

Evaluation of SWRDA Investment in the Food and Drink Sector in the South West Region

ECOTEC

Priestley House
12-26 Albert Street
Birmingham
B4 7UD
United Kingdom

T +44 (0)121 616 3600
F +44 (0)121 616 3699
www.ecotec.com

Executive Summary

1 INTRODUCTION

This report provides an evaluation of the economic impacts and Strategic Added Value of SWRDA's investments in the food and drink sector since 2002 following the requirements of the prescribed Impact Evaluation Framework for RDAs. It also incorporates a process evaluation of the mechanisms through which this investment has been delivered which focuses in particular on the period since 2005 when major changes were introduced following an earlier evaluation.

The supporting research has involved: reviews of the socio-economic and policy contexts; an analysis of the relevant Agency expenditure and output data; a programme of stakeholder consultations; assessment of 18 specific projects covering some 45 percent of the expenditure on projects within the scope of the evaluation; and, surveys covering 88 beneficiary businesses.

2 THE FOOD AND DRINK SECTOR

The sector is considered for this purpose to comprise fishing and food manufacturing – most importantly dairies and cheese making, meat and poultry products, and bread, fresh pastry and cakes. The sector as a whole employed nearly 37,000 people in 2006. Employment has declined substantially since 1999, although recent trends have been more favourable.

The most important concentrations of activity are in Cornwall and the Isles of Scilly, Somerset, Devon and Wiltshire. There are a number of substantial employers but the sector is dominated by small businesses. The number of businesses has declined sharply since 1999.

Key drivers of change have included:

- The pressures on primary producers to diversify;
- Rising consumer incomes, expectations and environmental and health concerns. These have helped to create markets for niche,

quality products, as well as an interest in 'traceability' and locally produced foods;

- Increasing regulation, particularly in relation to food safety issues;
- More recently, rising commodity and energy prices and the squeeze on real incomes.

The sector has faced a range of challenges in responding to market opportunities associated in particular with the problems of attracting and retaining employees, the concentration of buying power within the supermarkets and the problem of fragmented distribution channels and high distribution costs.

3 POLICY AND ORGANISATIONAL CONTEXT

Much of the policy context derives from the close links between the sector and primary producers:

- At an EU level the key development was the 2003 reform of the Common Agricultural Policy which encouraged farmers to become more competitive and market oriented;
- At a UK level the foot and mouth epidemic led to a drive to achieve greater integration between farming and the food industry, as well as to a complete reassessment of rural policy and delivery.

Successive editions of the RES have identified food and drink as a priority sector. In 2002 South West Food and Drink was established with a vision to, "**champion regional excellence of food and drink from the South West**". The South West Food and Drink Strategy 2005-2015, which still represents the most recent detailed statement of policy, established a focus on market development, producer and processor development and the development of supply chain connections.

SWERDA's budget for activities in relation to the sector is small compared with that of other key agencies and its approach has therefore been to target areas where it can address gaps within, or add value to, mainstream provision. Interventions typically have a clear rationale based upon market failure – although perhaps not always in a strict technical sense.

4 EXPENDITURE AND OUTPUTS

SWRDA has expended some £5.9m on food and drink projects since 1999, of which £5.7m relates to the period from 2002/03. Two-thirds of this latter total relates to SWFD projects. Overall, 87 projects fall within the scope of this evaluation. More than half of the total projects which have been funded have involved spend of less than £25,000 whilst the biggest – the South West Food and Drink Skills Network – has involved spend of nearly £950,000.

The available output data has gaps and in some cases may be unreliable. The data indicate that over 1,000 businesses have been assisted in various ways whilst almost 4,000 people have been helped to acquire new skills.

5 ECONOMIC IMPACT

The impact analysis is built up from the evidence from the beneficiary surveys for the three key intervention types: Supplier Development, Developing Markets and Enhancing Skills. The survey responses are used to estimate the extent to which SWRDA investment has increased employment and productivity in beneficiary firms. Results are grossed up for each intervention type based upon expenditure data. Adjustments are made for leakage, displacement and multiplier effects to generate the estimates of net impact.

The impact estimates – which are clearly substantial – are set out in Table ES1. It should be recognised that the estimates are subject to a significant margin of uncertainty (explored formally in Annex One), primarily because of the variability in the impacts on individual beneficiaries.

Table ES1: Summary of Impacts

Impact	Supplier Development	Developing Markets	Enhancing Skills	Total Value
Net additional jobs created	480	220	10	710
Net additional jobs safeguarded	0	0	<5	<5
Net additional GVA created through employment gains (£ pa)	5,100,000	3,900,000	1000,000	9,900,000
Net additional GVA created through productivity gains (£ pa)	5,800,000	900,000	900,000	7,600,000

Impact	Supplier Development	Developing Markets	Enhancing Skills	Total Value
Potential jobs created	1,580	280	40	1,900
Potential GVA created (£ pa)	13,100,000	4,800,000	200,000	18,100,000

Source: ECOTEC Analysis (financial figures have been rounded to the nearest £100,000, while jobs have been rounded to the nearest 10 (except where less than 10)).

6 ASSESSMENT

Although the use of formal benchmarks has been limited, procurement process will have generally enabled a good level of economy to be achieved. The assessment of economy in relation to SWFD core funding is more difficult to establish from the information available.

Projects were generally delivered to budget and all achieved or overachieved their key output targets where these were specified – although some key outputs are not reflected in the monitoring data. Projects have typically had a close strategic fit with RES and, more recently, SWFD strategy objectives.

Projects approved in recent years have typically been based upon a clear rationale. Projects are characterised by a high level of additionality, with SWRDA funding either playing a key role in enabling projects to proceed or at least influencing their timing or scope.

Seventeen of the 18 projects were judged by their assessor to have been successful or very successful. Value for Money in terms of cost per job has been very good and the return in terms of GVA created appears exceptional (table ES2)

Table ES.2 SWRDA Cost per Net Job and GVA Return per £100,000 of SWRDA Spend

Intervention Type	SWRDA Cost per Net Job (£)	GVA Return pa per £100,000 SWRDA Spend
Supplier Development	1,760	1,300,000
Developing Markets	4,600	500,000
Skills Enhancement	73,000	200,000
TOTAL¹	3,830	600,000

Source : ECOTEC Analysis

1. i.e expenditure weighted

Evidence in relation to the likely durability of the impacts involved is mixed.

Projects should generally have delivered some environmental benefits, particularly in terms of encouraging local consumption and reducing 'food miles', although there is no evidence on the scale of such impacts.

Projects have generated a range of SAV effects, particularly in terms of strategic leadership and engagement. Direct leverage of private investment appears to have been limited.

7 PROCESS EVALUATION

The South West Food and Drink Strategy commands a high degree of support, although with a recognition that the 'refresh' which is currently underway is needed. There are concerns both about the current hiatus in funding for new projects and the extent of the expenditure which has been incurred on organisational development.

Since the 2005 reforms the board of SWFD has had a stronger industry representation. There is also an annual forum to engage with the industry, although its effectiveness could probably be enhanced.

The quality and delivery of support is rated highly by recipients.

SWFD has clear aims and objectives, although these lack timescales and quantification and there is no systematic associated monitoring. Project level monitoring has improved but there are still weaknesses in the resulting information base.

The new arrangements under which SWFD's role is a strategic one are reasonably well understood, although how far this role is seen as valuable is variable. The inter-organisational tensions which were identified in the previous evaluation have now largely dissipated.

The institutional landscape is crowded but any rationalisation would raise complex issues. As a minimum, further organisational proliferation needs to be avoided. The role of SWFD is likely to need to evolve.