding per unit on the basis of the above against key outputs reported.

**Figure 3.15: Gross Unit Costs by AIF area**

OUTPUTS	Hastings & Bexhill	Brighton	Channel Corridor	Coastal WS	East Sussex	Southampton	Average
No of people assisted in skills develop, 6+ hours	£762	£1,620	£553	£1,877	£428	£287	£921
Business created & Sustained	£1,625	£633	£2,636	£1,234	£1,068	£2,329	£1,587

- The average spend per unit of output covering **learning** related outputs i.e. **no of people assisted in skills development involving 6+ hours of training**, was £921. According to the analysis, generation of these outputs could cost between £287 (in the Southampton AIF area) and £1,877 in Coastal West Sussex.
- It could be also argued that it has been relatively more costly to assist people in skills development for the AIFs that dedicated relatively larger sums of funds on infrastructure and business support related projects e.g. Brighton, Coastal West Sussex and Southampton.
- The average spend per unit of output for the **business** related outputs such as businesses created and sustained is relative more expensive at an average of £1,587. According to this analysis generation of these outputs cost the Channel Corridor AIF at £2,636 more than it cost the Brighton AIF at £633.

It has not been possible to provide this information at total regional level due to lack of consistent data. For example, the lack of a central database of all projects that have been funded by SEEDA AIF funding makes it difficult to have a breakdown of the total funding of £39m into different priority areas at regional level i.e. learning, business support, and infrastructure and community cohesion.

Although it has been challenging to compare these costs with other initiatives in the South East and/or other similar initiatives in other regions, comparative figures are discussed below. However, comparable information is not easily accessible and is only available for selected indicators through existing research. This is presented below:

- Learning and skills development outputs through provision of training involving more than 6 hours, in general generate relatively low gross unit costs. A study by SQW on Identification of Performance Benchmarks for AWM (1996), demonstrated that programmes aimed at improving generic individual skills in the region had

relatively low unit costs – around £1,200. **Within this context, even at current prices, the unit costs for learning and skills outputs quoted in Figure 3.15 appear to offer good value for money.**

- The same study showed that in relation to business support, the average range of average gross unit cost for business support created/sustained would be between £170 and £162,000! This is because business support programmes that are primarily providing information, signposting services and raising awareness about business or product issues tend to have a very wide coverage at relatively little cost. The average unit cost for these programmes would range between £150 and £1,500. On the other hand, programmes offering intensive support such as mentoring and capacity building tend to have an average unit cost over £10,000. Again, **the unit costs for business support initiatives under AIFs compare relatively well with these figures.**
- Furthermore, during the first two years of SRB the then Department of the Environment issued some guidance for the cost basis of outputs. This suggested that jobs created should cost circa £40k per job created; people being assisted into employment £20k per person, business supported £2k per business benefitted, and training outputs £500 per beneficiary. It is interesting that on average and on the basis of the available information, the programme performs closely to these benchmarks – business supported and training.

### 3.4 Additionality

In assessing the added value of public funding intervention, it is important to demonstrate how far the gross outputs generated by AIF funds represent additional outputs for the region and the AIF areas and would not have been generated in the absence of the AIF intervention. Regeneration (and competitiveness/productivity) related projects not only work to make things happen that would not otherwise occur, but they could also bring outputs forward and/or improve the quality of these.

As discussed in the Introduction of this report and earlier in this section, SEEDA does not collect output related information at AIF project and/or strategic investment priority level. **Therefore, in making additionality and net impact assessments of the AIFs at local level, the evaluation has relied on: a) selected interviews with AIF project managers; b) a small number of beneficiaries; and, c) secondary research with beneficiaries undertaken as part of the individual AIF evaluations.** Information collected is also compared with estimates provided by guidance around additionality and net impact indicators i.e. ‘ready reckoners’.

The consultations undertaken to assess the impact of the intervention at local level cover a wide range of projects including:

- Employment drop-in centres in Havant and Portsmouth
- Pieces of work including consultancy in the preparation of bids for transport infrastructure projects
- Funds used to develop sites for redevelopment
- Learning centre to deliver vocational learning
- A community café to regenerate a derelict building in a village centre
- Production of a public realm strategy, followed by a capital project on the ground
- Projects to improve connectivity in Dover
- A community park with leisure facilities including a BMX track
- An IT centre in Gosport

- Funding support for sub-region wide learning provision (skills and infrastructure) in South East Hampshire
- Business support in East Sussex
- Infrastructure and physical regeneration capability building in Brighton, Hove & Adur

These interviews have provided some useful information to get estimates for the programme's additionality and net impact. This information is presented below.

### ***Business and Jobs Created/Safeguarded***

- Our interviews suggest that additionality of outputs related to business created, business assisted and jobs created and safeguarded varies considerably by type of project and depends on the type of assistance received. Our interviews indicate that additionality of jobs created/safeguarded by capacity building projects is estimated to be very low e.g. probably around 20%; however, this is considerably higher for jobs created/safeguarded as a result of business support programmes e.g. approximately 60% to 65%. However, no survey of businesses supported through the programme has taken place to date (and there is a lack of management and monitoring information at this level) to enable robust assessment of the impact of the intervention on businesses and jobs.
- The estimated ratios used in Figure 3.16 for outputs 1 to 4a draw on the interviews undertaken as part of this evaluation, secondary information provided by the individual AIF evaluations based on estimates provided by interviewed key stakeholders (rather than directly with businesses) and also guidance provided by DBERR for implementing IEF<sup>11</sup>.

### ***Funding Levered***

- The funding has been predominantly used for capital projects, such as redeveloping a building in order to relocate a drop-in centre or the regeneration of a derelict library to create a community café and rejuvenate a village centre, or public realm.
- The feedback would suggest that SEEDA funding has been used principally in the early stages of projects either as initial capital funding – for example the provision of a building, or, the AIF money has been used as pump prime funding in the preparatory stages of larger projects in an effort to make progress until funding is available.
- Therefore, in a number of instances where SEEDA funding has been used at the early stages it has been beneficial in unlocking other sources of funding as other organisations gain confidence from the fact that a key public sector funding body is involved. In particular, it would not be an overestimate to assume that the majority of levered funding is attributable to the AIF activities.
- The vast majority of respondents involved in land remediation, public realm and community regeneration projects have claimed that their projects would not have happened at all without the SEEDA AIF funding. For example, it has been argued

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<sup>11</sup>Implementing the RDA Impact Evaluation Framework, Ready-reckoners for adjusting gross to net outputs, SQW/PA Consulting June 2006.

that a water sports centre delivered in Dover would not have been possible without SEEDA funding.

- Even where projects would have eventually happened anyway, the respondents have suggested that projects have happened more quickly as a result of SEEDA AIF funding. For example the Buckland Mill residential development in Dover would not have happened as quickly without the funds from SEEDA AIF being used to secure the site.
- According to a guidance produced by the Scottish Enterprise on assessing economic impact assessment<sup>12</sup>, ‘very high’ attribution is equivalent to 100% whilst attribution of the majority of benefits to an initiative is equivalent to 75%. On the basis of this guidance and the responses received from beneficiaries, we have assumed that the additionality of *private sector* funding is 100% attributable to AIFs whilst 75% of *total* levered funding is attributable to AIFs.

### ***Learning Outputs***

- Additionality for learning outputs is also higher when these are generated by projects specifically offering training and learning e.g. provision of vocational training e.g. approximately 60%-80%. A survey of AIF beneficiaries in North Kent AIF area indicates that 57% of respondents benefiting from AIF funded skills training thought that it was unlikely that they would have found other ways to raise their skills levels<sup>13</sup>.
- We have used this evidence to inform calculations of gross additional outputs for the number of people assisted in their skills development e.g. approximately 60% additionality for output 6. However, for additionality of training leading to qualifications, feedback from the interviews conducted as part of this evaluation has been used indicating 50% additionality.

## **3.5 Indirect Impacts – Leakage, Displacement and Multipliers**

- The interviews suggest that the range of leakage is low at regional level – although there are projects located close to regional boundaries where leakage may be experienced into the adjacent region e.g. the South West and London. For example the North Kent AIF evaluation report states that the geographical leakage of the learning projects in the area varied considerably from project to project. For example, for project Reignite it was 2%, through 5.7% for SCORE, to a high of 13.7% for output 2 beneficiaries at Employ Kent Thameside - this latter figure is because it has been difficult for the project not to include beneficiaries from the adjacent South London area. We have therefore assumed very low leakage, which could be equivalent to 5%<sup>14</sup>.
- Furthermore, displacement can be assumed low in particular for community regeneration, land remediation and infrastructure projects. In general, generic business support programmes tend to have relatively high displacement, meaning that benefits accrued to those businesses supported may be displacing outputs or market share from other non-benefited businesses; however, no specific information in relation to types of business support programmes is available at

<sup>12</sup> Scottish Enterprise, Economic Impact Assessment Guidance note.

<sup>13</sup> Evaluation of North Kent Employment and Skills Projects, Kingshurst Consulting Group, May 2008.

<sup>14</sup> Scottish Enterprise, Economic Impact Assessment Guidance note.

programme level to assess the extent of displacement at regional level. An additional 5% displacement has been accounted throughout all reported outputs.

- Multiplier effects are associated with further economic activity (jobs, expenditure or income) associated with additional local income and local supplier purchases. The scale of local income and supply linkage multiplier effects (composite multiplier effects) vary according to the mix of economic activity that exists in an area and the type of project that is being undertaken. According to SQW/PA guidance<sup>15</sup>, a composite multiplier of 1.42 could be used for general intervention regeneration and infrastructure projects. However, because the vast majority of activities tend to be locally focussed and there is limited evidence to demonstrate income effects to be generated through the AIF activities at this stage and in particular the funded infrastructure and capital projects, we have assumed a composite multiplier, that is equivalent to 1.30 (i.e. the composite multiplier of the SQW/PA guidance has been reduced by approximately 10%).

### 3.6 Gross to Net Adjustments

Figure 3.16 presents net impact estimates based on these consultations. It is recognised that these are based on a number of assumptions. Nevertheless, these represent best estimates given the information available at programme and project level at this stage.

**Figure 3.16: Estimates of Total Net Outputs by AIF as a whole**

Output	Gross Actual	Target	Difference	% Target Achieved	Estimated Additionality/ Deadweight	Gross Additional Outputs (Gross outputs accounting for additionality)	Net Additional Outputs (accounting for leakage, displacement and multiplier effect)	Leakage (5%)	Displacement (5%)	Multiplier	% Target achieved
1	3,225	2,412	813	134%	0.50	1,613	1,991	X	√	1.30	82.6%
2	4,864	4,331	533	112%	0.50	2,432	2,845	√	√	1.30	65.7%
3	349	445	-96	78%	0.70	244	302	X	√	1.30	67.8%
4	9,142	7,866	1,276	116%	0.65	5,942	5,348	√	√	X	68.0%
4a	308	219	89	141%	0.55	169	209	X	√	1.30	95.5%
5i (£ m)	64	87	-23	74%	0.75	£48m	£48m	X	X	X	64%
5ii (£ m)	11	23	-12	47%	1.00	£11m	£11m	X	X	X	56%
5a	13	8	5	160%	0.80	10.4	10.0	X	√	X	125.0%
6	30,143	23,488	6,655	128%	0.60	18,086	16,277	√	√	X	69.3%
6a	1,753	2,396	-644	73%	0.50	877	789	√	√	X	32.9%
6b	451	768	-318	59%	0.50	226	203	√	√	X	26.4%

**Note:**

√ Indicates that factor has been taken into account in the calculations

X Indicates that factor has *not* been taken into account in the calculations

For the calculation of multiplier see paragraph above: The proposed SQW/PA composite multiplier of 1.42 has been reduced to reflect the localised/sub-regional focus of the projects.

It is also particularly important to note that with the net adjustments taken into account, it would be fair to assume that the programme appears relatively more expensive than initially thought e.g. less outputs have been produced for the funds allocated to the various projects. It is recognised that targets may have been overestimated (and a number of partners thought so as discussed in the next section). Nevertheless, this is a valid assessment of the effectiveness of the initiative, given that any other value for money assessments involving comparisons of this initiative with other initiatives would be fraught with conceptual problems due to the underlying design and objectives of initiatives which tend to vary from one to another.

<sup>15</sup> Implementing the RDA Impact Evaluation Framework/SQW/PA Ready-reckoners for adjusting gross to net outputs, June 2006.

### 3.7 Value for Money

It is estimated that in 2006 (latest available ONS figures), the Gross Value Added per Employee in the area covered by all 10 AIFs was £64,551. On the basis of the jobs created alone, as Figure 3.17 indicates, it is therefore estimated that the additional jobs created because of the AIF investment have contributed an additional £109,220,290 to the regional GVA change between 2002 and 2008 (£34.9 Billion). This also represents a return of £2.8 for every £1 invested.

**Figure 3.17: Contribution to GVA and Value for Money**

GVA per Employee all AIFs (latest, 2006)	£64,551
Net Additional Jobs – all AIFs	1,991
Net Additional FTE Jobs – all AIFs <sup>16</sup>	1,692
Estimated GVA generated by all new AIF jobs	£109,220,290
Contribution to the overall SE GVA change (2002-08)	0.3%
Estimated return on AIF investment	£2.8

### 3.8 Efficiency of Delivery

Compared to SRB Programmes, where Management and Administration is capped at 5% of the Programme budget<sup>17</sup>, and URBAN II (a local area based ERDF programme), where 'technical assistance' funding is typically 5-8%<sup>18</sup> of the ERDF funding, the AIF appears to be slightly higher on average but not above 10%. Review of management and administration information at AIF level also indicates that management costs have been kept on average around/below 10% over the 3 years to 2008. Comparisons over time also indicate that a relatively high proportion of funds was allocated to management and administration in the first year of operations than in subsequent years e.g. approximately 14%-16%. Any comparisons between various areas need to take into account that these may also vary because of the different types of management and resourcing arrangements e.g. secondments vs employment of managers and other staff responsible for delivery of projects.

Examples of management costs at AIF level are listed below:

- **Brighton & Hove and Adur AIF:** 9% of funding received from SEEDA between 2004 and 2008 was used by the partnership for administrative/management purposes.
- **Hastings & Bexhill AIF:** 8% of funding received from SEEDA between 2004 and 2008 was used by the partnership for administrative/management purposes.
- **South East Hampshire AIF:** 10% of funding received from SEEDA between 2004 and 2008 was used by the partnership for administrative/management purposes. This figure increased from 9% in 2004/05 to 10% in 2007/08.
- **Southampton AIF:** 4% of funding received from SEEDA between 2004 and 2008 was used by the partnership for administrative/management purposes.

<sup>16</sup> It is assumed that of the jobs created, 30% are part-time jobs and 70% are full-time.

<sup>17</sup> As specified in the Single Regeneration Budget Guidance Manual, DCLG (2006).

<sup>18</sup> Urban II Programme – Updated Mid Term Evaluation, DTZ for ODPM (2005).

- **Channel Corridor AIF:** 11% of funding received from SEEDA between 2004 and 2008 was used by the partnership for administrative/management purposes. This figure decreased from 16% in 2004/05 to 14% in 2007/08.
- **East Kent AIF:** 7% of funding received from SEEDA between 2004 and 2008 was used by the partnership for administrative/management purposes. This figure decreased from 16% in 2004/05 to 5% in 2007/08.
- **Coastal West Sussex AIF:** 4% of funding received from SEEDA between 2004 and 2008 was used by the partnership for administrative/management purposes.

## SUMMARY – OUTPUTS AND IMPACT

It is clear that for the ten AIF interventions there have been some notable successes in the 3 years to March 2008. These include in terms of **net additional outputs**:

- 1,991 jobs created and sustained
- 2,845 people supported to get jobs
- 302 businesses created and sustained for at least 12 months
- Just over 5,000 businesses have been supported to improve their performance
- Over 11,000 people receiving some form of skills development
- Over 10 hectares of Brownfield land have been remediated

Private and public sector leverage is a key performance indicator for such an initiative whose primary purpose has been to unlock potential funding by the private and other public sector funding sources. The ratio of leverage funding to SEEDA funding is estimated at 1:1.7, reflecting, however, a wide variation amongst AIFs and relatively high ratios in the Channel Corridor AIF (1:3.10) and the South East Hampshire AIF (1:2.88).

Leverage of private sector appears relatively poor at an estimated £10m-11m (according to data provided by the AIFs) representing 47% of the original target set for this indicator. This may be a result, however, of the AIF remit and lifetime. As one partner stated '*...It [leverage] tailed off as AIF funding withdrawal became clear*'.

On the other hand, net impact assessments of the AIF investment have shown that:

- Private sector levered funding as part of the AIF is 100% additional.
- The vast majority of projects related to land remediation, public realm and community regeneration projects would not have happened at all or as quickly without the SEEDA AIF funding.
- Leakage is also estimated to be low at regional level – although there are projects located close to regional boundaries where leakage may be experienced into the adjacent region e.g. the South West and London.
- On the basis of the additional FTE jobs created/safeguarded alone, it is estimated that the AIF investment has contributed an additional £109,220,290 to the regional GVA change between 2002 and 2008. This indicates a return of £2.8 for every £1 of SEEDA funding invested on this programme.

Review of management and administration information at AIF level also indicates that management costs have been kept on average around/below 10% over the 3 years to 2008. Comparisons over time also indicate that a relatively high proportion of funds was allocated to management and administration in the first year of operations than in subsequent years e.g. approximately 14%-16%. Compared to SRB Programmes, where Management and Administration is capped at 5% of the Programme budget, and URBAN II (a local area based ERDF programme), where 'technical assistance' funding is typically 5%-8% of the ERDF funding, the AIF management and administration costs appear to have been slightly higher on average.

## 4. Relevance and Strategic Added Value

This section discusses the programme's relevance in addressing market failure at local and sub-regional levels.

Exploring the counterfactual in terms of high level socio-economic indicators and quantifying the attribution of this type of investment is not a straightforward exercise, in particular as the AIF intervention has been defined by its underlying process i.e. wider partnership, as much as its pump prime role in unlocking funding in a relatively short period of time (which was very often taken up by the developmental and wrapping up phases). The fact that other interventions are taking place simultaneously to address similar needs make it even more challenging to isolate the exact impact.

Nevertheless, revisiting the original drive for intervention and assessing its relevance in addressing the market failure could provide a better understanding of the contribution of the intervention in delivering its overarching objectives but also the rationale and relevance of this and similar interventions in the future.

Furthermore, this section considers the wider contribution the AIF intervention has made in the South East by presenting an assessment of the *difference made by the AIF intervention* looking at the programme's strategic added value based on issues surrounding leadership, leverage and partnership development but also highlighting good practice and legacy projects, where appropriate. It also presents' partners and project managers' views on what has worked well and what less well/could have worked better.

### 4.1 Relevance and Rationale of the AIF intervention

In order to assess the wider possible impact of the intervention in the area and the ongoing rationale for intervention, DTZ have also undertaken an independent assessment of the market conditions in the area looking at key socio-economic and deprivation indicators in each AIF area before and after the intervention.

In order to assess the extent to which funding has been allocated according to socioeconomic factors, DTZ has analysed each AIF according to a series of indicators and ranked each of them at both the beginning (2004) and the end (2007) of the AIF funding period.<sup>19</sup> The AIF that is ranked at number 1 is the most deprived amongst the 10 AIFs in that particular socio-economic indicator, while the AIF that is ranked 10<sup>th</sup> is the least deprived. Each AIF has also been ranked according to progress that has been made between 2004 and 2007 (with 1 reflecting the greatest progress - and 10 reflecting the least progress amongst the 10 AIFs).

The socio-economic indicators that have been reviewed include:

- Indices of Multiple Deprivation (IMD)
- GVA (per resident and employee)
- Economic Activity and Inactivity rates
- Occupational Structure
- Salaries
- Education

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<sup>19</sup> In the case of VAT registrations due to the fact that data is only available up until 2006, this has been used in the absence of 2007 data.

Key messages emerging from the analysis of the socio-economic context in the AIF areas are presented below<sup>20</sup>:

### **Socio-Economic Performance**

- **GVA per AIF area:** Overall the AIFs have recorded a reasonable increase in GVA between 2002, 2004 and 2006/07, however still below the regional and national average. The Isle of Wight AIF recorded the largest percentage increase in GVA at 56% closely followed by the Brighton & Hove AIF area (39%), significantly higher than both the regional and national average, with the worst being the Hastings and Bexhill AIF area followed by the East Sussex AIF. In fact, the Hastings and Bexhill AIF area was the only AIF to have experienced a percentage fall in GVA over the ten year period 1998-2008.
- **VAT Business Registrations: General overall increase after 2002 in all AIFs.** The AIF with the highest average biannual percentage increase in VAT registrations was North Kent (5.4%), closely followed by South East Hampshire (5.1%), significantly higher than the South East biannual average (3.7%) and England and Wales average (3.5%). The worst performing AIF being Southampton (1.0%) and Coastal West Sussex (1.9%).
- From 1998 to 2006, the AIFs witnessed the largest percentage increase in all the business size bands, recording the biggest annual percentage increases in businesses comprising of 1 to 10 employees and 50 to 199 employees. The best performing AIF was Isle of Wight recording an average annual increase across all business sizes of 4.3%, whilst the worst performing AIF was Hastings & Bexhill (0.4%).
- **Index of Multiple Indices (IMD) 2004 and 2007: The key ultimate objective of the AIFs was a marked positive change in the IMD indices.** However, analysis of relevant information indicates that the Local Authorities that make up the AIFs witnessed a worsening situation over the three year period, on average having their IMD score fall by 8 ranks, meaning increased levels of deprivation. More specifically:
  - Southampton, North Kent, Brighton & Hove and Hastings and Bexhill all record a high incidence of deprivation, with a collection of their SOAs in the 205 most deprived SOAs in the country. The most deprived study area is Hastings and Bexhill which is ranked as the 31 most deprived out of 354 local authorities in England.
  - The ten AIFs comprise of 26 Local Authorities. 16 (61.5%) of these are ranked in the lower half of national rankings. When analysing each of the AIFs, 6 clearly stand out as areas of high concentration of deprivation<sup>21</sup>, **these being North Kent, the Isle of Wight, Southampton, Brighton & Hove and East Kent.**

<sup>20</sup> **Annex A** provides detailed socio-economic profiles for each AIF area which is presented at a Super Output Area, Ward and Local Authority level. This information is benchmarked against the wider South East region and England & Wales. When information for England and Wales is unavailable, then data for Great Britain is used.

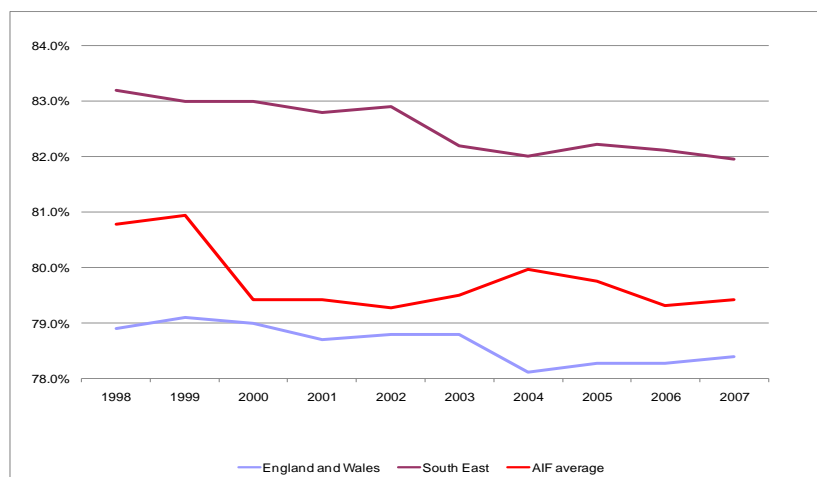
<sup>21</sup> The majority of local authorities in the area have a score in the lower half of England.

- The majority of Local Authorities in the study areas have witnessed lower IMD ranks in 2007 when compared with 2004, indicating a worsening (increasing deprivation) situation, on average falling by 8 ranks over the 3 years.

### **People and Jobs**

- The average economic activity rate in the AIF areas (79.4%) is above the average for England and Wales (78.4%) but below the average for the South East (82%).

**Figure 5.1: Economic Activity in AIFs 1998-2007**



- In terms of benefits claimants: the worst performing AIFs, those that witnessed the largest annual increase in claims, were North Kent (0.9%) and East Sussex (0.7%), whilst the best performing AIF was Brighton & Hove (-1.1%).
- North Kent AIF (£494.4) and Southampton AIF (£492) record the highest weekly wage values for the AIFs, higher than both the national (£460) and regional average (£480.7). Hastings & Bexhill AIF recorded the lowest weekly salary at £393.

### **Skills**

- For NVQ Level 3+, the AIFs appear to have bridged the gap with England and Wales, with 48.5% of the population at this level.
- However for those at NVQ Level 4 and above the overall AIF area still lags considerably behind the region as a whole, in 2005 having only 27.5% with 4+, whilst the South East had 31.8% and England and Wales 29.2%.
- The AIF with the highest proportion at NVQ Level 4 and above was Brighton & Hove at 37.8%, whilst the poorest performing AIFs in relation to this indicator were Hastings and Bexhill (18.9%) and Isle of Wight (19.3%).

### **Funding and Rationale**

Figure 5.2 presents both the socio-economic ranking of each AIF area and the SEEDA funding received as part of this intervention. A number of observations are emerging and these are discussed below.

- The extent and size of AIF funding at AIF area level does not always appear to correlate to the socio-economic 'need'. For example, the AIFs that appear to have received relatively more funds include South East Hampshire, Southampton, North Kent and East Sussex. However, these are not always the ones where market failure and deprivation are relatively more prominent.
- Looking at the socioeconomic rankings of these areas in 2004, only Southampton is ranked in the top 5 'most deprived' areas. East Sussex, for example is ranked as the 3<sup>rd</sup> least deprived out of the 10 AIF areas. By contrast, Hastings and Bexhill and the Isle of Wight in 2004 were the most deprived AIF areas according to their socioeconomic rankings of 1 and 2 respectively and yet they are ranked equal 5<sup>th</sup> in terms of the funding they receive from the AIFs.
- It could be argued that AIF funds have been driven by successful performance as measured by delivery of immediate results and RDA related outputs, and the capacity and capabilities of their partnerships to 'act quickly'. As discussed earlier in the report, the ingenuity, creativity and resourcefulness of each AIF to match project ideas to the need of each target area and groups and delivery of key outputs for SEEDA, has enabled them to continue drawing AIF related support from SEEDA as long as the funding was available and this policy was supported. AIFs where partnerships were already in place e.g. PUSH, may have also operated with an additional advantage and less time spent on the development phase and time in bringing the 'right' partners together.

Going forward it is important to assess where the impact have become relatively more apparent in tackling deprivation. From the analysis above we can see that the areas covered by the Hastings and Bexhill and Isle of Wight AIFs were ranked as the two most deprived AIFs across the socio-economic indicators. Review of the socio-economic indicators in 2007 shows that the indicators have not changed and the relative position of the Hastings and Bexhill area remains the same. The expectation would be that the investment would bring about a greater level of positive change. It is recognised that first, the incremental change cannot be captured by these data and secondly, benefits and impact may materialise over a longer period of time. At the same time this information suggests that a one-off investment alone does not always have the desired impact in reversing a whole host of other structural factors and persistent or difficult to reach disadvantage; 'visible' changes in socio-economic deprivation will require monitoring and multiple and persistent intervention over a longer period of time.

A similar analysis could also apply to the area covered by Southampton AIF, which started from a relatively more deprived base and receives the joint second highest amount of funding but it indicates a relatively moderate level of change.

On the other hand, the area covered by the Isle of Wight AIF remains in the same position (ranked as the 2<sup>nd</sup> most deprived AIF area in both 2004 and 2007) but it has demonstrated the greatest level of change over the period out of all the AIF areas. Similarly the area covered by the Brighton & Hove and Adur AIF, which is the 4<sup>th</sup> most deprived area in both 2004 and 2007 according to our rankings has achieved the 2<sup>nd</sup> greatest change over the period. This trend is continued with East Kent, which demonstrates the 3<sup>rd</sup> greatest change over the 3 year period, having been ranked the 3<sup>rd</sup> most deprived area in both 2004 and 2007.

Figure 5.2 Socio-economic and Funding Ranking of AIF Areas

AIF	Rank	IMD	Economic Activity	Economic Inactivity	GVA resident per	VAT Registrations	DWP Claiming Benefits	Income	Mean Rank	Rank of Average Rank	Funding Rank
Coastal West	2004	10	8	3	9	7	7	5	7.0000	10	6
	2007	9	7	4	9	7	7	5	6.8571	10	
	Change	9	8	3	5	10	9	9	7.5714	2	
Hastings &	2004	1	1	10	3	1	10	2	4.0000	1	5
	2007	1	1	10	2	1	10	1	3.7143	1	
	Change	7	2	9	10	5	6	5	6.2857	3	
East Kent	2004	5	2	9	4	4	3	7	4.8571	3	4
	2007	5	3	8	4	4	3	7	4.8571	3	
	Change	3	3	8	7	4	3	8	5.1429	7	
Brighton & Hove	2004	4	9	2	7	5	4	4	5.0000	4	4
	2007	3	5	6	7	5	4	4	4.8571	4	
	Change	10	9	1	2	1	2	3	4.0000	9	
East Sussex	2004	9	10	1	1	10	5	8	6.2857	8	3
	2007	10	6	5	1	10	5	8	6.4286	9	
	Change	2	10	2	8	6	4	6	5.4286	6	
North Kent	2004	6	5	6	5	9	1	10	6.0000	6	2
	2007	6	8	3	6	9	1	10	6.1429	6	
	Change	6	4	7	4	2	8	2	4.7143	8	
Channel Corridor	2004	8	7	4	6	8	6	6	6.4286	9	4
	2007	8	9	2	5	8	6	6	6.2857	8	
	Change	8	5	6	9	9	7	10	7.7143	1	
Isle of Wight	2004	3	3	8	2	2	9	1	4.0000	2	5
	2007	4	2	9	3	2	9	2	4.4286	2	
	Change	1	7	4	1	7	1	1	3.1429	10	
Southampton	2004	2	4	7	10	3	8	3	5.2857	5	2
	2007	2	4	7	10	3	8	3	5.2857	5	
	Change	5	6	5	6	8	5	4	5.5714	4	
South East	2004	7	6	5	8	6	2	9	6.1429	7	1
	2007	7	10	1	8	6	2	9	6.1429	7	
	Change	4	1	10	3	3	10	7	5.4286	5	

## 4.2 Strategic Added Value

Strategic Added Value (SAV) is defined using five categories<sup>22</sup>:

- Leadership or catalytic functions
- Provision of strategic direction and influence
- Leverage
- Synergy
- Partner engagement activities – which is particularly important for a programme such as the AIF that was specifically set up to be led by local partnerships.

These are discussed in turn below.

### **Partnership Arrangements**

In terms of the 5 SAV elements, the area where the AIF can claim the highest impact is in **partnership engagement – and this in turn has been the key catalytic function introduced by the AIFs.**

Review of available management and financial information indicates that approximately 350-400 projects have been delivered under these partnership arrangements across all 10 AIFs within the three years to 2008; this could be interpreted as an average of 35-40 projects per AIF area with an average of SEEDA investment of £97,000 - £110,000 per project.

The vast majority of partners provided positive comments in relation to the strategic role AIF partnerships arrangements have played in the delivery of AIFs but also for the future. A few specific comments made by partners and project managers are listed below:

- *‘Having a Partnership managing the AIF has helped reducing the politicking involved and increase strategic alignment. Prior to AIFs, each organisation had their own pressures and some stakeholders were only interested in getting the best for their area’.*
- *‘The partnership working because of AIF has built a platform of co-operation and resulted in the creation of the Local Strategic Partnership’.*
- *‘Working in partnership with limited funds has enhanced creativity in the way leverage has been generated, which means that a lot has been bought with little money. This follows the argument that if there is not enough money to build projects then at least there is enough funding to develop the bid and get the process moving. In this way the SEEDA AIF funding has brought projects a lot closer to realisation’.*

Not surprisingly, consultees commented that initially it was hard to get consensus through these partnership arrangements, but as partners got to understand each other’s remits, priorities and resources, the partnerships performed better. In cases of programme failure, the reason was mainly attributed to the ‘lack of leadership’ rather than the partnership arrangement as such.

On the whole the AIFs have been instrumental in bringing people together to take decisions on needs and priorities but also deliver projects that have benefited their

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<sup>22</sup> DBERR/OffPAT.

communities, businesses located in their areas and individuals living and/or working in these.

During the consultations, it was also highlighted that in some cases, this was the first time that local and sub-regional organisations, in particular Local Authorities, came together and this has made a significant difference in the respective areas.

For example, in Hastings and Bexhill, on a strategic level, the relationship between the two areas is felt by many to be stronger as a result of the AIF programme.

Another example is the impact of the Five Towns Network in the Coastal West Sussex area, which has been the emergence of a more co-ordinated approach to urban regeneration and town centre management, driven by officers and members who are better skilled and far more confident about what they can do. As a result of the success of the Network, local and regional players may really be beginning to see Coastal West Sussex as a coherent area.

Consultees also pointed out that there has been some behavioural change and partners are more likely to communicate in the future rather than looking at their district in isolation. At an overall Partnership Board and strategic levels, it remains to be seen whether the Partnerships will continue and in what form. However, in 5 out of the 10 AIF areas there are examples of partners continuing to working together and in some cases the AIF partnership is continuing as a partnership but with a new remit e.g. East Kent, and Dover Pride Partnership.

### ***Catalytic Function and Strategic Influence***

The deployment of devolved funding has been seen as a timely intervention by SEEDA – it bridged a local gap in discretionary funding brought about by the end of the SRB programmes in some areas.

Most importantly, in the vast majority of larger projects the AIF funding has been instrumental in unlocking other sources of funding. In addition, by design, the AIF programme introduced a more structure approach and strategic thinking and a move away from a project by project bidding and application process.

According to the consultations, capacity building projects at AIF area level such as feasibility studies, masterplans, multi modal transport studies and due diligence studies, all represent strategic investment tools that would not have happened otherwise, or they would have happened at a smaller scale and lesser added value for the wider area. Most importantly, these projects are seen as providing the foundation for future development beyond the life of the AIFs.

Furthermore, influential people on the partnership boards such as CEOs of local companies and senior staff from public sector organisations meant ensuring buy-in from key partner organisations and local businesses. On the other hand, in a small number of cases, this has also meant that issues and towns lacking a strong voice of support within the partnerships may have been ignored.

Involvement of the private sector seemed to increase the ‘credibility’ of the partnerships as they were viewed as less bureaucratic than other local partnerships. According to the consultations, it was this level of engagement that led to changes of culture and behaviour in running/delivering projects. This level of engagement also leaves a legacy

of successful dialogue between the private sector and key regeneration, business support and/or statutory agencies. This engagement of the private sector is also a key difference with the SRB funding. It may have also provided a lesson learned for public sector organisations, which may have initially overestimated their capacity and capabilities to 'attract' private sector funds for regeneration purposes.

At operational level, in general, it was commented that the programme and the majority of projects have been managed very competently at AIF level, with well trained staff and maintenance of effective systems including risk registers in most AIFs. The combination of local knowledge and understanding coupled with an overarching sub-regional strategy allowed interventions to be targeted at areas where maximum impact could be achieved. As noted in the evaluation report of the Southampton AIF<sup>23</sup>, *'The [AIF] board brought an understanding of the socio-economic geography and history of the area that would not be achieved at a regional level or by single agency interventions'*.

Although, in general, the devolved delivery approach adopted by SEEDA was welcomed, some criticisms were raised in relation to SEEDA's management of the programme. For example, it was argued that SEEDA only issued its target outputs half way through the programme. This resulted in some of the early projects being irrelevant in terms of the RDA target outputs. In some cases the targets were also too ambitious e.g. number of jobs created.

The notification of AIF funding withdrawal was also seen as unexpected. Rather than having some 12-18 months in which to develop the sustainability plans for the partnership and for a number of the projects, and indeed for a number of the projects to deliver fully on their planned objectives, they were left with only a six month period within which to achieve this. A particular impact of this can be illustrated by the case of the 5 Towns Network in Coast West Sussex AIF area, which had to bring forward its plans for activities and expenditure and therefore found it difficult to meet its full targets by 1 April 2008, in spite of having made major strides towards doing so<sup>24</sup>.

At AIF and project level, project managers mentioned that applying for funding was a long and tiresome process that could potentially put off some organisations, in particularly smaller/less resourced ones. It was suggested that this may be an area that could be improved for future funding streams.

### **Leverage**

Leverage of private sector funds at an estimated £11m (according to data provided by the AIFs) scores relatively low in relation to other outputs, representing 47% of the original target set for this indicator.

As stated earlier in the report, it is recognised that this may be a result of the AIF remit and lifetime. As one partner stated *'...It [leverage] tailed off as AIF funding withdrawal became clear'*. Nevertheless, this is a significant amount of money attracted in a relatively short period of time. Indeed, £11m of private funds represent 28% of the total AIF investment. This is particularly significant given the nature of projects that traditionally the private sector does not get involved including employment centres community development and social inclusion.

<sup>23</sup> Southampton AIF: End of Programme Evaluation, Tribal Consulting, April 2008.

<sup>24</sup> Evaluation of the Coastal West Sussex Programme, The Gilfillan Partnership Ltd. April 2008.

A good practice example of collaboration with the private sector and private sector engagement is demonstrated by the Better Business Parks project in Coast West Sussex AIF. The project has been instrumental in forging a different range of collaborations and partnerships between businesses situated on a variety of business parks and industrial estates across Coastal West Sussex. By using a series of individually small but cumulative steps, the Co-ordinator and the project team have been able to achieve a step change in the joint working between companies on these estates. This has resulted in companies collaborating in security arrangements, in achieving improvements to transport connections, and in an increase in inter-company trading. What were run down estates in multiple ownership, where companies felt little sense of belonging are being turned around to the extent that companies actively want to remain or locate to some estates. In six examples the companies have formed collaborative companies to deliver and maintain improvements, and in some cases to form Business Improvement Districts.

### ***Synergies***

As pointed out by a number of consultees for this research and in the local evaluations, the AIF programme was an opportunity to develop a more structured approach to project interventions. After the first year that can be seen as the partnerships' developmental phase, the programme became more planned and responsive to specific strategic needs, in particular through the work of the working/task groups.

Partners also worked together to generate additional funding. For example, for the Hastings and Bexhill AIF, there has been useful cross working with other funds – such as LEGI – which has meant that some of the pilot schemes funded by AIF have been picked up by LEGI and other funding. Indeed consultees in the area have argued that AIF gave a context for the LEGI bid.

For the future also, following the introduction of Local Area Agreements (LAAs) in 2005, projects in most AIF areas have increasingly been aligned with elements of the LAA.

On the other hand, the perceptions of SEEDA's role in facilitating and enhancing synergies between funding streams and priorities have been patchy. Some consultees commented that there seemed to be a lack of cohesion from within SEEDA. For example, although the SEEDA AIF area managers were dedicated and worked well, there was little engagement/understanding from other SEEDA departments that had cross-over with AIF projects that were being delivered.

Similarly, the AIF areas typically felt that they were working in isolation from other AIF areas with no formal/informal opportunities for formal sharing of information and experiences.

### ***Legacy and Sustainability***

The strongest legacy raised by many of the participants in this evaluation is that firmer partnership working has developed and relationships have been built that would also serve future regeneration schemes well.

On a project level, most consultations agree that the legacy of AIFs will be in terms of physical infrastructure projects but also local capacity building as many organisations got additional resources for producing key strategic documents that would not have otherwise been produced. Several respondents claimed that their project would not have happened at all without the SEEDA AIF funding. For example, a water sports centre

delivered in Dover would not have been possible without SEEDA funding as it is collective funding that makes projects happen.

Even where projects would have eventually happened anyway, the respondents have suggested that projects have happened more quickly as a result of SEEDA's AIF funding. For example the Buckland Mill residential development in Dover would not have happened as quickly without the funds from AIF being used to secure the site.

There is also a legacy in the shape of a number of sustainable initiatives that received start up funding from AIF. One example is the 'Late and Live' scheme on Thursday nights in Hastings Town Centre, which aims to assist the development of a night-time economy. AIF funding ceased in 2007 but the initiative continues with the support of over 50 businesses locally and Priory Meadow shopping centre still offers free car parking. In addition it means that the retail core of Hastings has a good basis to build on when it begins to benefit from the relocation of Hastings College at Station Plaza, the letting of Lacuna Place and further Town Centre developments.

According to a survey of project managers undertaken for the evaluation of the Brighton & Hove and Adur AIF, over two-thirds of project managers who responded to the survey reported that their project would continue beyond AIF funding either in the same, or a modified form<sup>25</sup>. Both those involved in programme management and those involved in project management expressed disappointment that the AIF was ceasing in March 2008 with programme management consultees suggesting that, in the longer-term, an element of discretionary funding is essential to develop the local economy coherently and in a way that is both innovative and sensitive to local need.

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<sup>25</sup> Evaluation of Brighton & Hove Area Investment Fund Programme, Papworth Research & Consultancy, March 2008.

## SUMMARY – RELEVANCE AND STRATEGIC ADDED VALUE

This section has presented an assessment of the rationale and relevance of the AIF intervention. Revisiting the original drive for intervention and assessing its relevance in addressing the market failure could provide a better understanding of the contribution of the intervention in delivering its overarching objectives but also the rationale and relevance of this and similar interventions in the future. DTZ have undertaken an independent assessment of the market conditions in the area looking at key socio-economic and deprivation indicators in each AIF area before and after the intervention and have compared this with the SEEDA AIF funding. Analysis of this information suggests that:

- The need for regeneration and improvement in economic performance varies by AIF – therefore, the rationale for individual approaches and customised targeting is well justified.
- Some AIF areas are improving more than others whilst the need for intervention remains for some. Some AIFs also continue to perform poorly in nearly all indicators e.g. Hastings & Bexhill whilst others present ‘contradictory’ indicators e.g. North Kent, with the highest average weekly wages yet a relatively high increase in benefit claimants (which may be due to the localised presence of disadvantage and the coexistence and proximity of wealth and deprivation).
- The expectation would be that the investment would bring about a greater level of positive change in the areas. It is recognised that incremental change may not be captured by data at this level; and, secondly, benefits and impact may materialise over a longer period of time to have an impact on socio-economic data. At the same time, this information suggests that a one-off investment alone does not always have the desired impact in reversing a whole host of other structural factors and persistent or difficult to reach disadvantage.

Therefore any decision in relation to AIF exit strategies should have considered that ‘one size fits all’ policies might not have been appropriate. Each AIF area or, a similar concept based on multi area/multi partnership arrangement, needs to be considered on its own merit, the resilience/persistence of disadvantage and the capacity and capabilities of local players.

This is particularly important as the evaluation has shown that the AIF intervention *made a difference* in terms of partnership engagement, leadership, leverage and sustainability. For example, the AIFs have been instrumental in bringing people together to take decisions on needs and priorities but also deliver projects. In some cases, this was the first time that local and sub-regional organisations, in particular Local Authorities came together and this has made a significant difference in the respective areas.

Most importantly, in the vast majority of larger projects the AIF funding has been instrumental in unlocking other sources of funding. In addition, by design, the AIF programme introduced a more structure approach and strategic thinking and a move away from a project by project bidding and application process.

Leverage of private sector funds at an estimated £11m (according to data provided by the AIFs) represents 28% of the total AIF investment. This is particularly significant given the nature of projects that traditionally the private sector does not get involved with including employment centres community development and social inclusion.

## 5. Conclusions and Recommendations

The Area Investment Frameworks (AIFs) represent a significant intervention by SEEDA to tackle disadvantage in the most deprived areas in the South East. The novelty of the approach lies with its key *process of management and delivery* and its definition of *area*. The concept of the intervention is based on devolved responsibility to a local partnership that should consist of key stakeholders from the public, private and community sectors and should decide in partnership the strategy needed and actions to deal with priority area needs. This area could be a geographical area that may not correspond to standard administrative boundaries; this approach would enable targeting the cause of deprivation and ensuring sustainability of solutions by combining resources, avoiding duplication and providing a larger coherent platform for decision making and action.

Review of the 10 AIFs that were launched in the region as part of this evaluation indicates that a wide range of areas were covered by the 10 AIFs – and these (largely coastal parts of the region) contained the majority of wards that fell within the 20% most deprived wards nationally. It is clear that for the ten AIF interventions there have been some notable successes in the 3 years to March 2008. These include in terms of **net additional outputs**:

- 1,991 jobs created and sustained
- 2,845 people supported to get jobs
- 302 businesses created and sustained for at least 12 months
- Just over 5,000 businesses have been supported to improve their performance
- Over 11,000 people receiving some form of skills development
- Over 10 hectares of Brownfield land have been remediated

Review of available management and financial information also indicates that approximately 350-400 projects have been delivered under these partnership arrangement across all 10 AIFs within the three years to 2008; this could be interpreted as an average of 35-40 projects per AIF area with an average of SEEDA investment of £97,000 - £110,000 per project.

It may have been difficult to get an exact figure, but through its projects, the AIF programme has also benefitted many constituents of its targeted audience, including local businesses, those not in education employment nor training, the unemployed, those seeking employment and those in needs of skills development, communities in need of a better served and looking environment and facilities.

The key overarching objectives of the AIF intervention could be summarised as follows:

- To act as a technical and management tool to bring various partners together to agree priorities to tackle deprivation in the most deprived areas in the South East.
- SEEDA funds to become available to enable unlocking of the potential and further funds and actions by other local partners and partnerships.
- To achieve/enable marked improvement in the IMD for the targeted areas.

Overall, the evaluation has shown that:

- The AIF intervention has *made a difference* in terms of partnership engagement, leadership, leverage and sustainability. For example, the AIFs have been instrumental in bringing people together to take decisions on needs and priorities

but also deliver projects. In some cases, this was the first time that local and sub-regional organisations, in particular Local Authorities came together.

- By design, the AIF programme introduced a more structure approach and strategic thinking and a move away from a project by project bidding and application processes. Capacity building projects at AIF area level such as feasibility studies, masterplans, multi modal transport studies and due diligence studies, all represent strategic investment tools that would not have happened otherwise, or they would have happened at a smaller scale and lesser added value for the wider area. Most importantly, these projects represent key reference material for future developments beyond the lifetime of the AIFs.
- AIFs were embraced with enthusiasm by a wide range of local agencies and partnerships. The overall structure indicates that in principle SEEDA's devolved approach offered the opportunity for local engagement, decision making, responsibility and accountability in managing and implementing AIFs, with: SEEDA providing the core funding; the Partnership/LSP providing local contextual knowledge required to target and appraise investment decisions; the Local Authorities through their accountable body role providing technical support and contract management; and the individual partners for developing and delivering project activity.
- However, the scale of ambition of the AIF's original objectives appeared to be well above the scope of the available resources. In nearly all cases, this over-ambition was recognised at some point by the Partnership Boards and objectives were 'toned down', in particular where additional other public/private sector funding did not look promising. Hence, the resulting (and often effective and successful) focus on specific themes/areas, such business and enterprise support, provision of learning, regeneration and community engagement and development/improvement of physical infrastructure.
- In terms of the role and contribution of SEEDA funding, it is important to note that the 10 AIF areas that were part of the programme cover a population of approximately 3.4m people. Although the SEEDA investment of £39m on the AIF programme represents a respectable funding injection, it is equivalent approximately to £11 per person over 3 years. By any standards, it is clear that this investment meant to *enable unlocking* of further funds and actions by other local partners and partnerships and on its own it could only have a limited impact on the complex needs of the area.
- Indeed, within a relatively short period of time, the programme levered an additional £64m, £11m of which are from the private sector. Leverage of private sector funds at an estimated £11m (according to data provided by the AIFs) represents 28% of the total AIF investment. This is particularly significant given the nature of projects that traditionally the private sector does not get involved including employment centres community development and social inclusion.
- The key ultimate objective of the AIFs was a marked positive change in the IMD indices. The market failure and rationale for the AIF intervention was well defined to start with. However, no interim evaluation and/or monitoring at *overall programme level* took place during the delivery of the intervention to assess distance travelled and progress towards the original objectives of this SEEDA intervention and in particular the contribution of the funds to improving key

socioeconomic indicators in the region's most deprived areas. Analysis of relevant socioeconomic indicators as part of this evaluation indicates that the Local Authorities that make up the AIFs witnessed a worsening situation over the three year period, on average having their IMD score fall by 8 ranks, meaning increased levels of deprivation and persistence of market failure in selected areas.

Although significant conceptual and measurement difficulties exist and the stream of benefits from the AIF-funded projects may unfold in the future, the evaluation findings suggest that benefits have been created by the AIF programme to date at a cost not significantly different to that expected (given the shorter than planned lifetime of the intervention). It is recognised that targets may have been overestimated. However, with the net adjustments taken into account, it would be fair to assume that the programme appears relatively more expensive than initially thought i.e. less outputs have been produced for the funds allocated to the various projects. Compared with other initiatives, the AIF management and administration costs, at an average of 10%, also appear to have been slightly higher. This may be justified by relatively high set up costs of a new initiative.

Nevertheless, on the basis of the additional jobs created/safeguarded alone, it is also estimated that the AIF investment has contributed an additional £109,220,290 to the regional GVA change between 2002 and 2008 (approximately 0.3% contribution). It is estimated that this level of contribution represents £2.8 for every £1 of SEEDA AIF funding that has been invested.

It also needs to be recognised that it may be early to get an accurate picture of the total net impact of this intervention as the streams of benefits are likely to unfold over a considerable period of time.

The AIF programme came to an end during the preparation of this work in March 2008. Therefore, the findings of this programme evaluation complement the closure of this intervention but they can also inform the processes underpinning future similar interventions, in particular, in the light of Local and Multi Area Agreements. A number of issues that emerged during this evaluation lead to the following recommendations:

- The model of devolved responsibility and partnership works if appropriate and consistent guidance is provided. It also needs to account for lead time for setting up the whole process and exit time for wrapping up activities. The model will need to be supported by an appropriate funding regime that would fund a developmental phase and partners for their initial outreach and involvement in shaping their future actions.
- Partnership support and hand holding in some cases is crucial and should be built into any SEEDA intervention of this type. The support offered by SEEDA staff to the individual AIFs has been valuable to increase understanding of the scope of the intervention but also funding arrangements and cost implications of this type of interventions.
- The approach of addressing intervention in a strategic way makes sense and works, if: the overall vision is clear to all; progress towards meeting this is monitored and coordinated; and results are shared amongst and with all involved in this process.

- Furthermore, the rationale for the intervention, the fitness for purpose of the solutions and expected results needs to be carefully designed, articulated and communicated early on in the lifetime of a programme. This also means that any decisions in relation to exit strategies should consider that 'one size fits all' approaches may not be appropriate. Rationalisation of policies, partnerships and interventions represents an efficient tool of management of public funds. However, each AIF area or, a similar concept based on multi area/multi partnership arrangement, needs to be considered on its own merit, the resilience/persistence of disadvantage and the capacity and capabilities of local players before decisions that affect delivery of results and outputs are taken.
- On a more practical level, 'evaluation' of an intervention and its conceptual and measurement requirements need to be considered and built into the programmes early on. Management and financial information may be collected but this is not always at the level and detail that may be required to assess value for money and return on public purse investment, in particular when complex interventions are considered.