Hull and East Yorkshire Local Enterprise Partnership (HEY LEP)

Evaluation of Capital Programme Delivery

Draft Report

August 2022

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1 Introduction

1.1 Purpose of the report

AMION Consulting ('AMION') were appointed by Hull and East Yorkshire Local Enterprise Partnership (HEY LEP) to carry out an evaluation of the Local Growth Fund (LGF) and the Getting Building Fund (GBF).

In April 2021, several programmes transferred to HEY LEP[1] following the closure of the Humber LEP[2]. This included two significant capital programmes, the £131.7 million legacy Local Growth Fund (LGF), programme and £13.4 million still in delivery Get Building Fund (GBF) programme.

Local Growth Fund (April 2015-March 2021)

The Humber LEP's first Growth Deal was announced in July 2014 with an extension in January 2015. In line with Government policy a third Growth Deal was announced in 2017. In total Humber LEP secured £131.71million of LGF investment, of which £8.23 million was ring-fenced to support investment in skills.

The Humber LEP's LGF was focussed on:

1) ***Maximising the potential offered by the Humber Estuary*** - investment was targeted at unlocking access to strategic sites, and key growth corridors, improve the range and quality of commercial and residential property and encourage further investment through sustainable development and managed flood risk.
2) ***Business growth*** - investment aimed to stimulate a more entrepreneurial culture in Humber's businesses and ensuring they could access the skilled workforce they needed to enable growth.

A large proportion of the LGF projects supported have reached completion with a smaller number still finalising their activities. Whilst some projects have realised their outputs, in keeping with the nature and scale of the projects supported many will continue to deliver important and significant outputs and outcomes in future years.

Getting Building Fund (June 2020-March 2022)

In June 2020 the Secretary of State wrote to all LEPs and Combined Authorities (CAs) to advise that as a means of addressing the downturn and difficulties experienced across the country as a result of Covid 19, funding was available to support 'the acceleration of projects' already in delivery, or new 'shovel ready' projects that could be delivered by March 2022. Projects were required to demonstrate clear deliverability, given the 18 month delivery window, as well as demonstrating strategic fit with two priorities, economic growth and green recovery.

The Humber LEP was awarded £13.4 million of GBF investment. As the Humber LEP was due to close on 31st March 2021, with the HEY LEP launching on 1st April 2021, it was agreed that the funding opportunities offered by GBF should look to support projects within the geography of the

[1] HEY LEP covers the two Council geographies of Hull and the East Riding of Yorkshire.
[2] Humber LEP comprised the four local authorities of East Riding of Yorkshire, Hull, North East Lincolnshire, and North Lincolnshire.

HEY LEP. Projects in North and North East Lincolnshire it was agreed would be supported through the Greater Lincolnshire LEP. By the time the HEY LEP came into force all GBF had been committed.

Evaluation

The Humber LEP commissioned a process review/evaluation of the LGF in 2020 which focussed on a review of progress in delivering project outputs and an assessment of governance and delivery processes. The review was informed by an analysis of Management Information (MI), a wide range of stakeholder consultations, and other LEP documentation.

Given the detailed 2020 process review already undertaken for the LGF, the HEY LEP therefore commissioned this evaluation to focus on assessing the economic impact achieved to date and future potential economic value achieved through the delivery of the LGF and the GBF. Critically this evaluation was to have regard to estimating economic impact based on a HM Treasury Green Book compliant 'social cost-benefit analysis' (CBA) approach[3].

Many of the LGF project proposals and appraisals used a 'jobs and GVA' impact assessment methodology, which reflected best practice at the time. For the GBF, a CBA approach was used. Given the shift within national government funding sources to align with HMT best practice guidance when assessing the costs and benefits of interventions and associated value for money, HEY LEP want to understand how LGF projects perform when judged against the CBA approach. As part of this assessment, it is important to note if there were significant benefits delivered by the LGF and/or GBF projects that were 'missed' due to the assessment methodology.

Specifically, this evaluation was required to;

- estimate the current and future likely Gross Value Added (GVA) benefits to the local economy
- produce a Benefit Cost Ratio (BCR) for the Local Growth Fund programme
- produce a Benefit Cost Ratio for the Get Building Fund programme
- produce a combined Benefit Cost Ratio for the two programmes

In addition to the estimate of achieved and future economic value HEY LEP also sought insights into:

- differences or challenges in applying Green Book value for money calculations to local projects in relation to e.g. land value uplift along with a recommended approach to establishing what 'value for money 'looks like' at the local level.
- an assessment of the value generated through the delivery of strategic programmes over and above what might have been achieved by projects being delivered in isolation.
- an assessment of any value which may have been lost as a result of programme restrictions or process flaws (did the way the project appraised fail to capture any benefits nature/scale?

[3] HM Treasury Green Book 2018

- a review of early impacts across a selection of projects and key themes in order to draw comparisons with business cases and highlighting any changes/evolution and supporting reasoning.

The LEP also sought where possible for benchmarking with similar programmes and projects in other LEP areas.

1.2 Our approach

The methodology used to undertake this impact focused evaluation has included:

- A desk-based review of:
  - context, policy and programme management information; and
  - project level data available for all projects approved[4].
- Consultations with
  - programme management team;
  - stakeholders; and
  - grant recipients.
- Review and analysis
  - a review of priority projects;
  - calculation of cost effectiveness ratios for relevant outputs at a LGF and GBF programme level;
  - calculation of Benefit Cost Ratios (BCRs) for LGF and GBF programmes individually and combined;
  - an assessment of any benefits missed due to appraisal methodology;
  - a workshop on social cost benefit analysis with programme stakeholders for LGF and GBF;
  - a review of comparable programmes to inform a benchmarking assessment; and
  - a review of the new HMT Green Book 'social cost benefit approach' to impact assessment and its practical application at the local HEY LEP level.

1.3 Structure of the report

The report continues in the following five sections:

- ***Section 2*** – outlines the context for the LGF and GBF programmes;
- ***Section 3*** – describes the management and governance arrangements in relation to impact;

[4] The MI data is to September 2021. It is likely that 'outputs achieved' will therefore exceed those set out in this report

- ***Section 4*** – highlights the programme performance to date;
- ***Section 5*** – contains a Value for Money assessment;
- ***Section 6*** – presents conclusions and lessons learnt to date and recommendations for future programmes.

2 The LGF and GBF programmes

2.1 Background

2.1.1 Local Growth Deals

Following the establishment of the 38 LEPs in England in 2010, the Government's June 2013 Spending Review created a Single Local Growth Fund (LGF). This streamlining of central government funding to local areas was one of Lord Heseltine's suggestions for the stimulation of economic growth in the 2012 report, "No Stone Unturned: In Pursuit of Growth". The Single LGF was created by re-allocating £2 billion from existing skills, housing and transport budgets from 2015/16, alongside the commitment of £5 billion of transport funding to the LGF between 2016/17 and 2020/21.[5]

In order to allocate funds from central government to the LEPs, the Spending Review required each LEP to produce a Strategic Economic Plan (SEP) by March 2014. The SEPs provided details of how central government funding would be used to achieve economic growth and other local objectives. The government and the individual LEPs subsequently negotiated 'Local Growth Deals' to provide a framework for the allocation of this funding in the local area.

Table 2.1 sets out the profile of projects by programme theme negotiated by HEY LEP. In total the LGF programme included 53 projects.

Table 2.1: LGF Programme themes

Theme	No. of projects
Flood Management	12
Transport[6]	12
Business Support[7]	9
Housing	2
Public realm	3
Skills	10
Enabling Works	3
Tourism	2
Total	**53**

5 House of Commons Briefing Paper No. 7120, "Local Growth Deals", https://researchbriefings.files.parliament.uk/documents/SN07120/SN07120.pdf

6 For the purposes of this report, LGFHUM01 – Connecting the City A63 Bridge, has been considered as a transport project, rather than public realm, and will be treated as such for this analysis

7 One project, LGFHUM39 Danish Buildings/ Bayles House, which the sole project classified as 'regeneration' involved funding to refurbish an office building and create new managed workspace/ incubation space, has been included with the business support theme throughout this report

2.1.2 Getting Building Fund

The GBF was part of the Government's 'New Deal' programme in response to the economic impact of the Covid-19 lockdown. The Government made £900 million available through the new GBF for investment in local, shovel ready projects to stimulate jobs and support economic recovery across the country.

The HEY LEP GBF programme contained seven projects – four business support and three infrastructure – as set out in Table 2.2.

Table 2.2: GBF projects

Project	Description
Business support:	
Growing Hull & East Yorkshire	The project provides **capital investment grants to SME businesses** in Hull and East Yorkshire. The primary objective of the programme is to achieve sustainable employment by supporting the expansion, modernisation and diversification of businesses located in the Hull and East Yorkshire area. The capital grant programme focuses on **creating and safeguarding jobs** and green recovery, including supporting more SMEs to enter low/zero carbon supply chains. The scheme builds on the success of Growing the Humber which has invested £35.3 million since 2013, leveraging £122 million from 439 businesses and supporting the creation of 2,814 jobs.
RaisE Business Centre and Innovation Hub	Adjacent to the Siemens Mobility train factory on the Goole 36 Enterprise Zone, it will provide **high-tech managed workspace** and **R&D facilities** for SMEs in manufacturing, engineering, and rail supply chains. It has been developed in partnership with Siemens Mobility and the **UK Rail Innovation Network** (University of Birmingham), which will also have a presence on the site.
Managed Workspace Programme A – Grovehill Business Centre	A new, purpose-built **business centre** and **managed workspace** will be constructed that will act as a service hub and catalyst for development for the rest of the area. The Grovehill site in Beverley provides an excellent opportunity for significant industrial development with potential to offer employment opportunities, economic sustainability and also a high degree of futureproofing for the market town, which currently relies heavily on the service sector, retail, and the visitor economy.
Managed Workspace Programme B – BeSpoke & Boulevard Phase 4	This scheme is part of a package of new and improved managed workspace offers to meet demand and stimulate economic recovery in Hull and East Riding. **BeSpoke resource Centre, Bransholme** An existing multi-purpose building will be converted into a dedicated managed workspace centre with 13-24 units for let, serviced by an on-site management and business advice resource. The conversion works will also improve the energy efficiency and security of the property. **Boulevard, Phase 4** A semi-derelict building will be demolished and a terrace of 7 small business units constructed on the site aimed at small businesses engaged in a variety of B1 uses. The facility will complement the adjacent Boulevard unit factory estate and Louis Pearlman Centre managed workspace.

Table 2.2: GBF projects	
Project	**Description**
Infrastructure:	
Hull & East Yorkshire Highways Resilience Programme	A programme of **highway improvements** in Hull and East Yorkshire delivering important improvements to journey to work routes that will make it easier for employees to travel to key employment sites and other services. This project represents the second phase of a programme that was previously funded through the York, North Yorkshire & East Riding LEP Growth Deal as a DfT retained scheme. There are two components: • In the **East Riding**, of a package of improvements will be undertaken on the A614 from south of Boothferry Bridge to Holme Road (Caville bends), Eastrington. • In **Hull**, inlay/overlay treatment to the A165 Holderness Road to Ganstead, which can be delivered in full in 2020/21.
Delivering Housing Growth (3) - Ings & Wawne (2)	This project is an extension to the existing successful Delivering Housing Growth in Hull programme, previously part-funded through Local Growth Fund. The funding will accelerate **delivery of new housing** in the Ings and Wawne areas by providing the necessary upfront infrastructure works. There are two components: • **Ings** – This scheme will see the early delivery of the Development's Spine Road and new electricity supplies, which will unlock future phases of the Development earlier than planned. This project would bring forward 310 additional homes. • **Wawne (2)** – The Council's procured lead developers are currently on site delivering Phase 1 – (750 new homes). This project will accelerate delivering of Phase 2 (810 homes) by providing the necessary up-front infrastructure of a Spine Road and Drainage, enabling the momentum of the scheme to continue.
Hull & East Yorkshire Cycle Route Delivery Programme - Phase 1	Programme of **cycle infrastructure upgrades** and provision of **new cycle facilities** where there are gaps in the network across the City of Hull and adjoining urban areas of East Riding of Yorkshire. The investment will support safe and sustainable travel to work, reducing congestion and improving air quality and well-being. The following priority routes have been identified: • Cottingham to Hull City Centre; • Beverley Road (A1079); • Former Hornsea rail line; and • A number of 'quick win' routes throughout the city of Hull.

2.2 Humber context

2.2.1 Humber SEP

The Humber Strategic Economic Plan (SEP) was developed by the Humber LEP which comprised the four local authorities of East Riding of Yorkshire, Hull, North East Lincolnshire, and North Lincolnshire. The SEP was submitted to government in March 2014 as part of the first Growth Deal proposals.

Covering the period from 2014 to 2020, Humber's SEP presented an integrated plan for growth with the ambition to maximise the potential offered by the Humber Estuary, leading to the Humber to become a renowned national and international centre for renewable energy with a resilient and competitive economy. The SEP's vision for 2020 was structured around three key themes:

- Economy – this theme envisaged Humber having a thriving renewables sector, with ambitious capital schemes underway, significant job creation and quality business support.
- Skills – key ambitions for 2020 included reducing the proportion of the working age population with no qualifications whilst growing higher level skills.
- Place – a stronger visitor economy, increased civic pride and a stronger sense of ambition and self-confidence were all projected for 2020, alongside progression of infrastructure, housing and other resources to deal effectively with issues of flooding and coastal erosion.

The SEP was structured around five strategic enablers covering infrastructure, business growth, place, skills and floods / environment as set out in Table 2.3.

Table 2.3: Humber LEP SEP Strategic Enablers

Strategic Enabler	Overarching objective and priorities
Creating an Infrastructure that Supports Growth	• Enhancing the accessibility of strategic sites and key growth corridors • Upgrading rail, port and airport infrastructure to match investment in the Energy Estuary
Supporting Businesses to Succeed	• Providing expert support and appropriate finance to help businesses grow, create jobs and take advantage of new investment opportunities • Supporting a more entrepreneurial culture and increasing innovation levels amongst local businesses
A Great Place to Live and Visit	• Having a good range and quality of homes for a growing workforce • Ensuring there is a vibrant and distinctive cultural, leisure and visitor offer which creates new business opportunities
A Skilled and Productive Workforce	• Having a skilled workforce which meet businesses needs for growth • Supporting residents with access to good quality employment opportunities
Flood Risk and Environmental Management	• Investing in flood and coastal risk management • Promoting and embedding sustainable development activities to sustain the natural environment.

To help deliver the vision and aims of the SEP, Humber LEP identified a series of corresponding activities and planned investments as part of an Investment and Delivery Plan. This Plan was key to allowing the SEP to shape its LGF programme and subsequent request for LGF support.

2.2.2 Challenges

Despite the Humber LEP area (Hull, East Riding, North Lincolnshire and North East Lincolnshire) having strong growth potential, the SEP made clear that the area faced a series of challenges relating to skills levels, unemployment, businesses, broadband connectivity and planning and regulatory constraints. At the time the SEP was produced in 2014:

- the proportion of the working population with no qualifications was above average, whilst higher skills attainment was relatively low;
- the industrial structure of the area was skewed towards occupations such as process, plant and machine operatives, caring and leisure, elementary and sales occupations, which typically rely on low to mid skilled employment;
- unemployment and economic inactivity rates were above average, with youth unemployment a pertinent issue (16-24 year olds accounted for 38% of all unemployment in the area);
- business survival, especially at 4+ years, was a particular weakness, with the area having a lower than average number of high growth businesses in recent years. Businesses were reporting that support services were fragmented;
- the LEP area had inconsistent levels of broadband infrastructure with rural areas struggling to have adequate access; and
- a complicated and inconsistent regulatory regime was slowing investments around the Estuary, although good progress was being made to overcome this through partnership working.

Table 2.4 provides summary data relating to the challenges outlined above and shows how Humber LEP's economic performance changed over the period of the SEP (2014-2020). The table also presents data for the HEY LEP's economy (Hull and East Riding) to provide context to the GBF interventions and highlighting the discrepancies between the LEPs. Whilst the SEP period was 2014-2020 the data below considers the change between 2014-2019 this is to exclude the impact of the Covid-19 pandemic in 2020. The impact of Covid 19 is discussed in Section 2.2.3 below.

Table 2.4: Challenges faced by the HEY LEP and Humber LEP economy compared to England

Metric	HEY LEP		Humber LEP		England	
	2014	2019	2014	2019	2014	2019
Skills and occupation						
% of working age population with no qualifications	9.9%	8.8%	9.4%	9.6%	8.6%	7.5%
% of working age population with NVQ4+ population	29.1%	32.0%	26.7%	29.8%	35.7%	40.0%
% employed in elementary occupations	14.9%	13.0%	14.6%	12.8%	10.7%	10.2%
% employed as managers, directors and senior officials	9.2%	11.2%	8.9%	11.1%	10.5%	11.7%
Unemployment						
Unemployment rate (aged 16-64)	7.6%	5.4%	7.3%	5.2%	6.4%	4.0%
Unemployment rate (aged 16-24)	18.8%	14.2%	18.9%	13.8%	17.1%	11.7%
Economic inactivity rate	22.9%	20.4%	22.9%	21.9%	22.6%	20.8%
Business performance						
Business births	2,290	2,405	3,605	3,695	312,920	349,675
Business deaths	1,760	2,100	2,885	3,215	217,645	299,935
Active enterprises	18,720	20,505	28,870	31,365	2,235,050	2,639,250
Survival rate (1 year)	92.8%	88.6%	93.5%	90.0%	92.3%	88.2%
Survival rate (4 years)	50.7%	-	49.8%	-	49.4%	-
High growth enterprises	95	95	150	145	11,070	12,455

The data above shows that by 2019 Humber LEP had already made progress towards addressing many of the main challenges identified in the SEP – there is evidence of skills levels and occupation profiles improving, accompanied by falling unemployment and lower economic inactivity rates. Nonetheless, the data highlights that Humber LEP and wider policy interventions had as yet to close the gap with the national average regarding skills and unemployment. The data shows the same trends for the HEY LEP area which also experienced a decline in the proportion of residents with no qualifications from its high level in 2014.

Another challenge facing the Humber LEP area was flooding with a high level of flood risk across the area due to its geographical constraints. In 2014, more than 90% of Hull was below the high tide level, putting over 100,000 properties at risk of flooding and the associated financial and emotional challenges. The City of Hull was severely affected by floods in 2007 and 2013, with the 2013 floods affecting 8,000 homes (20,000 people) and 1,300 businesses. East Riding of Yorkshire is also at risk from flooding with around 40,000 homes in high risk flood zones in 2014. The risk of flooding is also high for North East Lincolnshire, with 27,000 dwellings in flood risk areas, and North Lincolnshire, which is at risk from both the Humber and Trent Rivers.

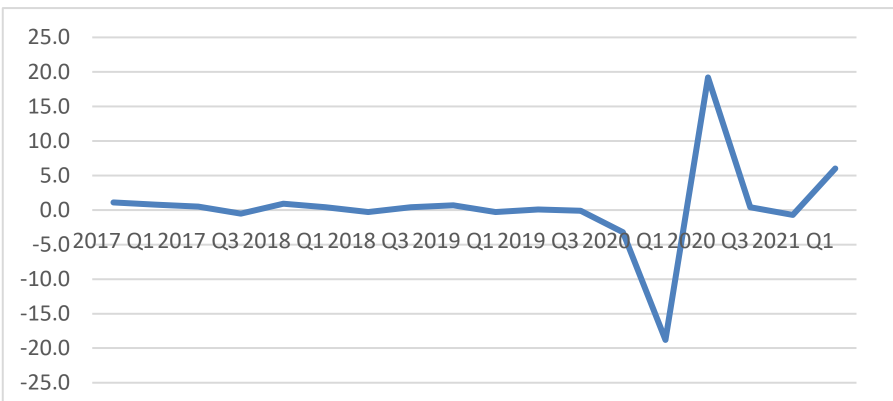
The LGF and GBF programmes were designed to address the various key challenges facing the area.

2.2.3 Covid-19

Despite positive signs that the area was starting to improve its economic performance across selected metrics, the onset of the Covid-19 pandemic in early 2020 significantly changed the economic context for the delivery of the SEP and related capital grant programmes like the LGF.

Figure 2.1 shows the turbulence which the pandemic created in 2020 and into 2021, with regional GVA fluctuating, mirroring the wider national trend. The pandemic amplified economic uncertainty which was already being generated by protracted Brexit negotiations with the largest quarter-on-quarter percentage change experienced in Yorkshire and The Humber in Q2 2022 (-8.8%).

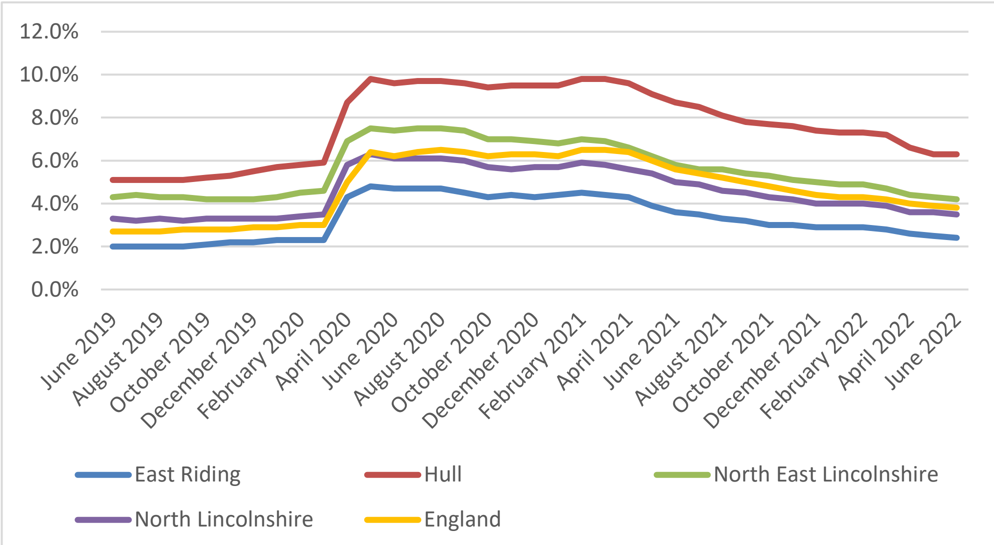
Figure 2.1: Yorkshire and the Humber GVA, % change quarter on previous quarter



Source: ONS (2022) GDP, UK regions and countries: April to June 2021, chained volume indices

The pandemic and associated economic uncertainty have also impacted the labour market in the region with the claimant rate in the Humber LEP area peaking at 9.8% in Hull in May 2020, exceeding the national peak of 6.5% (August 2020). The rise in claimant rates was experienced across the four local authority areas, although as of June 2022 claimant rates in Hull and North East Lincolnshire remained above the national average. Since the initial shock, the claimant rates in the area have experienced a downwards trend, although they remain above the levels experienced at the end of 2019.

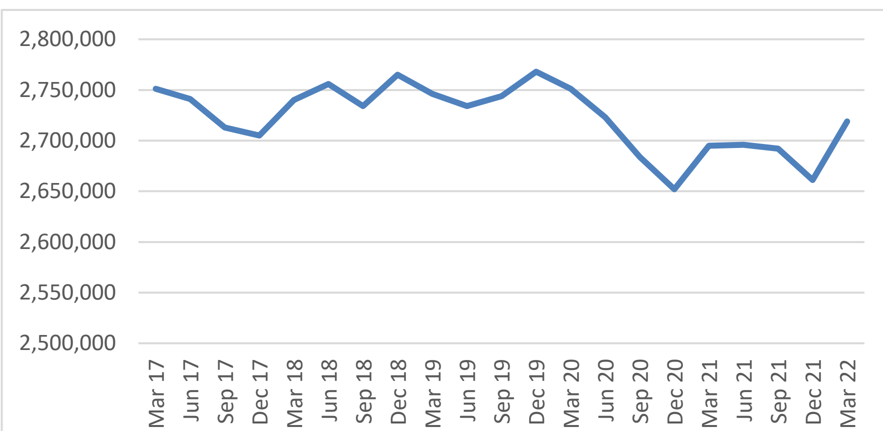
Figure 2.2: Claimants as a proportion of residents aged 16-64, %



Source: NOMIS (2022) Claimant Count

As shown by Figure 2.3, the pandemic has negatively impacted the number of workforce jobs in Yorkshire and the Humber, with the number of jobs falling considerably between December 2019 and December 2020 due to the economic shock of the pandemic on the region. Despite the easing of restrictions, the number of workforce jobs remained below 2020 levels at the start of 2022.

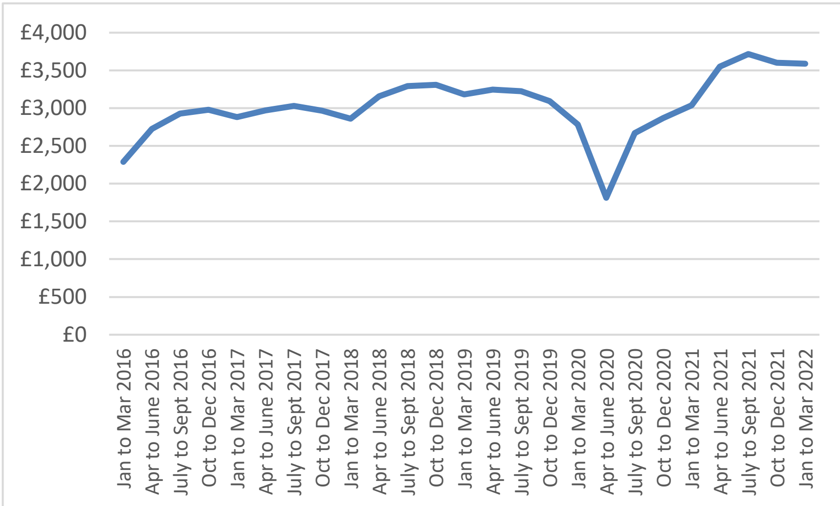
Figure 2.3: Workforce jobs by region and industry, Yorkshire and the Humber



Source: ONS (2022) Workforce jobs by region and industry

The pandemic also made the delivery environment for the LGF programme extremely challenging. In particular, the construction sector was severely affected as demonstrated by Figure 2.4, due to the impact of restrictions in England which delayed programmes. The construction sector has also been impacted by subsequent material shortages and supply chain delays as the global economy recovers from the pandemic. Similarly, the rising energy costs in 2022 linked to the conflict in Ukraine will continue to impact the sector as it faces rising utilities and materials cost inflation.

Figure 2.4: Total construction output, Yorkshire and the Humber (£ million)



Source: ONS (2022) Output in the construction industry: sub-national and sub-sector, value, non-seasonally adjusted, current prices

2.3 HEY LEP LGF programme

Humber LEP was awarded £131.6 million of LGF. This has been allocated towards 53 projects, supporting the delivery of infrastructure, business support, housing, public realm, skills, tourism and regeneration projects.

The LEP was awarded the LGF funding through three rounds, as follows:

- Round 1 (July 2014) - £22.9 million
- Round 2 (January 2015) - £80.9 million
- Round 3 (November 2016) - £27.9 million

Table 2.5 shows the number of projects and LGF contracted by theme.

Table 2.5: LGF Programme Overview					
Theme	**No. of projects**	**Total (achieved to date and forecast) (£m)**		**Average (£m)**	
		LGF	**Match**	**LGF**	**Match**
Flood Management	12	£36.5	£142.6	£3.0	£11.9
Transport	12	£36.5	£50.1	£3.0	£4.2
Business Support	9	£21.2	£85.6	£2.4	£9.5
Housing	2	£14.0	£129.7	£7.0	£64.9
Public realm	3	£5.9	£7.0	£2.0	£2.3
Skills	10	£8.2	£22.7	£0.8	£2.3
Enabling Works	3	£5.1	£15.4	£1.7	£5.1
Tourism	2	£4.0	£37.5	£2.0	£18.8
Total across themes	**53**	**£131.4**	**£490.7**	**£2.5**	**£9.3**
Programme Management	-	£0.2	-	-	-
Grand total	-	**£131.6**	**£490.7**	-	-

The largest number of projects supported were in the Flood Management (12) and Transport (12) categories. They also account for the largest proportion of funding at over 25% each and combined account for 54% of all LGF funding. This allocation of spend closely reflected Humber LEP's strategic enablers of supporting infrastructure to enable growth and flood risk management to support sustainable development as set out in the SEP. Supporting housing development to have a sufficient number and range of good quality housing to meet the needs of a growing workforce was also a strategic priority. Both the Flood Management and Housing schemes attracted substantial levels of match funding at £142.6million and £129.7million respectively giving high leverage ratios of 1:3.9 and 1:9.3 respectively. On average £1 of LGF investment was expected to lever £3.7 of match funding.

There were also a relatively large number Skills projects (10) again representing a key priority set out in the SEP and the fact that £8 million was ring-fenced in the Growth Deals for Skills development.

2.4 HEY LEP GBF programme

The former Humber LEP was allocated £13.4 million from the GBF for a wide-ranging package of projects (see Table 2.6). In the Hull and East Riding of Yorkshire parts of the Humber LEP area, the funded projects have encouraged innovation and created and safeguarded jobs by supporting growing businesses and creating new managed and hi-tech workspaces, improving transport connectivity through investment in key highway routes and encouraging green and active travel through cycling infrastructure, and accelerating the building of new homes.

Table 2.6: GBF Programme Overview

Project	Total (achieved to date and forecast) (£m)	
	GBF	Match
Business support:		
Growing Hull & East Yorkshire	£1.7	£5.1
RaisE Business Centre and Innovation Hub	£1.0	£7.1
Managed Workspace Programme A – Grovehill	£0.5	£4.3
Managed Workspace Programme B – BeSpoke and Boulevard - Phase 4	£0.5	£0.9
Business support sub-total	**£3.7**	**£17.4**
Infrastructure (transport and housing):		
Hull & East Yorkshire Highways Resilience Programme	£2.0	£1.1
Delivering Housing Growth (3) - Ings & Wawne (2)	£4.8	£163.0
Hull & East Yorkshire Cycle Route Delivery Programme - Phase 1	£2.7	£1.1
Infrastructure sub-total	**£9.5**	**£165.2**
Programme Management	*£0.2*	-
Total	**£13.4**	**£182.6**

The GBF funding whilst allocated by Humber LEP was targeted at the HEY LEP geographic area only. Consistent with LGF distribution and the Humber SEP, the programme and projects funded also show a strong focus on supporting transport infrastructure, with £4.7million (35%) of all GBF spending targeted at this strategic priority. A similar level of funding was allocated to supporting housing provision. The transport projects attracted match funding but since they were not major road or rail transport schemes this was not as significant as the match achieved for LGF transport programmes. In contrast and as with LGF housing projects the GBF housing project attracted a substantial level of match funding, £163 million, giving a very high leverage ratio of just under 1:40. On average £1 of GBF spending was expected to lever £13.6 of match funding. This leverage ratio is significantly higher than for LGF programme and is due to the high forecast level of housing related private sector match funding.

3 Management and delivery

3.1 Introduction

In keeping with the evaluation focus on assessing the economic impacts achieved to date and expected to be delivered in the future this section draws and builds on the 2020 LGF process evaluation and extends this to consider the GBF.

3.2 Programme management arrangements – Humber LEP

As reported in the Humber LEP, LGF process review, the LEP's approach to managing major programmes including LGF was set out in its Assurance Framework. The Framework outlined arrangements for delivery, implementation, risk, change management and decision making through a three-stage process that covered, project pipeline, programme allocation and commitments. The Assurance Framework was intended to ensure good governance, transparency and accountability in decision making. The Framework was developed in conjunction with the Accountable Body and the Humber Leadership Board. The process review concluded that the document was produced in accordance with the National Local Growth Assurance Framework, was approved by the LEP Board and Hull City Council (the Accountable Body) and was reviewed annually.

The LGF was designated as a 'strategic programme' under the Assurance Framework and the review noted it therefore followed the processes set out in the Framework for such a programme. Given its designation, scheme business cases were required to be compliant with HM Treasury Green Book guidance and where appropriate the Department for Transport WebTAG methodology. The review noted that the LEP applied a flexible and proportionate approach to the assessment of business cases and in particular, when assessing value for money, recognising the Humber's particular economic conditions.

Delivery and implementation were supported by a joint LEP Executive/Accountable Body programme delivery team. Each project and programme had a named senior responsible officer within the sponsor's Executive team, which was one of the Executive Directors (or their substitute). They were responsible for:

- ensuring regular ongoing communication with delivery bodies;
- identifying issues and risks including non-delivery;
- providing support to overcome barriers; and
- ensuring that implementation and delivery progress is reported through the LEP structure.

Regular update sessions were held with the Department for Business, Energy and Industrial Strategy (BEIS) Assistant Director covering the Humber. The Accountable Body provided support with legal, finance, audit, procurement and other relevant issues, as well as the independent appraisers for advice on deliverability and value for money.

Arrangements for flagging and scrutinising potential at-risk projects at the sub-Board and Board level were strengthened in 2018, with new dashboards and revised papers following member and officer feedback. These were designed to improve oversight of delivery and were well received by stakeholders. There was also a ring-fenced skills allocation overseen by the Employment and Skills Board.

At project level, risks were identified at every stage of the approvals process, with a detailed risk register required to be developed as part of the Full Business Case (FBC) stage. The register was required to be updated and reviewed as part of the ongoing monitoring process. Risks were also reviewed independently during appraisal and during delivery by an officer group and escalated to the relevant sub-board of the LEP and main Board where appropriate. The appraisal process included a headline Red-Amber-Green (RAG) assessment of every project. At a programme level, risks were aggregated to provide projections for expenditure and achieving outputs and were reported to the Board and sub-boards, along with any mitigating actions required.

Any significant changes to schemes post prioritisation had to be approved by the Humber LEP Board. The scheme promoter had to present the LEP Executive with the implications of the potential change in terms of delivery timescales; spend profile and outputs (facilitating value for money calculations).

Process review conclusion

The process review concluded there was evidence of close alignment with LEP, partner and local authority strategic priorities and examples of scheme co-design and that the approach to prioritisation had improved over time as had appraisal capacity.

3.3 Programme management arrangements – HEY LEP

The HEY LEP published its first Assurance Framework in June 2021 two months after the LEP was established - having adopted the Humber LEP's Assurance Framework as an interim measure until its own Framework was finalised. The Framework details the LEP's approach to managing funding allocated to the LEP from central Government in conjunction with Hull City and East Riding of Yorkshire Councils (its two Accountable Bodies) and the Hull and East Riding Unitary Leaders Board. The Framework seeks to provide assurance to Government and Parliament as well as other stakeholders that there are robust local systems and processes in place which ensure resources are spent with regularity, propriety and value for money.

The Assurance Framework noted that the Humber's LGF programme ended on 31st March 2021 with a small number of projects slipping final delivery into 2021/22 with ongoing monitoring of output therefore being required. To avoid the complexity of novating funding agreements it was agreed that these would remain with the Accountable Body. A pragmatic approach to monitoring was also taken with projects in North and North East Lincolnshire moving over time to Greater Lincolnshire LEP, with HEY LEP remaining responsible for monitoring legacy Humber LEP projects on the north bank. Whilst the GBF funding had all been committed by the time the HEY LEP was established the agreement at the time of the GBF announcement in June 2020 meant that all GBF projects fell within the HEY LEP geographic boundary and therefore HEY LEP on its establishment retained responsibility for on-going management and delivery of the GBF programme.

HEY LEP decision-making framework sets out an approach to decision making for LGF and GBF schemes that follows HM Treasury Green Book 5 case model. The framework notes that whilst it is a pre-requisite for any scheme that it demonstrates how it contributes to the delivery of one or more Economic Plan objectives, schemes must also demonstrate why they are needed; either they are addressing a market failure or provide evidence of a new growth opportunity.

The guidance notes that 'projects are encouraged to use standard methodologies to calculate wider impacts, rather than their own' so that information is robust and comparable. Where applicable, the Framework sets out, value for money and other requirements will be aligned with existing guidance and accredited methodologies for common co-funders, such as Department for Transport WebTAG and Defra/Environment Agency flood risk 'Multi Coloured Manual'.

A five stage approach to identifying, appraising and delivering programmes is set out; with associated gateways and documentation to enable robust and transparent decision making;

- project pipeline - expression of interest;
- programme proposal - Outline Business Case;
- indicative programme - Full Business Case;
- committed programme - finding agreement; and
- delivery-monitoring and evaluation plan.

At all stages, it is required that there is a proportionate level of detail and as a project progresses increasingly more detail will be required to evidence the need, provide a clear rationale, define the additional outputs and outcomes, demonstrate value for money using appropriate metrics, for example, Net Present Social Value, and a realistic assessment of risk and deliverability.

As noted above, HEY LEP were not involved in decision making on the allocation of funding to LGF projects. Similarly, all GBF funding had been committed by April 2021 when the HEY LEP were established. Unlike LGF where a relatively small number of projects remained live at the time HEY LEP were established, all 7 of the GBF projects were live projects and in the HEY LEP area.

3.4 Appraisal and performance monitoring

As noted above, the LGF scheme being designated as a strategic scheme was required to follow the LEP's Local Assurance Framework. The GBF was also designated as a strategic scheme and similarly was required to adhere closely to the Framework requirements in terms of business case development, approval and monitoring and evaluation

AMION supported by transport consultants PJA undertook a review of 16 priority projects spanning LGF and GBF and across key strategic themes including Transport, Flood Management, Housing and Skills. The projects reviewed are listed in Appendix A. The review involved consideration of the appraisal and approval process, with a focus on the value for money methodology. As part of the review consultations were held with relevant project managers.

The reviewed showed that there was documentary evidence that the majority of the projects followed the Assurance Framework route as follows: expression of interest; Outline Business Case; Full Business Case; Grant Funding Agreement; and monitoring and evaluation.

For all projects reviewed there was:

- a clear statement of the rationale for intervention;
- a list of the outputs and outcomes that were being targeted;
- a profile of revenue and capital costs;
- a delivery route; and
- an estimate of value for money.

The AMION review of projects focused on assessing the appropriateness of the value for money assessments. The review showed that for most LGF projects, value for money was assessed through the calculation of a cost per unit of output metric (for example cost per job and cost per learner) which was then used to benchmark the scheme against national or local comparators. The Land Value Uplift approach to assessing benefits set out in the 2016 (Department for Communities and Local Government (DCLG) Appraisal Guide/ now Department for Levelling Up, Homes and Communities - DLUHC) not routinely used. Whilst in many cases additional significant 'non-economic' benefits such as increased visitor numbers, perception of the area, wellbeing, health benefits, productivity, and placemaking were noted and emphasised, or referenced, they were not often quantified or monetised or presented using a weighted scores to reflect their importance to the assessment of local and national, value for money.

All LGF projects were appraised prior to 2018 i.e. before the issue of the new HMT Green Book. The new Green Book was a paradigm shift in assessing value for money. It emphasised the need to use a social cost benefit analysis (CBA) approach, to ensure all benefits were captured, rather than a narrower economic impact only focus, as was the case before the issue of the 2018 guidance. Section 5 below sets out a comparison of the social CBA methodology and the cost per unit VFM approach and why therefore some benefits might have been 'missed' during the appraisal of LGF projects as their BCRs will not have always reflected the true 'social value' of the project.

There is evidence that the larger projects which were seeking match funding from department for Transport and the Environment Agency were assessed using WebTAG and FCERM[8] methodologies and that other expert external support was used to estimate economic impact. For projects not using WebTAG or FCERM or standalone economic impact assessments there was not always sufficient detail on the rationale behind the benefits' estimate to allow an interrogation of their validity. This may have been due to a wide understanding of the project by those involved in the decision making process. Whilst many projects did make an attempt to calculate net additional benefits (i.e. what the intervention delivers after accounting for deadweight, displacement and multiplier effects) this was not always evident. Similarly, the use of optimism bias and present values in estimating BCRs was not uniformly evident

In contrast all GBF projects were appraised after the issue of the new 2018 Green Book. The review shows that all GBF projects were appraised using the social CBA set out in the 2018 HMT guidance. The LEP developed a bespoke cost benefit model to ensure that all relevant benefits were identified, quantified and where possible monetised using appropriate values from reliable

[8] Flood and Coastal Erosion Risk Management

official sources. In keeping with best practice, project appraisals sought to include wider benefits and produced initial BCRs based on land value uplift calculations and adjusted BCRs taking account of the wider benefits. This represented a step change in methodology and was a very positive and rigorous approach by the LEP to appraising project proposals.

The Green Book emphasises the need for proportionate appraisal effort based on the cost of the project, its novelty/complexity and where there are important dependencies. The review of projects demonstrates that a proportionate approach was taken but there are some appraisal requirements that could be more routinely embedded into appraisal methodologies even for smaller projects and where the projects are well known to all parties involved in the decision making process. The business case document is a stand-alone justification of the decision to invest.

The 21/22 HEY LEP Delivery Plan noted that as a new LEP a large focus of its work would be on establishing necessary governance structures and frameworks required to operate the LEP as well as ensuring the smooth transition of existing programmes, projects and activities from the Humber LEP. The Delivery Plan also acknowledged that 21/22 was a crucial year in setting the strategic direction of the new HEY LEP and the development of an Economic Strategy for Hull and East Yorkshire.

It is clear that during the transition phase HEY LEP have continued to closely monitor the delivery of LGF legacy programmes and projects and live GBF funded projects with regular reporting to the appropriate LEP sub committee and Board. This will have contributed to their successful delivery.

3.5 Financial management and accountability

All LEPs are reviewed twice per year on a national basis, at the annual and six month stages by the DLUHC and BEIS via the Cities and Local Growth Unit. The performance review focuses on governance, delivery and strategy. The first BEIS Annual Performance Review of HEY LEP was undertaken in January 2022. The LEP received an excellent report with positive feedback provided in all three areas of work. BEIS recognised that the way the LEP team had responded to challenges faced and that the team have acted in a flexible, agile and professional manner to deliver outcomes for the area.

4 Programme performance

4.1 Programme level expenditure

4.1.1 LGF

Table 4.1 overleaf shows the breakdown of LGF expenditure by theme, including progress against the contracted amount. As noted above, the largest theme by LGF funding amount is Transport, closely followed by Flood Management, with both themes containing 12 projects. Business Support was the only theme with LGF expenditure outstanding, as of Q2 2021/22, due to the Humber High Street Challenge Fund project which was due to spend the outstanding £400,000 in Q3 2021/22. Compared to the contracted LGF spend and initial funding award, only the Business Support theme is forecast to spend less than the LGF allocation. The total spend on programme management slightly exceeds the amount of LGF contracted. Overall, LGF expenditure is expected to be in line (0.05% less) with the budget allocation.

Based on total expenditure (LGF and match funding combined), Flood Management is forecast to be the largest theme, by expenditure, with nearly £180 million spent on its 12 projects as set out in Table 4.2 overleaf. Other themes with expenditure forecast to exceed £100 million include Housing (£143.7 million) and Business Support (£106.8 million). Whilst the Flood Management and Business Support themes are composed of 12 projects each, the Housing theme is composed of only two projects – Delivering Housing Growth in Hull (1) and (2) – with nearly £100 million of public sector match funding used to deliver infrastructure works on the sites. The Skills theme had achieved the lowest proportion of total expenditure out of contracted, as of Q2 2021/22, as the Constructing Future Growth project had at that stage an additional £5.9 million of public sector expenditure forecast.

Whilst the grand total of LGF funding forecast to be spent is in line with the contracted level, total for all funding sources is expected to exceed the forecast figure by almost £25 million which is largely driven by additional match funding within the Transport theme, particularly on the Stoneferry Road and Priory Park projects.

Figure 4.1 shows graphically the spend by programme theme and source of funding. It highlights that the Flood Management, Business Support and Housing projects were the principal source of private sector match funding.

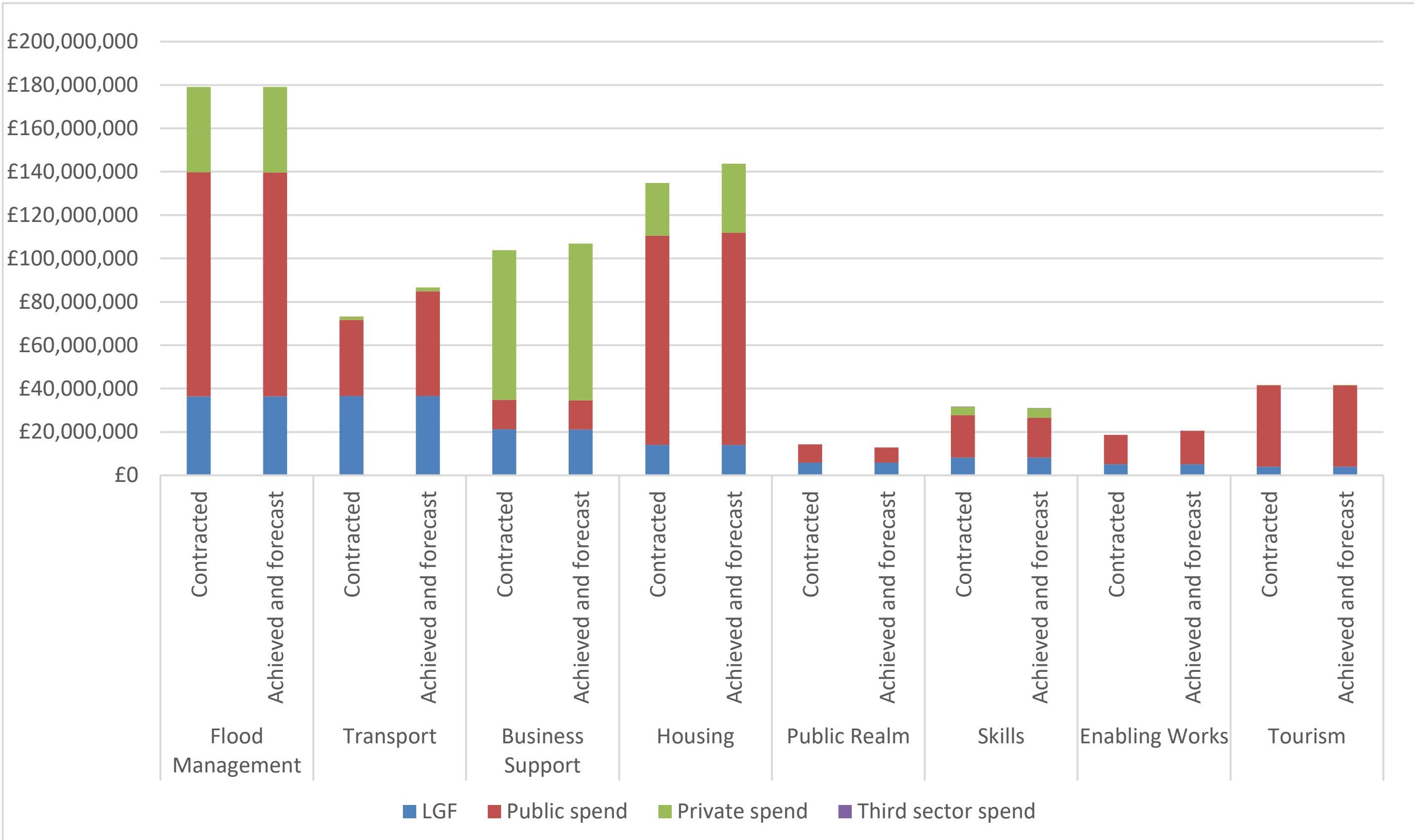
Table 4.1: LGF expenditure

Theme	LGF contracted	Achieved	% achieved	Forecast	Achieved and forecast	% achieved and forecast
Flood Management	£36,455,000	£36,454,980	100.0%	£0	£36,454,980	100.0%
Transport	£36,512,810	£36,512,810	100.0%	£0	£36,512,810	100.0%
Business Support	£21,267,705	£20,788,644	97.7%	£400,000	£21,188,644	99.6%
Housing	£14,000,000	£14,000,000	100.0%	£0	£14,000,000	100.0%
Public Realm	£5,881,395	£5,881,395	100.0%	£0	£5,881,395	100.0%
Skills	£8,230,065	£8,230,065	100.0%	£0	£8,230,065	100.0%
Enabling Works	£5,100,000	£5,100,000	100.0%	£0	£5,100,000	100.0%
Tourism	£4,012,000	£4,012,000	100.0%	£0	£4,012,000	100.0%
Total across themes	**£131,458,975**	**£130,979,894**	**99.6%**	**£400,000**	**£131,379,894**	**99.9%**
Programme Management	*£230,703*	*£250,000*	*108.4%*	*£0*	*£250,000*	*108.4%*
Grand total	**£131,689,678**	**£131,229,893**	**99.7%**	**£400,000**	**£131,629,893**	**100.0%**

Table 4.2: Total expenditure (LGF and match)

Theme	LGF & Match contracted	Achieved	% achieved to date	Forecast	Achieved and forecast	% achieved and forecast
Flood Management	£179,137,173	£149,301,454	83.3%	£29,803,337	£179,104,791	100.0%
Transport	£73,213,336	£74,437,616	101.7%	£12,160,514	£86,598,130	118.3%
Business Support	£103,857,280	£103,774,247	99.9%	£3,054,482	£106,828,729	102.9%
Housing	£134,887,850	£115,449,985	85.6%	£28,286,556	£143,736,541	106.6%
Public Realm	£14,244,395	£12,845,133	90.2%	£28,647	£12,873,780	90.4%
Skills	£31,581,595	£24,023,812	76.1%	£6,930,573	£30,954,385	98.0%
Enabling Works	£18,707,954	£19,531,324	104.4%	£961,903	£20,493,227	109.5%
Tourism	£41,545,684	£41,538,203	100.0%	£0	£41,538,203	100.0%
Total	**£597,175,267**	**£540,901,774**	**90.6%**	**£81,226,012**	**£622,127,786**	**104.2%**
Programme Management	*£230,703*	*£250,000*	*108.4%*	*£0*	*£250,000*	*108.4%*
Grand total	**£597,405,970**	**£541,151,774**	**90.6%**	**£81,226,012**	**£622,377,786**	**104.2%**

Figure 4.1: Total spend by funding source for LGF themes, £



4.1.2 GBF

Table 4.3 overleaf sets out the contracted and achieved/forecast GBF expenditure by Q2 2021/22. The data shows that 56.6% of the GBF funding awarded to HEY LEP had been spent, with the Business Support theme having at that stage expended a higher proportion of its GBF funding than the Infrastructure projects. The remaining GBF funding is forecast to be spent by end of Q4 21/22, in line with DLUHC requirements.

In terms of total expenditure, Table 4.4 overleaf shows that the Business Support theme had also achieved a higher proportion of its contracted total expenditure (GBF and matched funding) by Q2 2021/22 than the Infrastructure theme. In particular, only £2.3 million has been spent by that stage on the Delivering Housing Growth project out of a contracted £167.8 million which includes £163 million private sector spend on the delivery of the housing in Hull. Similarly, the Hull & East Yorkshire Cycle Route Delivery Programme - Phase 1 had spent only 18.7% of its forecast total with all expenditure on the project to that date coming from the GBF and additional public sector expenditure to follow.

The very substantial level of private sector leverage forecast to be delivered from the housing growth project is illustrated in Figure 4.2 overleaf.

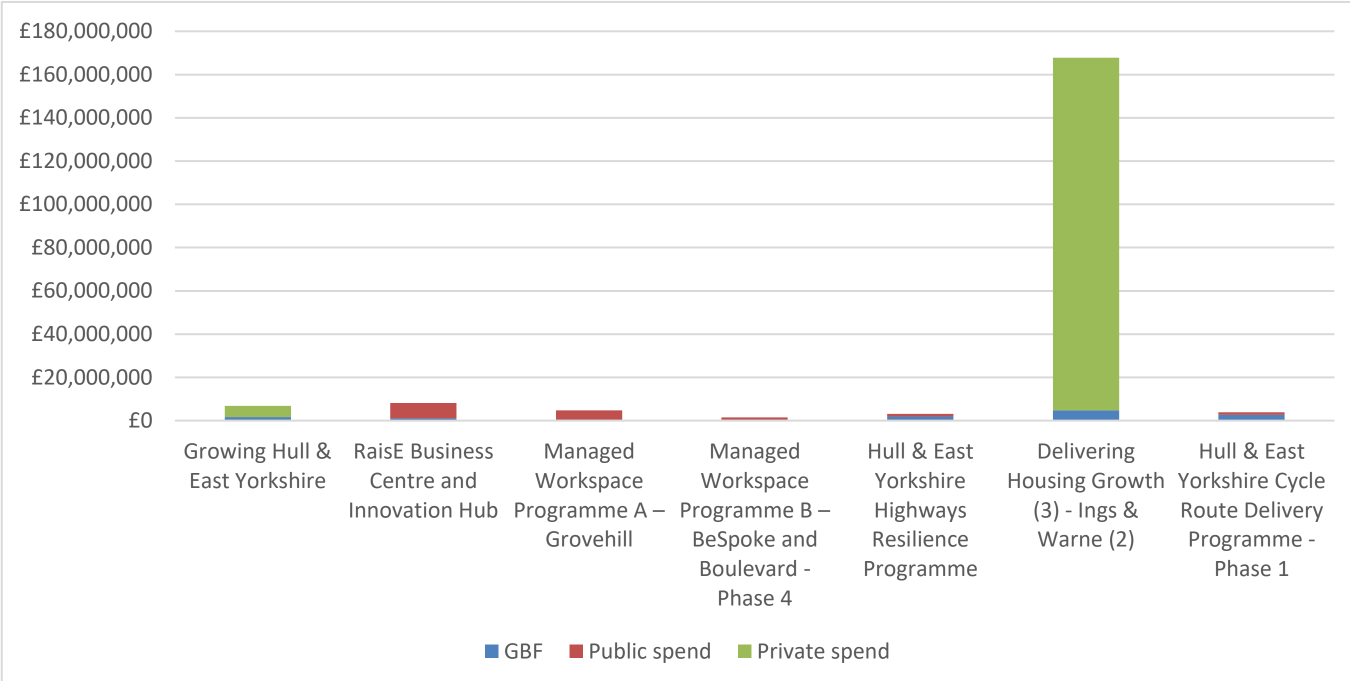
Table 4.3: GBF expenditure

Project	GBF contracted	Achieved	% achieved	Forecast	Achieved and forecast	% achieved and forecast
Business support:						
Growing Hull & East Yorkshire	£1,700,000	£553,439	32.6%	£1,146,561	£1,700,000	100.0%
RaisE Business Centre and Innovation Hub	£1,000,000	£1,000,000	100.0%	£0	£1,000,000	100.0%
Managed Workspace Programme A – Grovehill	£500,000	£500,000	100.0%	£0	£500,000	100.0%
Managed Workspace Programme B – BeSpoke and Boulevard - Phase 4	£500,000	£500,000	100.0%	£0	£500,000	100.0%
Business support sub-total	**£3,700,000**	**£2,553,439**	**69.0%**	**£1,146,561**	**£3,700,000**	**100.0%**
Infrastructure:						
Hull & East Yorkshire Highways Resilience Programme	£2,000,000	£2,000,000	100.0%	£0	£2,000,000	100.0%
Delivering Housing Growth (3) - Ings & Wawne (2)	£4,800,000	£2,265,635	47.2%	£2,534,365	£4,800,000	100.0%
Hull & East Yorkshire Cycle Route Delivery Programme - Phase 1	£2,700,000	£712,847	26.4%	£1,987,153	£2,700,000	100.0%
Infrastructure sub-total	**£9,500,000**	**£4,978,482**	**52.4%**	**£4,521,518**	**£9,500,000**	**100.0%**
Total	**£13,200,000**	**£7,531,921**	**57.1%**	**£5,668,079**	**£13,200,000**	**100.0%**
Programme Management	*£200,000*	*£57,320*	*28.7%*	*£142,680*	*£200,000*	*100.0%*
Grand total	**£13,400,000**	**£7,589,241**	**56.6%**	**£5,810,759**	**£13,400,000**	**100%**

Table 4.4: Total expenditure (GBF and match)

Project	GBF and match contracted	Achieved	% achieved	Forecast	Achieved and forecast	% achieved and forecast
Business support:						
Growing Hull & East Yorkshire	£6,800,000	£3,748,724	55.1%	£3,051,276	£6,800,000	100.0%
RaisE Business Centre and Innovation Hub	£8,091,013	£3,069,453	37.9%	£5,021,560	£8,091,013	100.0%
Managed Workspace Programme A – Grovehill	£4,800,000	£2,825,165	58.9%	£1,974,835	£4,800,000	100.0%
Managed Workspace Programme B – BeSpoke and Boulevard - Phase 4	£1,446,000	£500,000	34.6%	£946,000	£1,446,000	100.0%
Business support sub-total	**£21,137,013**	**£10,143,342**	**48.0%**	**£10,993,671**	**£21,137,013**	**100.0%**
Infrastructure:						
Hull & East Yorkshire Highways Resilience Programme	£3,080,000	£2,788,112	90.5%	£291,888	£3,080,000	100.0%
Delivering Housing Growth (3) - Ings & Wawne (2)	£167,800,000	£2,265,635	1.4%	£165,534,365	£167,800,000	100.0%
Hull & East Yorkshire Cycle Route Delivery Programme - Phase 1	£3,806,000	£712,847	18.7%	£3,093,153	£3,806,000	100.0%
Infrastructure sub-total	**£174,686,000**	**£5,766,594**	**3.3%**	**£168,919,406**	**£174,686,000**	**100.0%**
Total	**£195,823,013**	**£15,909,937**	**8.1%**	**£179,913,077**	**£195,823,013**	**100.0%**
Programme Management	*£200,000*	*£57,320*	*28.7%*	*£142,680*	*£200,000*	*100.0%*
Grand total	**£196,023,013**	**£15,967,257**	**8.1%**	**£180,055,757**	**£196,023,013**	**100%**

Figure 4.2: Total spend forecast by funding source for GBF projects, £



4.2 Programme levels outputs and outcomes

4.2.1 Introduction

This section presents the outputs and outcomes for the LGF and GBF programmes. Outputs achieved are presented alongside those forecast to be achieved and the programme's contracted outputs. Some LGF and GBF outputs are expected to be achieved beyond 2025 given the scale and nature of the interventions. For example, the development of new homes after infrastructure has been provided will take many years to complete, whilst grant support to businesses can often have a much more immediate impact. This is reflected in the proportion of contracted outputs achieved figure included within the tables.

4.2.2 LGF

(i) Jobs

Table 4.5 sets out the progress made to Q2 2021/22 and forecast in terms of new and safeguarded jobs and apprenticeships. Overall, the contracted targets for all outputs are forecast to be exceeded, with the safeguarded jobs figure almost 50% above the contracted figure by Q2 2021/22.

Table 4.5: Progress towards contracted jobs outputs (Q2 2021/22)

Output	Contracted	Achieved	Achieved as % of contracted	Forecast	Total achieved and forecast	Achieved and forecast as % of contracted
New jobs	7,087	2,824	40%	4,696	7,520	106%
Safeguarded jobs	3,538	5,251	148%	25	5,276	149%
Apprenticeships	977	690	71%	339	1,029	105%

In terms of the new jobs created, the Growing the Humber projects have performed strongly with both achieving more jobs than initially contracted. However, the large number of forecast new jobs still to be created is mainly due to the Lincolnshire Lakes project which has 3,388 new jobs forecast to be created beyond 2025, following delivery of a forecast 40,000sqm of new commercial floorspace to accommodate this employment. No commercial floorspace has been created to date. The flood risk reduction work to 328ha of land has been completed however it is estimated that a further £30million of public sector funding will be needed to support transport infrastructure to enable development of the six new villages and local centres envisaged in the project proposal. There is a risk that this additional public spending will not come forward in the timeframe or quantity required to deliver the original project job outputs. Given that the project accounts for 50% of all new jobs this could significantly reduce the estimated value for money of the project and the programme as a whole.

The number of safeguarded jobs achieved exceeds the contracted number of jobs largely due to the CATCH energy offshore project (contracted for 350 but achieved 1,179) and Albert Dock Flood

Defences project (which was not contracted to safeguard any jobs but achieved 850). The vast majority of jobs were safeguarded early on in programme.

The largest number of apprenticeships have been created by the HETA project (182), whilst the Engineering Future Growth project is forecast to create 224 apprenticeships but had not delivered any before Q2 2021/22. The Institute of Technology centre created by the project opened in November 2021 which will allow for the delivery of apprenticeships and learner outputs at the centre to begin.

(ii) Housing

The progress made in achieving the contracted housing outputs is set out in Table 4.6. The forecast outputs are expected to be in line with the contracted figure but by Q2 2021/22 only 18% of the contracted new housing units completed and no new homes with improved broadband had been delivered.

Table 4.6: Progress towards contracted housing outputs (Q2 2021/22)

Output	Contracted	Achieved	Achieved as % of contracted	Forecast	Total achieved and forecast	Achieved and forecast as % of contracted
Housing units completed	9,076	1,665	18%	7,629	9,294	102%
Empty dwellings brought back into use	270	270	100%	-	270	100%
Number of homes with improved broadband	550	-	0%	550	550	100%
Housing units complete that will be rented at affordable rent	1,260	662	53%	598	1,260	100%

The largest number of housing units delivered to Q2 2021/22 came from the Delivering Housing Growth in Hull (1) and (2) projects with a combined 1,368 units completed. The Delivering Housing Growth in Hull (1) project finished in 2019/20 and delivered all housing units completed and empty dwellings brought back into use whilst Delivering Housing Growth in Hull (2) is due to deliver all outputs by the end of 2028/2029.

New housing units, particularly when they are part of a large programme, often take a long time to materialise as there are a number of initial works needed before construction of the new units can begin such as de-risking sites, construction of transport and infrastructure links and provision of utilities to the site. Also worth noting is that of the 9,076 housing units contracted, 6,148 are due to be delivered as part of the Lincolnshire Lakes scheme. To date the scheme has delivered 71 housing units. Planning permission has been granted for 2,500 homes however as noted above substantial infrastructure works are needed to enable the homes to be delivered putting at risk the delivery of the remaining 6,077 contracted homes. Of the 7,411 remaining contracted outputs to be delivered the Lincolnshire Lakes projects accounts for 83%. Homes England purchased the land when the private sector development partner got into financial difficulties, which does increase the likelihood of some housing coming forward. However, it will significantly increase the public sector cost of the homes which would impact the BCR.

The number of homes with improved broadband outputs are contracted and forecast to be delivered by the Brough Relief Road – Phase 3 project only. However as noted above as of Q2 2021/22 no properties had been improved. The new road will unlock additional land, by creating access, which will then be used to bring forward new residential units which will have improved broadband relative to existing connectivity in Brough.

The affordable rent housing units completed to date have been achieved by the Delivering Housing Growth in Hull projects with the remaining affordable units forecast to be delivered by the Delivering Housing Growth in Hull (2) and Lincolnshire Lakes projects.

(iii) Transport

Table 4.7 presents the progress made towards achieving the contracted transport outputs by Q2 2021/22. Two of the contracted outputs have already been achieved, with an additional two forecast to be achieved. The short-fall in terms of resurfaced footway is explained below.

Table 4.7: Progress towards contracted transport outputs

Output (km)	Contracted	Achieved	Achieved as % of contracted	Forecast	Total achieved and forecast	Achieved and forecast as % of contracted
Resurfaced roads	24.1	21.7	90%	3	24.7	102%
New roads	5.4	3.3	61%	3	6.3	117%
New cycle ways completed and open for public use	4.7	8.3	178%	2	10.3	219%
Resurfaced footway	3.2	0.8	25%	-	0.8	25%
Resurfaced shared use cycle / footway	3.9	4.0	101%	-	4.0	101%

In terms of the kilometres of resurfaced roads due to LGF funding, the most achieved so far has been delivered by the South Humber Gateway project (9.52 km) which has resurfaced a larger area than originally contracted. The remaining 3.4 km of resurfaced roads are forecast to be delivered by the Stoneferry Road project. The largest contributor to the new roads output has been the Delivering Housing Growth in Hull (2) project with 2.5 km of new roads created, exceeding the project's contracted length, which will then enable housing development across the sites. The remaining new roads are all forecast to be constructed by the end of 2022/23.

The proportion of new cycle ways achieved by Q2 2021/22 exceeded the contracted target as a number of projects delivered longer, new cycle ways than planned. For example, an additional 2.6 km was delivered under A108 South Humber Bank Improvements project and the Stoneferry

Road project delivered 1.5 km of new cycle ways which were not originally contracted. Similarly, the proportion exceeds 100% for the resurfaced shared use cycle / footway output as an additional 0.051 km was delivered as part of A180 project. The majority of resurfaced shared use cycle/footways were achieved by the Stoneferry Road project (3 km).

The length of resurfaced footway delivered is significantly below the contracted length with only 25% of targeted outputs achieved and none forecast to be delivered. This shortfall is due to the lack of resurfaced footway delivered by the A180 South Humber Bank Highway Improvements project which resurfaced only 0.5 km of footway out of the contracted 3.2 km, and instead created additional new cycleways linked to important employment sites in Grimsby.

2 already achieved

4 will be achieved

1 won't be achieved (25%)

(iv) Skills

The achieved and forecast skills outputs compared with those contracted are summarised in Table 4.8. The contracted outputs are forecast to be met or exceeded for the majority of outputs, with only two below 100%, but both are forecast to exceed 90% of their targets.

Table 4.8: Progress towards contracted skills outputs

Output	Contracted	Achieved	Achieved as % of contracted	Forecast	Total achieved and forecast	Achieved and forecast as % of contracted
Completed new build training / learning floorspace (m^2)	4,071	5,474	134%	-	5,474	134%
Completed new refurbished training / learning floorspace (m^2)	12,104	12,104	100%	-	12,104	100%
Level 1 Qualifications	8,022	4,081	51%	4,835	8,916	111%
Level 2 Qualifications	10,954	6,446	59%	6,459	12,905	118%
Level 3 Qualifications	3,350	2,839	85%	1,201	4,040	121%
Level 4 Qualifications	640	578	90%	229	807	126%
Level 5+ Qualifications	1,883	409	22%	1,277	1,686	90%
16-18 Intermediate Apprenticeships	510	47	9%	462	509	100%

16-18 Advanced Apprenticeships	1,260	465	37%	825	1,290	102%
16-18 Higher Apprenticeships	184	26	14%	158	184	100%
19+ Adult Intermediate Apprenticeships	150	8	5%	165	173	115%
19+ Adult Advanced Apprenticeships	50	2	4%	35	37	74%
19+ Adult Higher Apprenticeships	55	34	62%	20	54	98%
Traineeships	290	139	48%	202	341	118%
Other Learners Supported	4,177	5,100	122%	1,241	6,341	152%

The new build and refurbished floorspace for training/learning has been delivered with no further outputs forecast. For the completed new build training/learning floorspace, the proportion of floorspace delivered exceeds 100% due to an additional 1,403 m^2 of floorspace delivered at the Humber Construction Hub which was not initially contracted.

Across the different levels of qualifications (Level 1 to Level 5+) progress in achieving the contracted output targets varies with just 22% of Level 5+ qualifications contracted achieved, compared to 90% of Level 4 qualifications. The Level 1 qualifications forecast are due to be delivered by the Modal - Environment and Logistics Learning Hub – project with output delivery continuing beyond 2025 as training continues at the hub. The rate of Level 5+ qualifications achieved as a proportion of those contracted is expected to increase with most Level 5+ qualifications forecast to be delivered at the Modal hub. However, the total number of Level 5+ qualifications is expected to be below the contracted total due to the Humber Health Care Academy at the Grimsby Institute delivering only 72 out of 270 Level 5+ qualifications contracted.

In relation to apprenticeships, the proportion of contracted outputs achieved is generally below the levels for the other skills outputs. In particular, only 9% of contracted 16-18 Intermediate Apprenticeships have been achieved, of which the largest project in terms of number of intermediate Apprenticeships is the Constructing Future Growth project (348 contracted) with most of these outputs forecast to occur after 2025 as construction apprenticeships are delivered with a focus on Modern Methods of Construction (MMC). Similarly, the low proportion of contracted 19+ Adult Intermediate Apprenticeships achieved is due to the fact that the Modal hub is forecast to deliver the remaining 165 apprenticeships from 2022/23 onwards.

For the traineeships and other learners supported outputs, a large number of learners are expected to benefit beyond 2025 due to nature of training projects with most traineeships created by the Humberside Engineering Training Association (HETA) project and the largest number of other learners being supported due to the CATCH project (National Skills Centre for Process and Renewable Industries) and the Humber Construction Hub.

(v) Land and property

Table 4.9 presents the progress made to date and forecast in relation to land and property outputs. All outputs are forecast to exceed or meet their targets (or be very close to 100% completion). However, to date only one of the outputs has been met – commercial properties with access to improved broadband.

Table 4.9: Progress towards contracted land and property outputs

Output	Contracted	Achieved	Achieved as % of contracted	Forecast	Total achieved and forecast	Achieved and forecast as % of contracted
Area of land reclaimed / redeveloped or assembled (Ha)	781	669	86%	115	784	100%
Commercial floorspace created (m^2)	101,686	8,168	8%	92,931	101,099	99%
Commercial floorspace refurbished (m^2)	13,093	4,390	34%	11,093	15,483	118%
Commercial floorspace occupied (m^2)	32,215	3,887	12%	28,394	32,281	100%
Commercial properties with access to improved broadband	2	10	500%	-	10	500%

The largest remaining area of land forecast to be reclaimed/redeveloped or assembled is 85 hectares as part of the Brough Relief Road - Phase 3 project, with work on the site commencing once the link road is completed. The proportion of 'commercial floorspace created' that has been achieved of the 101,686sqm contracted is 8%. This relatively low figure is due in part to the Lincolnshire Lakes project which is forecast to deliver 40,000 sqm of commercial floorspace (40% of the total contracted). To date the Lakes project has not delivered any new commercial floorspace. As noted above given the need for further public sector expenditure to bring forward the site there is a risk that a sizeable portion of the remaining contracted outputs will not be delivered in full.

The proportion of commercial floorspace refurbished delivered compared to those contracted is also low as an additional 9,293 m^2 is forecast to be delivered by the Humber High Street Challenge grant funding project which is expected to be delivered by Q3 2021/22. The commercial floorspace occupied outputs achieved rate is low as the 17,243 m^2 available to be occupied at the Brough Relief Road – Phase 3 project is yet to be created. The commercial properties with access to improved broadband outputs have all been achieved and exceed the contracted amount due to an additional 8 commercial properties at Danish Buildings/ Bayles House project with improved broadband following the renovation of the buildings and creation of new managed workspace units and business incubation space.

(vi) Flood risk

The progress made in achieving the contracted flood management outputs is set out in Table 4.10. As of Q2 2021/22, all the outputs were over half-way towards their targets, with three outputs forecast to achieve their target once the projects are fully delivered.

Table 4.10: Progress towards contracted flood management outputs

Output	Contracted	Achieved	Achieved as % of contracted	Forecast	Total achieved and forecast	Achieved and forecast as % of contracted
Area of land with reduced flood risk (Ha)	11,228	6,770	60%	1,800	8,570	76%
Number of domestic properties with reduced flood risk	33,377	26,431	79%	6,947	33,378	100%
Number of commercial units with reduced flood risk	268	152	57%	116	268	100%
Commercial floorspace with reduced flood risk (m^2)	1,280,988	1,250,678	98%	40,000	1,290,678	101%

The area of land with reduced flood risk outputs have been achieved by all projects except RHICS – Holderness Drain FAS which is forecast to only deliver 1,800 hectares (40%) out of the 4,458 hectares contracted. This is due to changes to the design of the scheme, with LGF monies used to purchase a site at Castlehill to provide space for a flood storage area. The Hull & Holderness Flood Defence project has protected the most domestic properties with reduced flood risk (7,150).

The largest remaining number of domestic properties forecast to be protected are from the Lincolnshire Lakes scheme as the remaining domestic properties have not yet been constructed at the new villages which will be created following the reduced flood risk to the site which was supported by LGF funding. The low proportion of outputs achieved out of those contracted for commercial units with reduced flood risk is due to RHICS – Holderness Drain FAS project which has not yet delivered its outputs (forecast in 2022/23). The remaining 40,000 m^2 of commercial floorspace with reduced flood risk is forecast to delivered by the Lincolnshire Lakes project, once the commercial units are constructed.

(vii) Business and enterprise

The achieved and forecast business and enterprise outputs compared with those contracted are summarised in Table 4.11. Both outputs have already supported their target number of businesses to support, with the number of enterprises receiving grant support supporting nearly double its target.

Table 4.11: Progress towards contracted business and enterprise outputs

Output	Contracted	Achieved	Achieved as % of contracted	Forecast	Total achieved and forecast	Achieved and forecast as % of contracted
Number of enterprises receiving grant support	35	63	180%	1	64	183%
Number of enterprises receiving non-financial support	3	3	100%	-	3	100%

The number of enterprises receiving grant support exceeds the total number contracted as the Repurposing the Old Town project in Hull supported 49 enterprises in the Trinity Market area instead of the 20 originally contracted. The non-financial support outputs for enterprises have all been achieved with one enterprise supported for each project - Normanby Park, Danish Buildings / Bayles House, and Stallingborough Advanced Engineering Manufacturing Unit.

4.2.3 GBF

The proportion of contracted outputs achieved to date for the GBF projects are generally lower than for the LGF programme as the LGF operated over a longer time period and was almost complete, whilst the GBF programme has not had as long for project delivery (see Table 4.12).

Table 4.12: Progress towards contracted GBF outputs						
Output	**Contracted**	**Achieved**	**Achieved as % of contracted**	**Forecast**	**Total achieved and forecast**	**Achieved and forecast as % of contracted**
Employment						
Direct Jobs Created	386.0	40.5	10%	345.5	386.0	100%
Jobs Safeguarded	31.0	47.0	152%	0.0	47.0	152%
New Apprenticeships	52.0	3.5	7%	49.5	53	102%
Housing						
Houses unlocked	1,160	-	0%	1,160	1,160	100%
Commercial Land & Property						
Commercial Space Unlocked (m^2)	7,963	3,614	45%	5,570	9,184	115%
Business & Enterprise						
Businesses Assisted	57	41	72%	30	71	125%
Transport						
Roads/Cycle Lanes/Walkways Unlocked (km)	20	8	43%	11	19	95%
Public Realm Works						
Public Realm/Green Space Created (Ha)	13	-	0%	13	13	100%

In terms of employment outputs, the GBF projects are forecast to meet or exceed the contracted levels once projects are complete. The 40.5 direct jobs created so far have been achieved by the Growing Hull & East Yorkshire project with the largest number forecast to be created by the RaisE Business Centre and Innovation Hub (Rail Accelerator and Innovation Solutions hub for Enterprise). The number of safeguarded jobs achieved exceeds the contracted number as the Growing Hull & East Yorkshire capital grants project safeguarded 27 jobs instead of the 11 originally contracted. The Delivering Housing Growth (3) - Ings & Wawne (2) project is forecast to create 49 additional apprenticeships, making it the largest project for apprenticeship outputs, with the apprenticeships forecast to be delivered when the housing units are being constructed.

Delivering Housing Growth - Ings & Wawne is expected to deliver all 1,160 houses with delivery not expected to begin until 2023/24 following implementation of the necessary up-front infrastructure including Spine Roads and drainage. The commercial space unlocked by the GBF projects is forecast to be delivered across the four Business Support projects, of which the RaisE Business Centre will unlock the most commercial space (3,200 m^2). When the forecast and achieved numbers of businesses assisted are combined, the number of businesses supported will exceed the contracted level which is due to the Growing Hull & East Yorkshire scheme providing grants to 41 businesses, exceeding the 27 contracted.

Transport outputs have been delivered by the Hull & East Yorkshire Highways Resilience Programme and the Hull & East Yorkshire Cycle Route Delivery Programme - Phase 1 project which is forecast to deliver the remaining 11.15 km of new routes by the end of 2023/24. The public realm and green space output is forecast to be created as part of the Delivering Housing Growth (3) - Ings & Wawne (2) project, with delivery of these outputs forecast to occur in the long-term beyond 2025 once the initial infrastructure is complete and delivery of the residential units commences.

4.2.4 Summary

As highlighted by this section, the LGF and GBF programmes are making reasonable progress on delivery of the outputs, with the majority of projects forecast to achieve (or exceed) contracted outputs once project delivery is complete. The proportion of contracted outputs achieved by Q2 2021/22 by the LGF programme is higher due to the different timescales of the funding programmes.

To date, the LGF programme has met or exceeded 10 of its 38 output targets, but still has a considerable way to go to meet the remaining targets. In particular, only 18% of housing units targeted have been completed and only 8% of targeted new commercial floorspace has been created. By the end of delivery, it is expected that 32 LGF output targets will be met or exceeded, with 35 outputs delivered at least 90% of the targeted level. The remaining 3 outputs are forecast not to reach 90% delivered, as discussed in the section above.

For the LGF programme, the outputs which are the furthest from achieving the contracted number are those relating to commercial floorspace, residential units, and educational outputs – all of which take a long-time to deliver. Whilst some projects have delivered all outputs, others have more outputs outstanding, such as the Lincolnshire Lakes project and the Brough Relief Road – Phase 3.

The HEY LEP GBF programme has so far delivered above its target in relation to 1 of its 8 outputs – jobs safeguarded. The programme is forecast to deliver 7 out of its 8 outputs to 100% of the target or higher, with the remaining output reaching 95% of the contracted level once project delivery is complete. Of particular note, is the jobs safeguarded output which had delivered 148% of contracted outputs by Q2 2021/22 (i.e. performed above the contracted level), due to the Growing Hull & East Yorkshire capital grants project. Whilst the Delivering Housing Growth (3) – Ings and Wawne (2) has not yet started delivery of the housing units or public realm, the GBF funding has allowed Hull City Council to commence essential enabling works in the two estates, working alongside private-sector developers.

5 Value for money

5.1 Introduction

This section considers the value for money of LGF and GBF projects and programmes. It does this using two approaches – the first based on the cost per unit output (or unit cost) method, which was the basis upon which the majority of the LGF projects were assessed, and the second using a social CBA, which is the approach now used for similar programmes.

Typically, the benefits considered in the unit cost approach were the gross or net additional outputs (and in some cases outcomes) of the project, such as the number of jobs or housing units. The CBA includes a much broader range of benefits, such as wellbeing and health benefits. How the approach to assessing value for money has changed in discussed in Section 5.2. Section 5.3 then presents an analysis the units cost based value for money of the programmes. Section 5.4 sets out a high level assessment of value for money using Benefit Cost Ratios (BCRs) from CBA models constructed for each LGF project. In Section 5.5, the BCRs identified for the GBF at appraisal are reviewed. The final sub-section considers the Strategic Added Value of the programmes.

5.2 Value for money – how the approach to assessment has changed

The approach to assessing value for money is now based on a social CBA approach, where the additional monetised economic costs and benefits of an intervention at the national level are compared in terms of BCRs and Net Present Social Value (NPSV). In addition, the non-monetised costs and benefits are also considered in order to provide an overall judgement on value for money. This approach was used to assess the GBF project but varies from the cost per net additional unit analyses that were used to appraise many of the LGF projects, as set out above.

The (now) DLUHC Appraisal Guide (2016) states that schemes should be appraised on the basis of a BCR reflecting the private benefit associated with the change in land use (i.e. land value uplift or LVU) and the external benefits (and costs) of the scheme, compared to the net public sector cost. It generally categorises a BCR of between 1.0 and 2.0 as ‘acceptable’ and over 2.0 as ‘high’ - although it is worth noting that a threshold BCR of 2.0 has been applied to the assessment of funding bids in the past. Other Government departments, and in particular the Department for Transport (DfT) which sets out its approach to project appraisal in its Transport Appraisal Guide (TAG), have traditionally used this type of CBA approach. For GBF, a CBA model was used to assess the proposed projects.

However in areas such as HEY LEP, where there are relatively low residential land values and small differences between these and relatively high industrial land values, the land value uplift alone is unlikely in many cases to be sufficient to lead to a BCR that can justify the public funding which is often required to enable development schemes to progress. Consequently, it is important that the full set of benefits of an intervention are valued including for example, wellbeing, travel time/cost and health benefits. There are various techniques to monetise such benefits, although it is essential that monitoring arrangements are established to capture the relevant data if these are to be included within an evaluation.

In calculating an interventions BCR, several adjustments need to be made to the costs and benefits. These include expressing costs (and benefits) in constant prices by removing general inflation and assessing the net additional impact after allowing for deadweight (the counterfactual scenario), displacement, leakage and multiplier effects, where relevant. In addition, all costs and benefits with different time spans should be discounted so that they can be compared on a common "present value" basis. The public sector discount rate adjusts for social time preference, defined as the value society attaches to present, as opposed to future, consumption. The HM Treasury Green Book discount rate, known as the Social Time Preference Rate (STPR), for use in UK government appraisal is set at 3.5% in real terms.

A separate workshop and presentation were provided as part of the evaluation to detail the approach to establishing value for money at a local level using a CBA approach.

5.3 Value for money – unit costs

5.3.1 LGF

Programme impact and value for money are usually assessed once all outputs and outcomes have been delivered. As this remains a number of years away, estimates have been made for the Humber LEP LGF programme assuming that in the majority of cases the outstanding forecast outputs and outcomes will be delivered in line with the forecast profile, and using standard gross to net additionality adjustments (deadweight, displacement, leakage and the multiplier), adapted to the specific circumstance of the programmes.

The management information recorded already takes account of deadweight – i.e. a business moving into the new workspace with ten employees, five of whom were previously employed at another location, is recorded as creating five jobs in the programme records. Converting these job totals from gross to net has therefore involved applying adjustments for displacement, leakage and the multiplier effect[9]. Gross and net costs per housing unit have also been estimated for forecast LGF expenditure only and LGF and public sector expenditure, with adjustment for displacement[10].

(i) Cost per job

Table 5.1 sets out the estimated gross and net LGF cost per job created. These vary between £7,930 per net additional job for skills to £85,610 per net additional job for transport projects. Such variation is to be expected depending upon whether jobs are a direct output of the intervention or not.

[9] The gross to net jobs adjustments applied are therefore: skills projects 118%; business support projects 84% additionality; all other projects 70% additionality

[10] The gross to net housing unit adjustment applied is 70% additionality based on DLUHC guidance

Table 5.1: Cost per job analysis, LGF only					
Theme	**LGF spend (forecast total)**	**Gross number of jobs created (forecast)**	**Net number of jobs created (forecast)**	**Cost per gross job created**	**Cost per net job created**
Flood Management	£36,454,980	4,203	2,944	£8,674	£12,385
Transport	£36,512,810	609	427	£59,955	£85,610
Business Support	£21,188,644	1,681	1,416	£12,605	£14,966
Housing	£14,000,000	0	0	£0	£0
Public Realm	£5,881,395	100	70	£58,814	£83,980
Skills	£8,230,065	881	1,038	£9,345	£7,927
Enabling Works	£5,100,000	0	0	£0	£0
Tourism	£4,012,000	47	33	£86,280	£123,198
Total (inc. Programme management)	**£131,629,893**	**7,520**	**5,927**	**£17,504**	**£22,210**
Total (excluding costs of housing, enabling works and programme management)	£112,279,894	7,520	£5,927	£14,930	£18,945

Table 5.2 sets out the total public sector cost per gross and net additional job. Here the range is from £24,400 for business support projects upwards.

Table 5.2: Cost per job analysis, LGF and public sector spend					
Theme	**LGF and public sector spend (forecast total)**	**Gross number of jobs created (forecast)**	**Net number of jobs created (forecast)**	**Cost per gross job created**	**Cost per net job created**
Flood Management	£139,685,431	4,203	2,944	£33,235	£47,455
Transport	£84,963,159	609	427	£139,513	£199,209
Business Support	£34,544,768	1,681	1,416	£20,550	£24,400
Housing	£111,893,117	0	0	£0	£0
Public Realm	£12,873,780	100	70	£128,738	£183,823
Skills	£26,547,750	881	1,038	£30,144	£25,570
Enabling Works	£20,493,227	0	0	£0	£0
Tourism	£41,503,203	47	33	£892,542	£1,274,452
Total (inc. Programme management)	**£472,754,436**	**7,520**	**5,927**	**£62,865**	**£79,768**
Total (excluding costs of housing, enabling works and programme management)	£340,118,092	7,520	5,927	£45,227	£57,388

(ii) Cost per housing unit

The cost per net additional housing unit varies between £8,200 - £8,500 for flood management and housing theme project respectively (see Table 5.3). For transport and business support projects the unit cost is much higher as housing outputs are not the primary focus of these.

Table 5.3: Cost per housing unit analysis, LGF only

Theme	LGF spend (forecast total)	Gross number of housing units created (forecast)	Net number of housing units created (forecast)	Cost per gross housing unit	Cost per net housing unit
Flood Management	£36,454,980	6,366	4,456	£5,727	£8,181
Transport	£36,512,810	550	385	£66,387	£94,838
Business Support	£21,188,644	17	12	£1,246,391	£1,780,558
Housing	£14,000,000	2,361	1,653	£5,930	£8,471
Public Realm	£5,881,395	0	0	£0	£0
Skills	£8,230,065	0	0	£0	£0
Enabling Works	£5,100,000	0	0	£0	£0
Tourism	£4,012,000	0	0	£0	£0
Total (inc. Programme management)	**£131,629,893**	**9,294**	**6,506**	**£14,163**	**£20,233**
Total (exc. programme management, public realm, skills, enabling works and tourism)	£108,156,434	9,294	6,506	£11,637	£16,625

Table 5.4 sets out the total public sector cost per gross and net additional housing unit, with the total public sector cost per net additional home rising to £31,300 for flood management projects and £67,700 for housing projects.

Table 5.4: Cost per housing unit analysis, LGF and public sector spend

Theme	Public sector spend (forecast total)	Gross number of housing units created (forecast)	Net number of housing units created (forecast)	Cost per gross housing unit	Cost per net housing unit
Flood Management	£139,685,431	6,366	4,456	£21,942	£31,346
Transport	£84,963,159	550	385	£154,478	£220,684
Business Support	£34,544,768	17	12	£2,032,045	£2,902,922
Housing	£111,893,117	2,361	1,653	£47,392	£67,703
Public Realm	£12,873,780	0	0	£0	£0
Skills	£26,547,750	0	0	£0	£0
Enabling Works	£20,493,227	0	0	£0	£0
Tourism	£41,503,203	0	0	£0	£0
Total (inc. Programme management)	**£472,754,436**	**9,294**	**6,506**	**£50,867**	**£72,667**
Total (exc. programme management, public realm, skills, enabling works and tourism)	£371,086,475	9,294	6,506	£39,928	£57,039

5.3.2 GBF

The cost per unit analysis of the GBF programme has also been calculated at the project and thematic level to estimate, where applicable, cost per job and cost per housing unit. Following the same approach as the LGF, the management information recorded already takes account of deadweight. Converting these job outputs from gross to net has therefore involved applying adjustments for displacement, leakage and the multiplier effect[11] and housing outputs have been adjusted for displacement[12].

(i) Cost per job

Cost per job analysis of the GBF programme has been conducted for the projects which include new jobs outputs and for the programme overall. The infrastructure projects do not create any new jobs directly and have therefore not been included within Table 5.5. The GBF cost per net additional job for the business support projects is some £11,400.

Table 5.5: Cost per job analysis, GBF only

Project	GBF spend (forecast total)	Gross number of jobs created (forecast)	Net number of jobs created (forecast)	Cost per gross job created	Cost per net job created
Business support:					
Growing Hull & East Yorkshire	£1,700,000	97	82	£17,526	£20,809
RaisE Business Centre and Innovation Hub	£1,000,000	173	146	£5,780	£6,863
Managed Workspace Programme A – Grovehill	£500,000	70	59	£7,143	£8,481
Managed Workspace Programme B – BeSpoke and Boulevard - Phase 4	£500,000	46	39	£10,870	£12,906
Business support sub-total	**£3,700,000**	**386**	**325**	**£9,585**	**£11,381**
Total (all projects inc. Programme management)	**£13,400,000**	**386**	**325**	**£34,715**	**£41,218**

Table 5.6 sets out the total public sector cost per gross and net additional job, with the business support theme cost per net additional job being £49,300.

11 The gross to net adjustments applied to the jobs numbers are therefore: business support projects 84% additionality; and infrastructure projects 70% additionality

12 The gross to net housing unit adjustment applied is 70% additionality based on DLUHC guidance

Table 5.6: Cost per job analysis, GBF and public sector funding

Project	Public sector spend (forecast total)	Gross number of jobs created (forecast)	Net number of jobs created (forecast)	Cost per gross job created	Cost per net job created
Business support:					
Growing Hull & East Yorkshire	£1,700,000	97	82	£17,526	£20,809
RaisE Business Centre and Innovation Hub	£8,091,013	173	146	£46,769	£55,530
Managed Workspace Programme A – Grovehill	£4,800,000	70	59	£68,571	£81,416
Managed Workspace Programme B – BeSpoke and Boulevard - Phase 4	£1,446,000	46	39	£31,435	£37,323
Business support sub-total	**£16,037,013**	**386**	**325**	**£41,547**	**£49,329**
Total (all projects inc. Programme management)	**£27,923,013**	**386**	**325**	**£72,339**	**£85,890**

(ii) Cost per housing unit

GBF cost per housing unit analysis of the GBF programme has been conducted for the Infrastructure projects and for the programme overall (see Table 5.7). The business support projects do not create any new homes directly and have therefore not been included within the analysis. The infrastructure GBF cost per net additional home is £11,700.

Table 5.7: Cost per housing unit analysis, GBF only

Project	GBF spend (forecast total)	Gross number of housing units created (forecast)	Net number of housing units created (forecast)	Cost per gross housing unit	Cost per net housing unit created
Infrastructure (transport and housing):					
Hull & East Yorkshire Highways Resilience Programme	£2,000,000	0	0	0	0
Delivering Housing Growth (3) - Ings & Wawne (2)	£4,800,000	1,160	812	£4,138	£5,911
Hull & East Yorkshire Cycle Route Delivery Programme - Phase 1	£2,700,000	0	0	0	0
Infrastructure sub-total	**£9,500,000**	**1,160**	**812**	**£8,190**	**£11,700**
Total (all projects inc. Programme management)	**£13,400,000**	**2,320**	**812**	**£5,776**	**£16,502**

Table 5.8 sets out the total public sector cost per gross and net additional housing unit. Once the total public sector costs are included the cost per net additional home rises to £14,400.

Table 5.8: Cost per housing unit analysis, GBF and public sector funding					
Project	**Public sector spend (forecast total)**	**Gross number of housing units created (forecast)**	**Net number of housing units created (forecast)**	**Cost per gross housing unit**	**Cost per net housing unit created**
Infrastructure (transport and housing):					
Hull & East Yorkshire Highways Resilience Programme	£3,080,000	0	0	0	0
Delivering Housing Growth (3) - Ings & Wawne (2)	£4,800,000	1,160	812	£4,138	£5,911
Hull & East Yorkshire Cycle Route Delivery Programme - Phase 1	£3,806,000	0	0	0	0
Infrastructure sub-total	**£11,686,000**	**1,160**	**812**	**£10,074**	**£14,392**
Total (all projects inc. Programme management)	**£27,923,013**	**2,320**	**812**	**£12,036**	**£34,388**

5.3.3 *Comparison with other programmes*

(i) LGF Evaluations

Each LGF programme is different and responds to the specific economic needs and opportunities of its area. Different LEPs prioritised different types of investment, which will generate outputs and outcomes over different timescales. However, it is useful to benchmark output delivery and value for money against other comparable areas as far as possible to provide some measure of assurance that Humber LEP programme is delivering at least comparable value for money.

A review of published and unpublished LGF evaluation results provides comparators for the Humber LEP LGF programme. Table 5.9 indicates that the Humber LEP programme performed strongly with a high number of projects to deliver relative to its allocation.

Table 5.9: Comparator LGF evaluation results						
LEP Area	**LGF Award (£m)**	**No. of projects**	**LGF cost per job* (£)**	**GVA (£m)**	**LGF cost per new home* (£)**	**Match funding Ratio**
South East Midlands	£265	55	£9,347	656	£3,594	1:1.42
Sheffield City Region	£363	69	£5,690		£5,873	1:2.35
Unpublished (known to AMION)	£78	26	£9,140	367		1:1.02
Humber LEP	**£131**	**53**	**£8,077**	**603**	**£4,076**	**1:3.73**
*based only on projects which deliver jobs/housing/commercial floorspace						

The evaluation results above for the published reviews are based on mid-term evaluation achieved positions and forecast to be achieved. Some projects are unlikely to achieve their forecast positions whilst others may over achieve. The data for the unpublished evaluation is for a final evaluation. The data included within this table for the Humber LGF programme is based on the assumption that all spend is achieved and outputs are delivered as forecast.

The analysis shows that when compared with other LEP LGF programmes published and unpublished evaluation results, the Humber LEP LGF programme performed relatively well. In particular, the Humber LGF programme had a very high match funding ratio which was particularly driven by the forecast £341 million public sector spend on projects, including contribution from the Environment Agency. LGF spend per gross housing unit, when calculated only for projects with housing outputs, was also in line with benchmark values from other LEPs highlighting the positive performance of Humber LEP. LGF cost per gross job, for the projects which directly created new jobs, was also estimated to be below the benchmarks for 2 other LGF programmes.

(ii) Wider research

AMION undertook a benchmarking exercise for the Liverpool City Region (LCR) on public sector cost per unit of output metrics relevant to LEP programmes and various target outputs and outcomes. The analysis drew on PWC research for BEIS, on metrics set out in the Homes and Communities Agency Calculating Cost Per Job Best Practice Note (3rd edition) and other evaluations. AMION adjusted the metrics to reflect that these pieces of research were based on evaluations in 2012 or before and HM Treasury and other central departments expect continuous improvement in value for money from central government supported investments.

Table 5.10: Adjusted total public VfM benchmarks - jobs

Intervention type	Cost per gross job	Cost per net job
Business Growth and Economic Development:		
Bringing land back into use	£24,200	£48,000
R&D and innovation	£15,800 - £24,200	£34,300 - £52,600
General business support	£5,200 - £5,800	£10,800 - £12,300
Skills:		
Supporting development of educational infrastructure	£19,700	£31,300
Transport:		
Transport	£28,000	£56,000

Benchmarks were also prepared for housing interventions with these housing VfM benchmarks focusing on the cost per gross and net additional housing unit, based on the net cost to the public sector (see Table 5.11).

Table 5.11: Adjusted VfM benchmarks – Housing		
Intervention type	**Cost per gross housing unit**	**Cost per net housing unit**
Urban renaissance	£20,000	£27,200
Brownfield	£19,000	£14,200
Housing market	£22,300	£36,600

In comparison with the benchmark values derived for total public sector cost per gross and net job, the LGF business support theme public sector cost per net job was estimated at £24,400 which is within the Business Growth and Economic Development values range, particularly as some of the jobs created will be within the research and innovation sectors, e.g. ERGO business centre project and the general business support benchmark will include revenue funded projects.

The public sector cost per net job for the LGF skills theme (£25,570) is lower than the benchmark for supporting development of educational infrastructure projects.

Public sector cost per net housing unit for the LGF housing theme (£67,700) exceeds the benchmark values, although this is probably to be expected as the projects include expenditure on wider infrastructure and the wider sites in addition to the construction of new housing units.

As noted in section 4, the Lincolnshire Lakes project has faced a number of issues in its delivery and will require additional public sector funding to deliver the contracted and forecast outputs included within this analysis. The total housing units targeted as part of the project represent 68% of LGF programme total, whilst the commercial floorspace created by the project is 39% of the contracted LGF total and the jobs are 51% of the contracted total with only 60 jobs created to date. If these outputs are not brought forward, the public sector cost per net job created for Flood Management increases from £47,455 to £295,490 and public sector cost per net housing unit for Flood Management increases from £31,346 to £690,487. This results in the total public sector cost per net job for the LGF programme overall increasing from £79,768 to £136,798 and the total public sector cost per net housing unit rising from £72,667 to £209,936.

The GBF programme business support total public sector cost per net additional job (£49,300) is in line with the benchmark for bringing land back into use, which reflects commercial development related projects (£48,000). The GBF projects included several workspace, business centre and innovation centre schemes. The total public sector cost per housing unit for the infrastructure GBF projects (£11,700) is significantly lower that the unit cost benchmarks (£14,200 - £36,600).

5.4 Thematic LGF VfM using CBA approach

5.4.1 Approach

As part of the evaluation, AMION has considered the extent to which the LGF programme delivered value for money when assessed using the Green Book-compliant CBA approach. This involved applying a different method of judging value for money than was applied to the LGF projects when they were initially developed and appraised. Given the shift within national Government funding sources to align with HM Treasury guidance when assessing value for money, it is important to understand how LGF-type projects perform on the BCR metric. Detailed results from the CBA modelling are included at Appendix B.

HEY LEP's detailed programme management information has been used to develop a social CBA model which takes the LGF output data and converts it to monetised economic benefits, drawing on both standard benchmarks and modelling approaches, as well as project specific intelligence gathered from the lead officers working on a selection of case study projects. The intelligence from the officers was used to inform the process of transforming the LGF output data so that an estimate of overall economic benefit could be made. It also helped to fill 'gaps' where the restrictions of the LGF indicators meant that monitoring data did not capture the full extent of what projects have delivered.

Although LGF expenditure has concluded, the delivery of the outputs arising from the funded projects will continue for a number of years while there will also be delays before some benefits become apparent. due to the long term nature of the capital programmes supported. Outputs are forecast to 2025 and beyond.

The assessment of value for money is therefore being undertaken before all expected benefits have been achieved. Focussing only on the outputs achieved to date would give an unbalanced picture of value for money (with a proportion of total benefits being compared to total costs). The assessment therefore uses the most recent benefits forecasts to assess the value for money of expected overall delivery. In the vast majority of cases, output delivery is on track and no concerns have been identified with regard to the achievement of contracted outputs. For a small number of projects, expected outputs have been reduced, or extended over a longer time period.

DLHUC considers both 'initial' and 'adjusted' BCRs, with the 'initial' BCR based on benefits for which DLUHC considers there is a strong evidence base as to how they can be monetised, and the 'adjusted' BCR including benefits where the estimation method is less formalised. The evaluation has considered both initial and adjusted BCRs for each theme, and has also applied a distributional weighting. This is in line with Green Book guidance given overall income levels within the former Humber LEP area, but has been shown separately in each case as it is not always accepted by funders (for example, Homes England).

Table 5.12 shows the categories of benefits included in each BCR.

Table 5.12: Benefit categories by BCR type	
Initial BCR	• Land Value Uplift • Placemaking / wider LVU • Transport benefits (including active mode) • Public realm amenity • Productivity – skills uplift • Productivity - wage premium • Labour Supply benefits • Changed flood risk
Adjusted BCR	As above, plus: • Wellbeing - Residents into employment • Health benefits of affordable housing • Wellbeing – reduced fear of crime • Broadband
Adjusted including distributional benefits	As above, plus: • Distributional weighting applied to all benefit categories excluding transport

The following sections summarise the BCR results by project theme. It should be noted that there are three themes for which it has not been possible to convert the LGF outputs into a robust BCR estimate. These are tourism, enabling works, and transport.

5.4.2 Housing Theme

£14m of LGF was allocated towards two major housing projects with a combined total cost of £135m. Most of the match-funding was from other public sector sources.

The key LGF output is new housing units completed. Supporting outputs include construction jobs and apprenticeships. There are also outputs relating to land re-developed, new and re-surfaced roads and the provision of affordable rented properties.

The projects funded under the housing theme are long-term in nature with completions forecast to continue to 2025 and beyond. To date, 18% of the contracted number of housing units has been completed, along with 53% of housing units for affordable rent. This is in line with expectations.

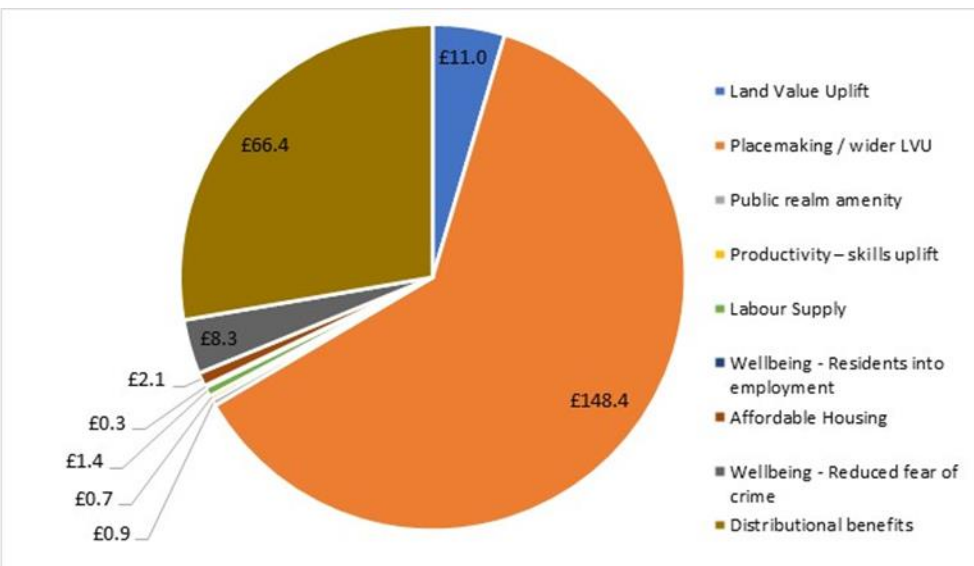
The initial and adjusted BCRs represent 'medium' value for money based on the DfT value for money categories[13] that were used for the recent Round 2 LUF funding. Including distributional benefits takes the VfM category to 'high' (see Table 5.13).

[13] DfT Standard BCR categories: very high – BCR greater than or equal to 4; High – BCR between 2 and 4; BCR between 1.5 and 2; Low – BCR between 1 and 1.5; Poor – BCR between 0 and 1; and BCR less than or equal to 0.

Table 5.13: Evaluation Summary Table – Housing Theme	
Present value of benefits:	
Initial	£162.5m
Adjusted	£173.2m
Adjusted including distributional benefits	£239.6m
Present value of public sector costs, £m	£89.1m
Value for Money indicators	
Net present social value, £m	£150.5m
Initial BCR	1.8
Adjusted BCR	1.9
Adjusted inc. distributional benefits BCR	2.7
Significant non-monetised impacts	• Creating confidence and stimulating wider investment • Ensuring greater diversity of high quality housing • Retaining existing residents and workforce within Hull; reducing outward migration • Social value delivered through construction contracts

Given the low land values in Hull, direct land value uplift makes up a relatively small proportion of overall monetised benefits, The wider land value uplift benefit, in contrast, is very significant. The distributional benefits of the housing theme are also significant, given the focus of activity within Hull, which has low levels of income compared to the national average (see Figure 5.1).

Figure 5.1: Monetised economic benefits by category, housing theme



5.4.3 *Flood management theme*

There were nine Flood Management schemes which together accounted for the largest share of LGF funding - £36.1m or 28%. The overall cost is anticipated to be in the region of £179m with the majority of match-funding coming from public sector sources. The LGF funding was seen by consultees as crucial in enabling the flood management projects to progress at this stage. The CBA analysis of the flood management projects is based on the standard model developed for the LGF programme and does not use the DEFRA/Environment Agency CBA model. The latter may well result in a higher BCR for these projects based on the results of its application to the flood management related GBF projects.

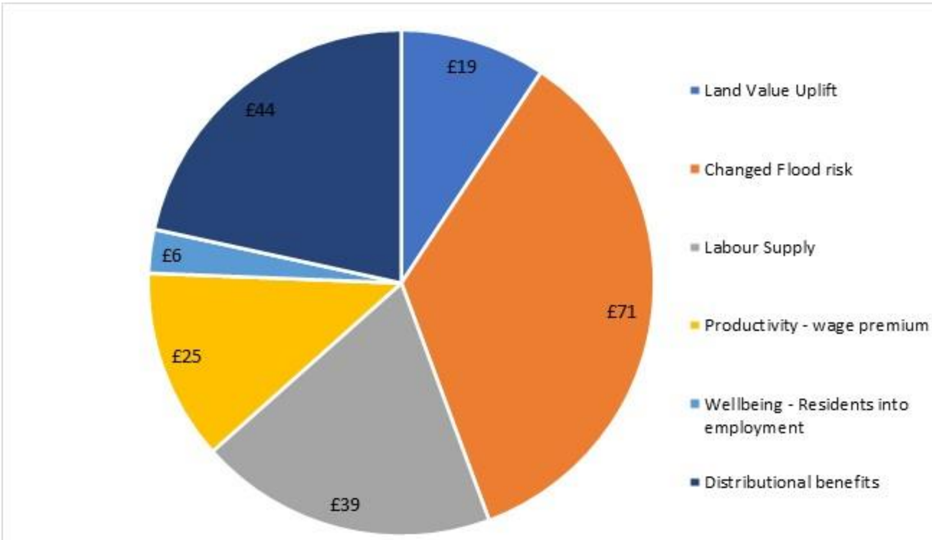
The key LGF outputs from flood management projects include the number of domestic properties, commercial units / floorspace area of land with reduced flood risk. A number of projects also identified jobs created and safeguarded as significant outputs. This included the major Lincolnshire Lakes project, which because of the challenges in delivery was excluded from the CBA modelling.

The initial, adjusted and adjusted including distributional benefits BCRs all represent 'medium' value for money (see Table 5.14).

Table 5.14: Evaluation Summary Table – Flood Management	
Present value of benefits:	
Initial	£157.8m
Adjusted	£158.1m
Adjusted including distributional benefits	£186.5m
Present value of public sector costs, £m	£108.1m
Value for Money indicators	
Net present social value, £m	£78.4
Initial BCR	1.5
Adjusted BCR	1.5
Adjusted inc. distributional benefits BCR	1.7
Significant non-monetised impacts	• Levering significant external funding into the Humber • Creating confidence and preventing outward migration Social value delivered through construction contracts

The key output in terms of monetised economic benefits (see Figure 5.2) is 'changed flood risk' which reflects the cost savings arising from residential and non-residential properties being at less risk of being affected by flooding. Other monetised benefits arise from the new housing and employment facilitated by the schemes and are reflected in land value uplift, labour supply, productivity and residents securing employment.

Figure 5.2: Monetised economic benefits by category, flood management theme



5.4.4 Skills Theme

The ten LGF- supported Skills projects accounted for £8.2m (6%) of Humber LEP's LGF funding – around 6% of the total. The overall contracted value of LGF-funded skills projects is around £32m.

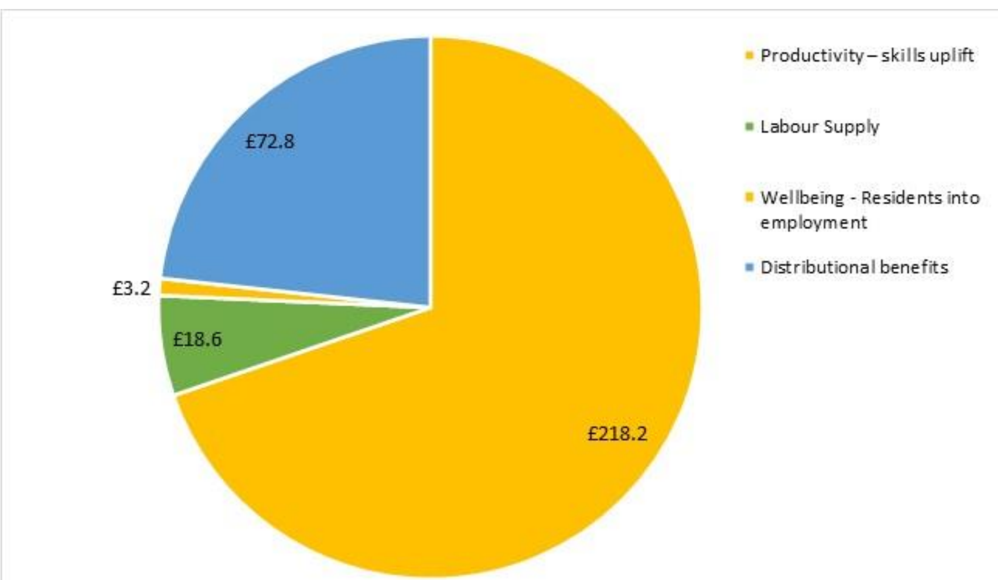
The key LGF outputs from the skills projects include the amount of new / refurbished education or learning floorspace, and the number of qualifications delivered, by level and type. Other outputs include the jobs created within the skills establishment and the construction sector. All the contracted floorspace has been delivered, but the qualifications outputs will be delivered on an on-going basis and have been forecast to 2025 and beyond.

The initial, adjusted and 'adjusted including distributional' BCRs all represent 'high' value for money (see Table 5.15).

Table 5.15: Evaluation Summary Table – Skills Theme	
Present value of benefits:	
Initial	£236.8m
Adjusted	£240.0m
Adjusted including distributional benefits	£312.8m
Present value of public sector costs, £m	£115.9m
Value for Money indicators	
Net present social value, £m	£196.9
Initial BCR	2.0
Adjusted BCR	2.1
Adjusted inc. distributional benefits BCR	2.7
Significant non-monetised impacts	• Raising the profile of Humber in relation to specific sector skills provision • Supporting efforts to attract inward investment in high value manufacturing and offshore through providing a talent pipeline • Raising aspirations amongst the future workforce

The key output influencing the monetised economic benefits is the number of qualifications by type and level which feed into the 'productivity – skills uplift' benefit (see Figure 5.3). This converts the additional wages earned by people with higher levels of qualifications into an estimate of GVA uplift. The other main monetised benefit is in terms of labour supply and arises from the increased employment involved with the delivery of the additional training, and the jobs created, in for example construction, as a result of the more skilled workforce available locally

Figure 5.3: Monetised economic benefits by category, skills theme



5.4.5 *Public realm theme*

£5.8m LGF was allocated to four public realm projects, with total investment including match-funding of around £14m.

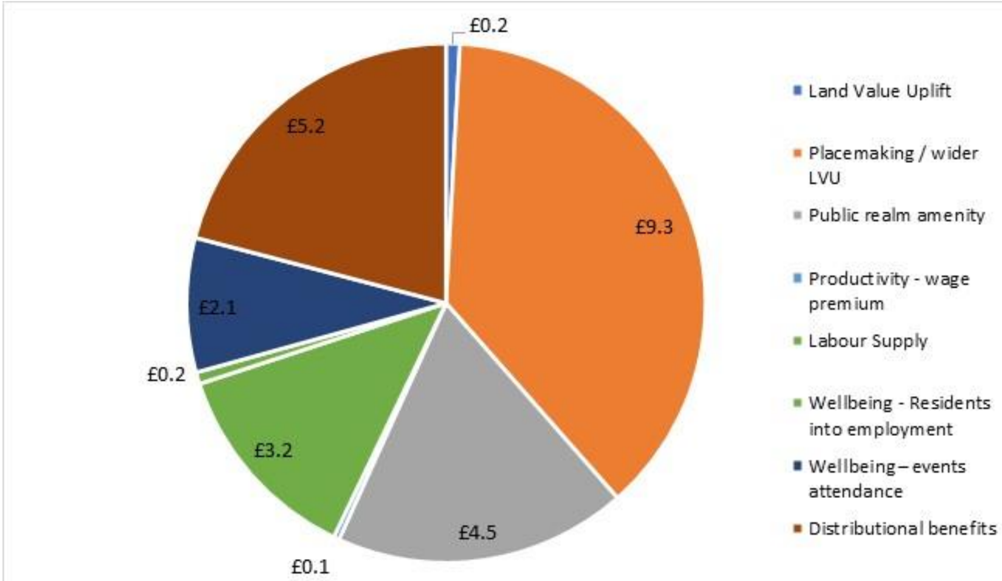
The projects funded under this theme were contracted to deliver commercial floorspace outputs, as well as the consequential job outcomes. This reliance on follow-on investment has resulted in some challenges in delivering the contracted outputs. Although the LGF monitoring data does not record information on area of public realm improved, or number of people attending events, these have been sourced from consultees and fed into the BCR model

The initial BCR represents 'low' value for money and adjusted BCR and adjusted including distributional impacts as shown in Table 5.16 represent 'medium' value for money.

Table 5.16: Evaluation Summary Table – Public Realm Theme	
Present value of benefits:	
Initial	£17.3m
Adjusted	£19.5m
Adjusted including distributional benefits	£24.7m
Present value of public sector costs, £m	£12.9m
Value for Money indicators	
Net present social value, £m	£11.83
Initial BCR	1.3
Adjusted BCR	1.5
Adjusted inc. distributional benefits BCR	1.9
Significant non-monetised impacts	• Improve the environment of town centres • Diversify the high street • Encourage private sector investment

The most important monetised benefit (see Figure 5.4) is 'wider land value uplift' reflecting the impact on property values in the areas surrounding the improved public realm. The other key monetised benefit is in terms of increased amenity value. In addition labour supply, wage premium and wellbeing benefits are identified.

Figure 5.4: Monetised economic benefits by category, public realm theme



5.4.6 Business Support Theme

Over £20m of LGF (some 15% of the total) was allocated to nine 'business support' projects focussing on capital grants for business and support for new and refurbished business premises. This was expected to be matched against some £80m (including private sector match for the grants).

Key LGF outputs include new jobs created and the number of businesses receiving grant support as well as commercial floorspace. Progress against targets has been good.

The initial and adjusted BCRs represent 'low' value for money. Adding the distributional weighting alters this assessment to 'medium'. However, there is considerable variation between projects.

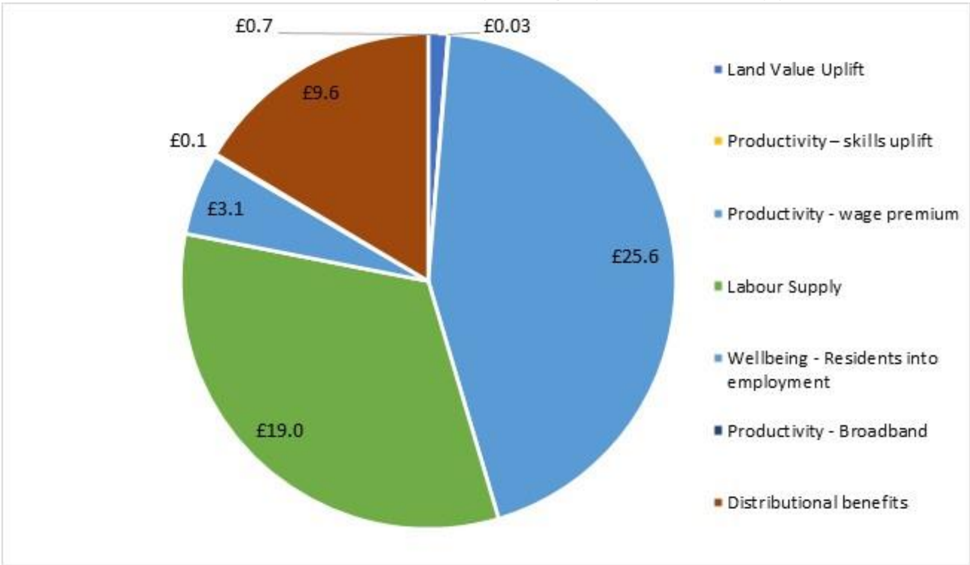
Table 5.17: Evaluation Summary Table – Business Support Theme	
Present value of benefits:	
Initial	£45.4m
Adjusted	£48.7m
Adjusted including distributional benefits	£58.2m
Present value of public sector costs, £m	£34.5m
Value for Money indicators	
Net present social value, £m	£23.66
Initial BCR	1.3
Adjusted BCR	1.4
Adjusted inc. distributional benefits BCR	1.7
Significant non-monetised impacts	• Accommodation for new start and growing firms • Increase demand for business premises.

	• Stimulate private sector investment in growth activities.

From the 'new jobs created' output, the key monetized benefit categories include labour supply, wage premium and wellbeing benefits from residents not currently in work moving into employment.

There are also much smaller benefits arising from land value uplift where new premises have been constructed; increased productivity through broadband connectivity; and increased productivity through enhanced skills through one business support project.

Figure 5.5: Monetised economic benefits by category, Business Support theme



Source: AMION Modelling

5.4.7 *Conclusions*

Across the LGF themes, the estimated BCRs are all above 1:1 indicating that the benefits exceed the costs (see Table 5.14). Based on the DfT value for money categories, the adjusted BCRs (excluding distributional benefits) are either low (business support), medium (flood management[14], public realm and housing), or high (skills). The programme overall (where BCRs have been calculated) has medium value for money based on its adjusted BCR (1.8).

Table 5.18: LGF BCRs by Theme

Theme	Initial BCR	Adjusted BCR	Adjusted inc. Distributional benefits
Housing	1.8	1.9	2.7
Flood management	1.5	1.5	1.7
Skills	2.0	2.1	2.7
Public realm	1.3	1.5	1.9
Business support	1.3	1.4	1.7

[14] Note: this excludes the major Lincolnshire Lakes project

Total (where BCRs available)	1.7	1.8	2.3

Previously programmes have been judged against the standard requirement for a BCR of 2.0:1, and on this basis it appears therefore that the former Humber LEP LGF programme does not perform strongly on value for money. However, more recently programmes such as LUF Round 2 have required a minimum BCR of 1:1 – reflecting a broader basis than just BCRs for judging value for money. Moreover, this is not a criticism of the projects, which have largely delivered the outputs expected of them (and contractually agreed with the LEP).

In part, the relatively low BCRs reflect the known challenges of demonstrating value for money in a social CBA in a location where land values and wage levels are low. It also, however, reflects the fact that the LGF projects were designed to deliver LGF outputs, rather than monetised economic benefits, in circumstances that pre-date subsequent guidance. In other words LGF projects were not designed to maximise the value of monetised economic and social benefits, but to deliver specific jobs, housing and infrastructure objectives. In addition there are a number of areas where the projects have delivered benefits which are not currently being captured in the monitoring information and which are therefore difficult to include in the economic modelling work. Future projects, which can be designed with monetised economic benefits built in rather than added on, would and should be expected to deliver higher BCRs.

5.5 GBF VfM using CBA approach

The GBF appraisals which were undertaken in 2020 were based on CBA models – the majority of which used the Humber LEP GBF model. The results of these BCR analyses based on the business cases and Independent Technical Evaluation are summaried in Table 5.19.

Table 5.19: GBF BCRs based on business cases/Independent Technical Evaluation

Project	Adjusted BCR - GBF only	Adjusted BCR - total public	BCR Category - DLUHC	BCR Category - DfT
Growing Hull and East Yorkshire	1.0	1.0	Acceptable	Low
RaisE Business Centre and Innovation Hub	8.93	1.15	Acceptable	Low
Hull and East Yorkshire Highways Resilience	7.42	4.39	Good	Very High
Delivering Housing Growth - Ings and Wawne	14.58	14.58	Good	Very High
Hull and East Yorkshire Cycle Route	1.95	1.3	Acceptable	Low
Managed Workspace Programme - Grovehill	15.46	1.5	Acceptable	Medium
Managed Workspace Programme - BeSpoke and Boulevard	4.44	1.5	Acceptable	Medium

The BCR ratios at appraisal varied between 1 and 14.58. Three of the projects were categorised as low value for money based on the BCRs, two medium and two as very high. However, in relation to the Delivering Housing Growth project this included Gross Value Added (GVA), which would not normally be included in current CBA analyses in the way that it was. Section 4.1.2 shows that the GBF and match funding expenditure are both expected to be in line with forecasts. Section 4.2.3 indicates that GBF projects are also forecast to meet or exceed all of the contracted output levels (except roads, cycleways and footpaths and even that is expected to be 95% of the contracted level) once projects are complete. Consequently, all other things being equal, the BCRs would be expected to be broadly in the same as those in Table 5.19 using the same CBA modelling approach.

AMION also undertook CBA modelling of the GBF projects using the same model structure as that applied to LGF using the forecast GBF outputs as at Q2 2021/22. The modelling included a broader mix of benefits and updated approaches compared with the GBF appraisal but resulted in similar BCRs, albeit in a number of cases lower. For example, in relation to the Delivering Housing Growth project the total public adjusted BCR (excluding distributional impacts) was estimated to be 6.9.

The overall GBF programme BCR is estimated to be 2.5 using the original CBA analyses except in the case of the Delivering Housing Growth Ings and Wawne project. This represents high value for money.

5.6 LGF and GBF VfM

Table 5.20 sets out the estimated adjusted BCRs for the LGF and GBF programmes once all projects are completed. Overall, the LGF has a BCR of 1.77 and the GBF a BCR of 2.53, with the combined BCR being 1.83.

Table 5.20: LGF and GBF forecast adjusted BCRs

	Benefit Cost Ratio (BCR)
LGF	1.77
GBF	2.53
Total (LGF and GBF)	1.83

As noted above, the LGF programme represents 'medium' value for money and the GBF programme 'high' value for money based on the forecast BCRs. The higher GBF BCR is due in particular to two projects (Delivering Housing Growth – Ings and Wawne and the Hull and East Yorkshire Highways Resilience projects), which have 'very high' value for money. The combined programmes are forecast to provide 'medium' value for money.

Both programmes are also forecast to have a substantial impact on GVA in the local economy. Table 5.21 summarises the forecast gross and net additional GVA per annum once all projects are completed.

Table 5.21: LGF and GBF forecast GVA per annum (based on Experian data)

	Gross	Net Additional
LGF	£816.1m	£657.9m
GBF	£42.1m	£32.0m
Total (LGF and GBF)	£858.2m	£689.9m

5.7 Strategic Added Value

The evaluation shows the LGF and GBF funding were largely targeted at the LEP strategic priorities of Transport, Flood Management, Housing and Skills and geographically focused on the Estuary, key locations and themes set out in the LEP SEP reflecting the fact that the Humber and wider area has a diverse mix of industrial, urban, rural and coastal areas which have distinctive infrastructural requirements. This demonstrates the importance of funding decisions being driven by an organisation with the ability to articulate and respond to local strategic priorities rather than a national organisation with a separate set of objectives and priorities and their own bespoke funding rules, for example Homes England, Department for Transport and the Environment Agency.

Whilst there were clear programmes/thematic approaches there were limited actual links between projects within the individual LGF or GBF programmes. Rather than the scale of the project linkages being the important factor in assessing the level of strategic added value it is the LEPs approach in establishing key programme themes and locations that should be the key focus. Establishing the thematic approach and thereby creating a momentum and driver around which to engage and involve all relevant local and national stakeholders as part of a thematic network enabled the LEP to draw in and draw on wider expertise and thereby influence the scale and nature of activity. The scale of the match funding in total and for some specific themes and projects is clear evidence of the significant achievement of the LEP. This is only possible given the LEP's significant understanding of local needs and opportunities and strong relationships with stakeholders. It is clear that relationships with local and national stakeholders strengthened during the development and delivery of the LGF, continued to grow and enabled the GBF to be delivered in what was a challenging time and timescale between 2020 and 2022.

Creating a critical mass of projects as part of a thematic programme in addition to attracting expertise and funding can bring further benefits. Having a clear focus with funding to drive change sends strong messages that the area will be improved for those living, visiting and working in an area. This in itself can change perceptions and the image of an area and create investor confidence, even ahead of actual changes. All of which works to enhance the direct social and economic benefit that individual projects deliver.

Those projects within programmes that were linked had the added benefit that the LEP was able to consider projects as part of a package and therefore did not require each individual project to pass an equally high threshold test. Rather a project could also be considered in terms of how it generated synergies in terms of benefits with other projects and, therefore, generated additional benefits over and above its direct benefits.

A key assessment of value for money is the degree to which the LEP used the LGF and GBF to enable projects to go ahead that otherwise would not have, or done so a number of years later or delivered in a way that increased benefits or reduced costs. It is clear that the funding was used to accelerate the delivery of some projects. Crucially however, they enabled important local projects to proceed by making what would normally have been considered unviable projects deliverable, often as noted above attracting substantial match funding from the public and private sector.

Through its ongoing work with local stakeholders, businesses and others, the LEP had knowledge of project pipelines that enabled it to galvanise project sponsors and delivery partners around projects which were reasonably well-developed and just needed additional funding to progress.

The process evaluation carried out in 2020 reported 'there is consensus amongst stakeholders, board members and promoters that at the programme level, LGF was well managed by the Humber LEP in terms of administration and reporting'. This updated evaluation including the extended management of LGF delivery and the management of GBF also found that stakeholders considered the programme well managed and particularly noted and welcomed 'the LEP's flexible and supportive approach during project delivery'. Project leads also commented that they were able to use their scarce resources more effectively to develop successful projects knowing the LEPs thematic priorities and how they fitted within a wider strategic framework. This compared favourably to responding to national competitions with criteria that were not always so reflective of local need.

6 Conclusions and lessons learned

6.1 Conclusions

6.1.1 Strong strategic alignment

The socio economic and geographic position of the Humber and Hey LEP areas have presented many challenges to boosting social and economic wellbeing. There has been considerable need but fewer opportunities for private sector led growth to address structural weaknesses. The production of the SEP created a shared understanding of the issues and a consensus on what were the priorities and how they could be addressed.

The evaluation shows the programmes and projects supported by LGF and GBF funding were very closely aligned with the LEP strategic priorities of Transport, Flood Management, Housing and Skills and geographically focused on the Estuary. This demonstrates the importance of funding decisions being driven by an organisation with a significant understanding of local needs and the ability to respond to strategic priorities.

Projects were not generally linked within programmes. Those that were linked had the added benefit that the LEP were able to consider projects as part of a package and how it contributed to the whole rather than as a stand-alone intervention.

6.1.2 High levels of strategic added value

There were significant benefits to the LEP establishing a clear thematic approach to the use of LGF and GBF. It created a momentum and driver around which to engage and involve relevant local and national stakeholders as part of a thematic network. The scale of the match funding in total and for some specific themes and projects is clear evidence of the significant achievement of the LEP. Having a clear focus, with the funding to drive change sends strong messages that the area will be improved for those living, visiting and working in an area. This by itself can help change perceptions and the image of an area and create investor confidence, even ahead of actual changes. All of which works to enhance the direct social and economic benefit that projects deliver.

Relationships with local and national stakeholders that strengthened during the development and delivery of the LGF continued to grow. Through its ongoing work with local stakeholders, businesses and others, the LEP had knowledge of project pipelines that enabled it to galvanise project sponsors and delivery partners around projects which were reasonably well-developed and just needed additional funding to progress. These strong relationships and local knowledge enabled the LEP to respond positively to the opportunity presented by GBF funding and to deliver significant projects in what was a challenging time socially and economically and in a relatively short timescale between 2020 and 2022.

6.1.3 Good programme and project governance aligning with best practice guidance

It is clear that the funding was used to accelerate the delivery of some projects. Crucially however, the LEP used the funding to enable important local projects to proceed by making what would normally have been considered unviable projects, deliverable, often attracting substantial match funding from the public and private sector.

The process evaluation carried out in 2020 reported 'there is consensus amongst stakeholders, board members and promoters that at the programme level, LGF was well managed by the Humber LEP in terms of administration and reporting'. This updated evaluation also found that stakeholders considered the programme well managed and particularly noted and welcomed 'the LEP's flexible and supportive approach during project delivery'.

During the transition phase HEY LEP have continued to closely monitor the delivery of LGF legacy programmes and projects and live GBF funded projects with regular reporting to the appropriate LEP sub committee and Board. This will have contributed to their successful delivery.

Project sponsors commented that they were able to use their scarce resources more effectively to develop successful projects knowing the LEPs thematic priorities and how they fitted within a wider strategic framework. This compared favourably to responding to national competitions with criteria that was not always so acutely reflective of local need.

LGF proposals were appraised using a value for money methodology that reflected guidance at the time of appraisal and therefore largely used cost per unit of output metrics to calculate benefit cost ratios (BCRs). Other, wider benefits were often referred to in appraisal documents but were not routinely quantified or monetised and therefore did not form part of the BCR. This means the true value of some projects will not have been captured.

The value for money of all GBF projects was assessed using a social CBA approach. The LEP developed a bespoke and rigorous model to ensure consistency of approach and this was uniformly used.

6.1.4 High levels of LGF and GBF spend and match funding

All LGF spending targeted to Flood Management, Transport, Housing, Skills, Enabling Works and Tourism themes has been spent by Q2 2020/2021. Business Support had just under 3% left to spend and this was expected to be spent by Q3 2020/2021.

High levels of match fund spend had also been achieved with Transport, Business Support, Enabling Works and Tourism all achieving 100% spend. This match funding represented a significant boost to the local area with the Flood Management projects forecast to attract some £100 million of additional public sector funding and £40 million of private sector funding and Business Support projects have attracted over £70 million of private sector spend. In total match funding achieved to date is over £400 million with a further £80 million forecast.

Over 56% of GBF spending had been achieved by Q2 2020/2021 some three quarters of the way through the fund delivery period. DLUHC in January 2022 recognising the overly challenging timescale for delivery agreed to an extension of the GBF spend period from March 2022 to June 2022. The LEP forecast that all GBF would be spent by June 2022. By September 2021 just over

£8 million of the £180 million contracted match funding had also been achieved. Achieving the total match funding contracted depends significantly on the Delivering Housing Growth project where a substantial proportion of the GBF funding has been spent but the private sector funding has yet to come on stream. There are strong indications that the project will realise the benefits in time with Hull City Council and national housebuilders actively involved in the project.

6.1.5 Output delivery

A wide range of the contracted outputs (33 of the 38) are forecast to be delivered through LGF supported projects. The current forecast is that all but a few of these outputs will be delivered over time. This will include: 7,520 new jobs; 9,294 new housing units of which 1,260 will be affordable; 8.3km of new cycle ways; 16,000 sqm of new /refurbished training space; approximately 25,000 skills qualifications across NVQ level 1-5+; over 100,000 sqm of new commercial floorspace; and 11,228 ha of land with reduced flooding risk contributing to over 33,000 domestic properties and 1.2 million sq m of commercial floorspace having a reduced flood risk.

As at October 2021 the LGF fund had achieved 40% (2,824) of the new jobs contracted, 18% of new housing, 100% of NVQ Level 1-5+, 8% of new commercial floorpsace and 60% of land with reduced flood risk. A significant proportion of the remaining outputs to be delivered are associated with the Lincolnshire Lakes project which has suffered significant setbacks. There is reasonable expectation that at least some of the housing and floorspace and therefore jobs will be delivered but the timing and scale are not certain at this stage given the need for further public sector investment.

There were many fewer GBF projects and with total funding of £13 million compared to £132 million for LGF many fewer outputs. As with LGF, all GBF outputs are forecast to be delivered over time, this will include 386 new jobs, 57 businesses assisted, 1,160 houses unlocked, just under 8,000 sq m of commercial floorspace unlocked and 13ha of public realm created.

As at October 2021 good progress had been made on some projects delivering contracted outputs, particularly those delivering business support (72%) and unlocking commercial floorspace outputs (45%). Much less progress had been made on delivering new jobs (10% of contracted outputs) and housing units unlocked outputs (0%). The realisation of the housing units depends on the successful delivery of the 'Delivering Housing Growth' project which is a £168 million project. There is a strong expectation that the project will deliver significant housing and other benefits over time given the role of Hull City Council and the involvement of national housebuilders.

6.1.6 Value for money

It is not possible to calculate a true value for money for a programme or project until all projects are complete and all expected outputs/outcomes are delivered. Given public sector funding and timescales it is usual to assess Funds on the outputs achieved to date and the expected future outputs.

The value for money of LGF and GBF projects and programmes has been assessed using two approaches – the first based on the cost per unit output (or unit cost) method, which was the basis upon which the majority of the LGF projects were assessed, and the second using a social CBA, which is the approach now used for similar programmes. Typically, the benefits considered in the unit cost approach were the gross or net additional outputs (and in some cases outcomes) of the project, such as the number of jobs or housing units. The CBA includes a much broader range of benefits, such as wellbeing and health benefits.

Cost per unit ratios have been estimated based on the forecast total outputs and expenditure. The unit cost analysis shows that when compared with other LEP LGF programmes published and unpublished evaluation results, the Humber LEP LGF programme performed relatively well. In particular, the Humber LGF programme had a very high match funding (or leverage) ratio which was particularly driven by the forecast £341 million public sector spend on projects, including contribution from the Environment Agency. LGF spend per gross housing unit, when calculated only for projects with housing outputs, was also in line with benchmark values from other LEPs. LGF cost per gross job, for the projects which directly created new jobs, was estimated to be below the benchmarks for two other LGF programmes.

In comparison with the benchmark values derived for total public sector cost per gross and net job from previous evaluations, the forecast LGF business support theme public sector cost per net job was estimated at £24,400 which is within the Business Growth and Economic Development values range (£10,800 - £52,600), particularly as some of the jobs created will be within the research and innovation sectors, (for example the ERGO business centre project) and the general business support benchmark also include revenue funded projects.

The public sector cost per net job for the LGF skills theme (£25,570) is lower than the benchmark for supporting development of educational infrastructure projects (£31,300). However, the public sector cost per net housing unit for the LGF housing theme (£67,700) exceeds the benchmark values, although this is probably to be expected as the projects include expenditure on wider infrastructure and the wider sites in addition to the construction of new housing units.

The GBF programme business support total public sector cost per net additional job (£49,300) is in line with the benchmark for bringing land back into use, which reflects commercial development related projects (£48,000). The GBF projects included several workspace, business centre and innovation centre schemes. The total public sector cost per housing unit for the infrastructure GBF projects (£11,700) is significantly lower that the unit cost benchmarks (£14,200 - £36,600).

As part of the evaluation, a HM Treasury Green Book-compliant CBA model was developed to assess at a high-level the LGF projects by theme. Not all of the project has monitoring data that could be used to run the CBA model. Across the LGF themes, the estimated BCRs are all above 1:1 indicating that the benefits exceed the costs. Based on the DfT value for money categories, the adjusted BCRs (excluding distributional benefits) are either low (business support), medium (flood management[15], public realm and housing), or high (skills). The programme overall (where BCRs have been calculated) has a medium adjusted BCR (1.8).

[15] Note: this excludes the major Lincolnshire Lakes project

Previously programmes have been judged against the standard requirement for a BCR of 2.0, and on this basis it appears therefore that the former Humber LEP LGF programme does not perform strongly on value for money. However, more recently programmes such as LUF Round 2 have required a minimum BCR of 1 – reflecting a broader basis than just BCRs for judging value for money. Moreover, this is not a criticism of the projects, which have largely delivered the outputs expected of them (and contractually agreed with the LEP).

In part, the relatively low BCRs reflect the known challenges of demonstrating value for money in a social CBA in a location where land values and wage levels are low. It also, however, reflects the fact that the LGF projects were designed to deliver LGF outputs, rather than monetised economic benefits, in circumstances that pre-date subsequent guidance. Future projects, which can be designed with monetised economic benefits built in rather than added on, would and should be expected to deliver higher BCRs.

The GBF appraisals which were undertaken in 2020 were based on CBA models – the majority of which used the Humber LEP GBF model. The BCR ratios at appraisal varied between 1 and 14.58. Three of the projects were categorised as low value for money based on the BCRs, two medium and two as very high. However, in relation to the Delivering Housing Growth project this included Gross Value Added (GVA), which would not now normally be included in current CBA analyses in the way that it was. Since the GBF and match funding expenditure are both expected to be in line with forecasts and the GBF projects are also forecast to meet or exceed all of the contracted output levels (except roads, cycleways and footpaths and even that is expected to be 95% of the contracted level) once projects are complete. Consequently, all other things being equal, the BCRs would be expected to be broadly in the same as at appraisal.

AMION also undertook CBA modelling of the GBF projects using the same model structure as that applied to LGF using the forecast GBF outputs as at Q2 2021/22. The modelling included a broader mix of benefits and updated approaches compared with the GBF appraisal but resulted in similar BCRs, albeit in a number of cases lower. For example, in relation to the Delivering Housing Growth project the total public adjusted BCR (excluding distributional impacts) was estimated to be 6.9.

Overall, the LGF has a BCR of 1.77 and the GBF a BCR of 2.53, with the combined BCR being 1.83. The LGF programme represents 'medium' value for money and the GBF programme 'high' value for money based on the forecast BCRs. The higher GBF BCR is due in particular to two projects (Delivering Housing Growth – Ings and Wawne and the Hull and East Yorkshire Highways Resilience projects), which have 'very high' value for money. The combined programmes are forecast to provide 'medium' value for money. However, it is important to note that recent HM Treasury guidance has emphasised that the value for money judgement is not solely based on the BCR.

6.2 Lessons learned for future programmes

The evaluation has identified the following lessons for future programmes:

- **Building on a robust local strategy** – the programmes benefitted from the clear strategic framework provided by the SEP. This enabled local priorities to be identified and provided stakeholders with a clear thematic focus for the projects that were brought forward.

- **Working with local and national partners/stakeholders** – creating successful local partnership working can bring significant additional benefits. However, time needs to be allowed to build these relationships and to develop trust
- **Getting the right projects and right project mix** –
    - Major projects – flagship projects such as Lincolnshire Lakes can be a key component of a Programme. However, they can mean that the programme outputs become dependent upon a small number of interventions. Robust appraisal is required of such projects.
    - Linking projects – where projects can be successfully linked or integrated this can result in additional benefits.
    - Thematic focus – the focus on themes means that there is an emphasis on key local priorities which can ensure that the project mix is appropriate to local needs.
- **Effective programme management** – establishing and implementing effective programme management arrangements is critical to the successful delivery of a programme.
- **Outputs/outcomes and contracting** – output accounting and monitoring provides a very helpful indication of activity and is a valuable management tool. However, in several cases the contracted outputs were indirect, such as the housing units associated with flood management interventions. In these cases, the outputs are outside of the control of the delivery partner.
- **Understanding the timescale for benefit delivery** – for some projects, in particular those involving development, the timescale for delivery of benefits can be over a very long period. Moreover, they can be affected by circumstances outside of the control of the project delivery partners. Again, these require robust appraisal and careful monitoring.
- **Additionality** – it is important that funding is targeted on generating additional outputs and outcomes that are sustainable. Specific consideration must therefore be given to both deadweight (what would happen anyway) and displacement. This is particularly important where funding is used to accelerate projects.
- **Assessing value for money** - it is critical that projects are designed to maximise value for money based on the broad range of benefits that can be included within a social CBA. Analysing this at an early stage can both help to inform the design of projects but also prevent resources being used on projects that may not be funded.
- **Adding value to mainstream providers** – working with national agencies (such as the Environment Agency) and mainstream providers can be important in bringing additional resources to the area resulting in a much greater impact.
- **Creating a strong project pipeline** – there is significant benefit in developing a strategic pipeline of projects. This is particularly the case when many Government programmes are now based on a competitive process. Having well developed proposals will help to ensure that local partners are better placed to secure funding. However, there is a balance to be

struck between the level of resources used to develop projects and the uncertainty associated with future funding programmes.

- **Competitive funding** – whilst openly competitive Government funding has certain merits, there are benefits if this a be set within a supportive, needs-based framework with greater certainty of success. In this way scarce resources are not wasted.

Appendix A – Projects Appraised

1. LGF

Flood management:

- RHICS: Holderness Drain FAS (LGFHUM12a)
- RHICS – Conveyancing Channel Improvements (LGFHUM12b)
- RHICS – Connecting the Waterfront (LGFHUM12c)
- LGFHUM12d: RHICS – Hempholme and Wilfholme Pumping Station Refurbishment (LGFHUM12d)
- Albert Dock Flood Defences (LGFHUM13)
- Lincolnshire Lakes - Flood Risk Strategy (LGFHUM14)

Transport:

- A63 Connecting the City Bridge (LGFHUM01)
- Bridlington Integrated Transport Plan – Phase 2 (LGFHUM17ERYC)
- Stoneferry Road Integrated Transport Project (LGFHUM36Hull)

Public Realm:

- Grimsby Town Centre Infrastructure and Enabling Works (LGFHUM02)
- Grimsby Town Centre Unlocking the Potential (LGFHUM31)

Skills:

- CATCH energy offshore – Skills (LGFHUM05)
- Environmental Logistics Learning Centre (Modal Hub) (LGFHUM07)
- National Skills Centre for Process & Renewable Industries (LGFHUM51)

2. GBF

Infrastructure:

- Delivering Housing Growth in Hull (3) (GBFHEY04)
- Hull and East Yorkshire Cycle Route Delivery Programme (GBFHEY05)

Appendix B – LGF Value For Money Assessment

1 Introduction

Background

This Appendix considers the extent to which the HEY LGF programme delivered value for money when assessed using the Green Book-compliant ‘social cost benefit analysis’ (CBA) approach. It should be emphasised at the outset that this involves applying a different method of judging value for money than was applied to the LGF projects when they were initially developed and appraised. Given the shift within national Government funding sources to align with HM Treasury guidance when assessing value for money, it is important to understand how LGF-type projects perform on the Benefit Cost Ratio (BCR) metric.

This summary report draws on a number of elements of the work undertaken as part of the overall evaluation. HEY LEP’s detailed programme management information has been used to develop a social CBA model which takes the LGF output data and converts it to monetised economic benefits, drawing on both standard benchmarks and modelling approaches, and project specific intelligence gathered from the lead officers working on a selection of case study projects. These projects were subject to a detailed review of the initial application and business case, analysis of monitoring data to assess progress towards the target outputs, and consultations with project leads to understand outputs, outcomes and impacts to date, enabling factors and constraints, and the extent to which LGF delivered additionality over and above what could otherwise have been achieved.

The intelligence from the officers was used to inform the process of transforming the LGF output data so that an estimate of overall economic benefit could be made. It also helped to fill ‘gaps’ where the restrictions of the LGF indicators meant that monitoring data did not capture the full extent of what projects have delivered.

Timing of the Value for Money Assessment

Although LGF expenditure has concluded, the delivery of the outputs arising from the LGF-funded projects will continue for a number of years. Outputs are forecast to 2025 and beyond, and the long-term nature of the capital programmes supported means that some benefits will not arise for a number of years.

The assessment of value for money is, therefore, being undertaken before all expected benefits have been achieved. Focussing only on the outputs achieved to date would give an unbalanced picture of value for money (with a proportion of total benefits being compared to total costs). The assessment therefore uses the most recent benefits forecasts to assess the value for money of expected overall delivery. In the vast majority of cases, output delivery is on track and no concerns have been identified with regard to the achievement of contracted outputs. For a small number of projects, expected outputs have been reduce, or extended over a longer time period.

Benefit Cost Ratios and Value for Money

Although the HM Treasury Green Book provides the framework for estimating Benefit Cost Ratios (BCRs) as part of an overall value for money assessment, each Government department has its own guidance which applies the Green Book approach to its particular focus and priorities. This affects the range of benefits which each is prepared to consider within a BCR. Categories of benefit considered in the social cost benefit analysis of the former Humber LEP LGF programme are shown in Figure A1:

Figure A1: Monetised benefit categories

Social	Economic	Environmental
•Wellbeing benefits - residents into employment •Wellbeing benefits - participation in arts, culture and sport •Transport - accessibility benefits •Transport - active mode benefits •Placemaking - wider land value uplift •Wellbeing - reduced fear of crime •Public realm amenity •Distributional benefits	•Land value uplift •Labour supply •Productivity - wage premium •Productivity - skills uplift •Productivity – broadband	•Transport costs •Changed flood risk •Air quality and greenhouse gases •Environmental cost / cost avoidance •Built / historic environment - heritage benefits •Natural capital / biodiversity

The Department for Levelling Up, Housing and Communities (DLHUC) considers both 'initial' and 'adjusted' BCRs, with the 'initial' BCR based on benefits for which DLUHC considers there is a strong evidence base as to how they can be monetised, and the 'adjusted' BCR including benefits where the estimation method is less formalised. The evaluation has considered both initial and adjusted BCRs for each theme, and has also applied a distributional weighting. This is in line with Green Book guidance given overall income levels within the former Humber LEP area, but has been shown separately in each case as it is not always accepted by funders (particularly Homes England).

Table A1 shows the categories of benefits included in each BCR:

Table A1: Benefit categories by BCR type	
Initial BCR	• Land Value Uplift • Placemaking / wider LVU • Transport benefits (including active mode) • Public realm amenity • Productivity – skills uplift • Productivity - wage premium • Labour Supply benefits • Changed flood risk
Adjusted BCR	As above, plus: • Wellbeing - Residents into employment • Health benefits of affordable housing • Wellbeing – reduced fear of crime • Broadband
Adjusted including distributional benefits	As above, plus: • Distributional weighting applied to all benefit categories excluding transport

2 Housing theme

Background

The LGF programme supported two major housing projects – Delivering Housing Growth 1 and 2, both led by Hull City Council. A total of £14m of LGF was allocated towards the overall theme cost of £135m, with most of the match-funding coming from the public sector.

Funding of the housing theme reflects the priority given to housing in the Strategic Economic Plan (SEP), which in turn reflected the significant housing need (particularly in Hull) which had been identified. Low house prices, together with high enabling and infrastructure costs given ground conditions and flood risk across the city, mean that relying on the market to bring forward the scale of housing development required results in significant under-provision. The consultees highlighted the importance of the LGF funding, as a crucial part of the overall public funding package without which housing development would not take place. However, a prudent approach to additionality has been adopted in the benefit modelling, with a 50% gross to net adjustment applied.

LGF Outputs

The key LGF output delivered by the housing theme is new housing units completed, and supporting outputs include construction jobs and apprenticeships. There are also outputs relating to land re-developed, new and re-surfaced roads and provision of affordable rented properties.

The projects funded under the housing theme are long-term in nature, and the LGF funding was largely used for enabling works to get sites ready for future delivery of new homes. The timescale for the delivery of the housing outputs reflects this, with completions forecast to continue to 2025 and beyond. To date, 18% of the contracted number of housing units has been completed, along with 53% of housing units for affordable rent. This is in line with expectations and there are no significant concerns about the overall delivery of the contracted outputs.

Constructing a Benefit Cost Ratio

Converting the LGF outputs to monetised economic benefits to construct a Benefit Cost Ratio, the key output is the number of properties developed. This affects both the land value uplift, and the wider land value uplift or place-making effects. Given the issue highlighted above regarding low land values in Hull, direct land value uplift makes up a relatively small proportion of overall monetised benefits (a similar scheme in a place with higher land values – and a greater distinction between values for housing and industrial land – would see a much bigger land value uplift benefit). The wider land value uplift benefit, in contrast, is very significant. It is based on a model recently developed for Homes England by AMION. This reflects the size of the impact area, which is determined by the scale of the housing developments supported. Given the large number of housing units being provided, a 0.9% uplift has been applied to residential property values across an area with a radius of 2.5km.

The employment benefits of the LGF investment are recognised through the labour supply, residents into employment and skills uplift benefits (reflecting the increased productivity of those who have / will complete apprenticeships as a result of the housing development). There are also relatively small wellbeing benefits arising from the reduced fear / perception of crime as parts of the city which have suffered from neglect, decline and anti-social behaviour are improved, and health benefits from the provision of affordable housing.

The distributional benefits of the housing theme are significant, given the focus of activity within Hull, which has low levels of income compared to the national average.

'Missing' Benefits

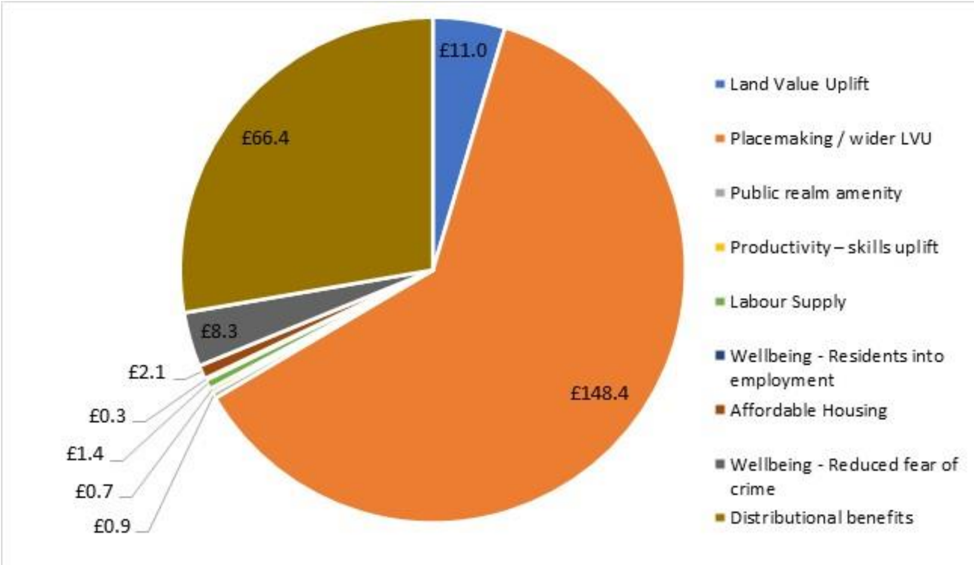
The LGF outputs include new roads / road re-surfacing, and the consultation identified that cycle infrastructure is being built into new developments, as well as improved pedestrian links. However, no information is being captured on the number of additional cyclists / walkers using the enhanced infrastructure, and therefore no active travel benefits can be estimated. There is also no information on potential environmental benefits being delivered through the housing theme, including reduced carbon emissions through more thermally efficient homes.

Value for Money Assessment

The initial and adjusted BCRs represent 'medium' value for money. Including distributional benefits takes the VfM category to 'high'.

Table A2: Evaluation Summary Table – Housing Theme	
Present value of benefits:	
Initial	£162.5m
Adjusted	£173.2m
Adjusted including distributional benefits	£239.6m
Present value of public sector costs, £m	£89.1m
Value for Money indicators	
Net present social value, £m	£150.5m
Initial BCR	1.8
Adjusted BCR	1.9
Adjusted inc. distributional benefits BCR	2.7
Significant non-monetised impacts	• Creating confidence and stimulating wider investment • Ensuring local people have access to greater diversity of high quality housing options • Retaining existing residents and workforce within Hull; reducing outward migration • Social value delivered through construction contracts

Figure A2: Monetised economic benefits by category, Housing theme



Source: AMION Modelling

3 Flood Management Theme

Background

Flood Management schemes accounted for the largest share of LGF funding - £36.1m or 28% of the total. There were nine projects in total, with several split into a number of sub-projects for delivery and monitoring purposes. The overall cost of flood management projects is anticipated to be in the region of £179m, with the majority of match-funding coming from public sector sources (Environment Agency and local authority funding). The exception is the Lincolnshire Lakes project, where significant match-funding is expected to be provided by private developers, although some of this has yet to be secured.

The funding for flood management projects reflects the serious economic impact of flood events in the Humber in the period when the SEP was in development, and a recognition that LGF could be used to lever external funding for flood management into the Humber LEP area, and accelerate the delivery of flood defences crucial to the future of the area's economy. Consultees felt that the LGF funding was crucial in enabling the flood management projects to progress; however, given that most had been identified as priorities at a national level, it is likely that they would have been funded at some point in the future. A 50% gross to net adjustment has therefore been applied.

LGF Outputs

The key LGF outputs from flood management projects include the number of domestic properties with reduced flood risk; the number of commercial units / amount of commercial floorspace with reduced flood risk and area of land with reduced flood risk. A number of projects (particularly those funded in earlier rounds of LGF) also identified significant numbers of jobs created, as a result of commercial development of the land / commercial properties with improved flood protection, and jobs safeguarded, as businesses in flood risk areas were retained in the area following flood defence investment.

Two projects set targets for the delivery of new housing units, with the Lincolnshire Lakes project forecasting over 6,000 new homes. In effect these were indirect outputs of the scheme and, following significant challenges for the original private sector developer, only 1% of the contracted total have so far been delivered.

Constructing a Benefit Cost Ratio

Converting the LGF outputs to monetised economic benefits to construct a BCR, the key output is the number of domestic properties with reduced flood risk and the number of commercial units/amount of commercial floorspace with reduced flood risk. These feed into the 'changed flood risk' benefit, which monetises the cost savings from residential and non-residential properties (and vehicles) being at less risk of being affected by flooding.

Benefits also arise from the new housing and employment facilitated by the LGF flood management schemes, and these are reflected in the land value uplift, labour supply, productivity and residents into employment benefits. The new houses and employment due to be created as a result of the Lincolnshire Lakes flood defence works have been excluded from the benefit estimates. Consultation with the project lead indicated that significant further public sector funding (in addition to the LGF) will be needed (for new roads and junctions, utilities, and sewer / drainage investment) to bring forward the jobs and houses outputs. In the absence of certainty over when and from which sources this will be secured, a prudent approach has been adopted and the forecast jobs and houses benefits excluded.

'Missing' Benefits

A number of the flood schemes have involved the creation of new footpaths, walking routes and public open space; however these have not been recorded in the monitoring information. There is no data on their use, and therefore no active travel benefits can be estimated. With increasing focus on 'wellbeing' within the social CBA approach, it is recognised that the current modelling approach does not fully capture the wellbeing benefits of reducing flood risk.

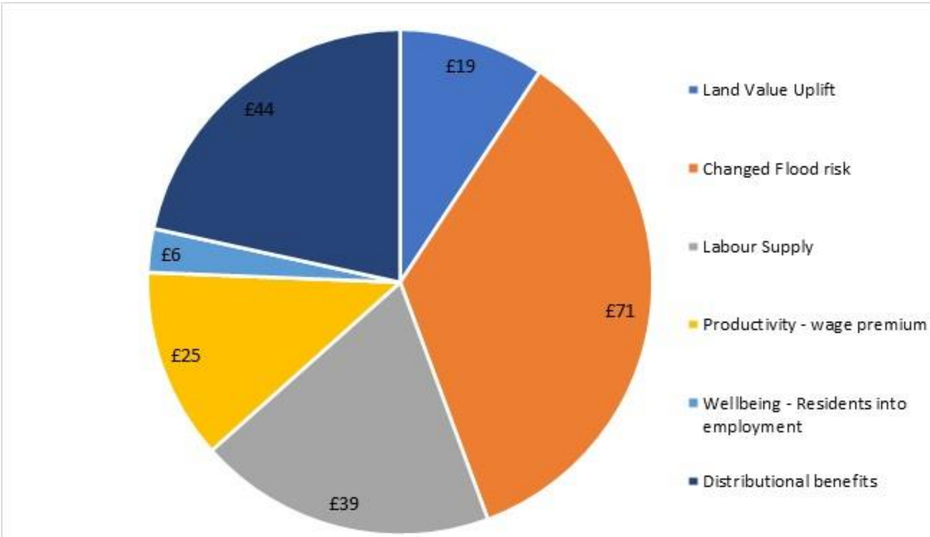
Value for Money Assessment

The initial, adjusted and adjusted including distributional impacts BCRs represent 'medium' value for money.

Table A3: Evaluation Summary Table – Flood Management	
Present value of benefits:	
Initial	£157.8m
Adjusted	£158.1m
Adjusted including distributional benefits	£186.5m
Present value of public sector costs, £m	£108.1m
Value for Money indicators	
Net present social value, £m	£78.4
Initial BCR	1.5
Adjusted BCR	1.5
Adjusted inc. distributional benefits BCR	1.7

Significant non-monetised impacts	• Levering significant external funding into the Humber • Creating confidence in the community and amongst residents – preventing outward migration in response to flood risk • Social value delivered through construction contracts

Figure A3: Monetised economic benefits by category, Flood Management theme



Source: AMION Modelling

4 Skills Theme

Background

Once the LGF was established, skills capital funding was routed through it, and skills projects accounted for £8.2m of Humber LEP's LGF funding – around 6% of the total. There were ten projects in total, brought forward by local authorities, FE Colleges, and training providers. The overall contracted value of LGF-funded skills projects is around £32m. Whilst all the LGF funding has been spent, one project has over £5m of public sector match-funding which remains to be defrayed, and which is profiled for the period between 2022 and 2030.

The SEP highlighted significant skills issues in the Humber, with an above-average proportion of the working population with no qualifications, and relatively low higher skills attainment. With the industrial structure skewed towards low-skilled occupations such as process, plant and machine operatives, caring and leisure, elementary and sales occupations, there was a need to both increase supply of skilled workers and stimulate increased demand for skills from employers.

There was no 'ring-fenced' amount set aside for investment in the education and training infrastructure within LGF. The 30% intervention rate meant that Colleges and other applicants had to find 70% of the total cost of their project. The consultations indicated that this proved challenging even for organisations with a healthy reserves position, and meant that the projects that came forward were clear strategic priorities. Adopting a prudent approach, we have applied a 50% gross to net adjustment, slightly higher than standard benchmarks would suggest.

LGF Outputs

The key LGF outputs from skills projects include the amount of new / refurbished education or learning floorspace, and the number of qualifications delivered, by level and type. Other outputs include the jobs created within the skills establishment as a result of the LGF funding, and the number of construction jobs. All the contracted floorspace has been delivered, but the qualifications outputs will be delivered on an on-going basis and have been forecast to 2025 and beyond. To date, around 85%-90% of the contracted Level 3 and Level 4 qualifications have been delivered, compared to 50%-60% of Level 1 and Level 2 qualifications, and only 22% of Level 5. A smaller proportion of contracted apprenticeships have been delivered to date, with the proportion ranging from 5% of Adult Intermediate Apprenticeships to 62% of Adult Higher Apprenticeships.

Constructing a Benefit Cost Ratio

Converting the LGF outputs to monetised economic benefits to construct a BCR, the key output is the number qualifications by type and level. These feed into the 'productivity – skills uplift' benefit, which converts the additional wages earned by people with different levels of qualifications into an estimate of GVA uplift, i.e. it represents the change in their productivity resulting from their increased skills.

Other benefits arise from the increased employment which is associated with the delivery of the additional training, and the jobs created in e.g. construction as a result of the more skilled workforce available locally (the 'labour supply' benefit, which reflects the increased GVA potential from additional workers entering the labour market). However, there appears to be some double-counting of outputs within the LGF figures, e.g. counting the delivery of apprenticeship qualifications, and also counting the apprenticeship places as 'jobs'. In one skills project, the number of Level 2 qualifications delivered is the same as the number of safeguarded jobs. Whilst the individuals concerned needed the Level 2 qualification provided to retain their job, provision of the qualification safeguarded the individual in employment, rather than the job itself. To avoid double-counting the benefits of the skills training provided, the benefits of this training have been captured in the 'skills uplift' benefit only.

'Missing' benefits

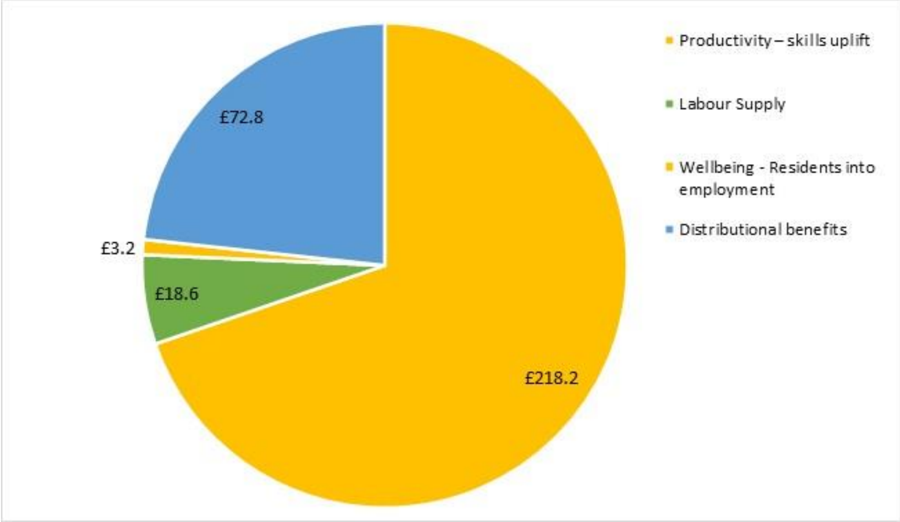
The risk in relation to the skills theme is the potential for 'missing costs'. The LGF funding represents only the capital funding to build the new facility, not the on-going public sector costs of delivering training. A number of the skills organisations highlighted that they are commercial operations, largely funded through employer and learner contributions, rather than public funding. Taking a prudent approach, we have applied a benchmark cost of £2,800 per qualification, across all the skills theme projects, to ensure that on-going costs to the public sector are accounted for in the BCR.

Value for Money Assessment

The initial, adjusted and 'adjusted including distributional' BCRs represent 'high' value for money.

Table A4: Evaluation Summary Table – Skills Theme	
Present value of benefits:	
Initial	£236.8m
Adjusted	£240.0m
Adjusted including distributional benefits	£312.8m
Present value of public sector costs, £m	£115.9m
Value for Money indicators	
Net present social value, £m	£196.9
Initial BCR	2.0
Adjusted BCR	2.1
Adjusted inc. distributional benefits BCR	2.7
Significant non-monetised impacts	• Raising the profile of Humber in relation to specific sector skills provision • Supporting efforts to attract inward investment in high value manufacturing and offshore through providing a talent pipeline • Raising aspirations amongst the future workforce

Figure A4: Monetised economic benefits by category, Skills theme



Source: AMION Modelling

5 Public realm theme

Background

A small number of LGF projects (four[16]) were categorised as 'public realm', although LGF did not actually have any public realm metrics against which to report. The funding of three public realm projects in Grimsby and Cleethorpes reflected the need for place-making and improvements to the urban environment, to stimulate private sector investment in North East Lincolnshire's town centres. £5.8m LGF was allocated to public realm projects, with total investment including match-funding around £14m (both figures excluding the Bridge project).

LGF Outputs

As noted above, the LGF indicator set does not include any metrics which relate directly to public realm, e.g. area of public realm improved. The projects funded under this theme were contracted to deliver commercial floorspace outputs, as well as new jobs, jobs safeguarded and construction jobs. In effect the new jobs and jobs safeguarded were indirect jobs, which were anticipated to arise from new / refurbished commercial floorspace, brought forward as a result of the investment in the public realm, rather than being directly delivered by the LGF funding itself.

Given this reliance on follow-on investment to secure the outputs, there have been some challenges in delivering the contracted outputs. The Central Cleethorpes project in particular has not yet reported any new jobs outputs.

Constructing a Benefit Cost Ratio

Converting the LGF outputs to monetised economic benefits to construct a BCR, the key output for public realm projects would be expected to be the area of public realm created / improved, to feed into the estimate of amenity benefits. This is not recorded in the LGF monitoring data, so an estimate has been made based on a benchmark cost per square metre of public realm delivered.

The other important monetised benefit is 'wider land value uplift' or 'place-making'. This reflects the impact on property values in the areas surrounding the improved public realm. It is estimated based on a defined impact area, with a small percentage uplift applied to existing property values based on previous research evidence. The BCR also includes a very small amount of direct land value uplift, reflecting the development of new commercial floorspace.

As a result of the jobs created outputs, the benefit categories also include labour supply benefits, wage premium (assuming the jobs created are higher value professional / technical office-based roles), and wellbeing benefits from residents not currently in work moving into employment.

[16] For the purposes of this analysis, LGFHUM01 – Connecting the City A63 Bridge, has been considered as a transport project, rather than public realm.

The final benefits category included in the BCR is 'events benefits', reflecting the wellbeing experienced by people attending arts and cultural events (performance etc). The improvements made to St James Square in Grimsby have led to it being used to host a number of events and performances. Information has been provided on attendance numbers, and used to estimate wellbeing benefits, assuming a 50% gross to net adjustment, and that the events will be delivered annually for a three-year period.

'Missing' Benefits

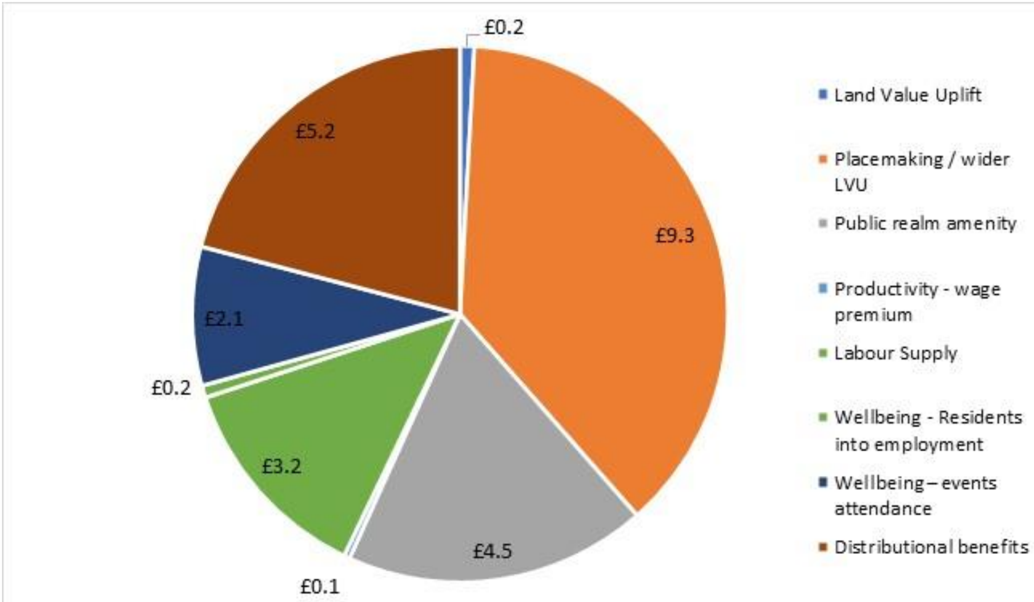
The LGF monitoring data does not record information on area of public realm improved, or number of people attending events, so these have been sourced from consultees and fed into the BCR model. It is also likely that the public realm works have included enhanced facilities for pedestrians and cyclists, which may be encouraging greater levels of active travel. This has not been monitored and so is not included in the BCR calculations.

Value for Money Assessment

The initial BCR represents 'low' value for money and adjusted and adjusted including distributional BCRs represent 'medium' value for money.

Table A5: Evaluation Summary Table – Public Realm Theme	
Present value of benefits:	
Initial	£17.3m
Adjusted	£19.5m
Adjusted including distributional benefits	£24.7m
Present value of public sector costs, £m	£12.9m
Value for Money indicators	
Net present social value, £m	£11.83
Initial BCR	1.3
Adjusted BCR	1.5
Adjusted inc. distributional benefits BCR	1.9
Significant non-monetised impacts	• Improve the environment of town centres to attract more visitors, footfall and expenditure • Support efforts to diversify the high street and create new reasons to come into town • Encourage private sector investment

Figure A5: Monetised economic benefits by category, Public Realm theme



Source: AMION Modelling

6 Business Support Theme

Background

Over £20m of LGF (circa 15% of the total) was allocated to nine 'business support' projects. As LGF is a capital fund, the support provided focused on the provision of capital grants for business investment, as well as the development of new and refurbished business premises[17]. In total, the LGF funding was expected to be matched against c. £80m, with most of the match-funding for the business support theme projects coming from the private sector, including £60m of match for the two capital grants programmes – Growing the Humber.

The SEP highlighted some structural weaknesses in the Humber economy, including below-average business density and low start-up rates. Business survival, especially at 4+ years, was a particular weakness, with the area having a lower than average number of high growth businesses. Businesses were reporting that support services were fragmented. The supply of high quality business accommodation (both office and industrial) is also very constrained, with rental values making it uneconomic for the private sector to bring forward speculative development.

LGF Outputs

Key LGF outputs being delivered through business support theme projects include new jobs created and the number of businesses receiving grant support. The projects focused

[17] One project which the sole project classified as 'regeneration' involved funding to refurbish an office building, as has been included with the business support theme analysed here.

on business premises also had outputs relating to commercial floorspace refurbished, and construction jobs, in addition to new jobs created.

Good progress has been made towards achieving the outputs, with the number of businesses receiving grants ahead of target. The amount of commercial space refurbished and occupied as result of the business support theme projects is also expected to meet the target set, although take-up of new space may be affected by changes in working patterns post-Covid.

Constructing a Benefit Cost Ratio

Converting the LGF outputs to monetised economic benefits to construct a BCR, the key output for business support projects is new jobs created. However, the social cost benefit analysis approach focuses on increased productivity and improvements to the supply side of the economy, rather than counting all of the net GVA from new jobs as an economic benefit.

From the 'new jobs created' output, the benefit categories include labour supply benefits, wage premium (assuming the jobs created are higher value professional / technical office-based roles), and wellbeing benefits from residents not currently in work moving into employment.

There are also much smaller benefits arising from land value uplift where new premises have been constructed; increased productivity through broadband connectivity; and increased productivity through enhanced skills through one business support project.

Given the focus on providing high quality business premises, and the emphasis on supporting business start-up and growth, a number of the business support theme projects are designed to provide flexible managed workspace, where businesses can benefit from a supportive environment and the presence of business advisors, and then move on to alternative accommodation as they grow. This model gives rise to 'churn' with new jobs being created on a recurring basis as space becomes available within the unit, rather than as a one-off occurrence. The LGF 'new jobs' outputs, on which the monetised benefits are based, do not reflect this recurring job creation, and may therefore understate the true benefits that the managed workspace investments will generate over time. Based on evidence of long-term job creation from other managed workspaces, and consultations with project leads, an uplift factor has been applied to all the economic benefits associated with job creation, to provide a more robust estimate of long-term economic benefits.

'Missing' benefits

The LGF monitoring data records a number of business-related outputs, but does not gather any information on innovation and R&D activity (although this may be what the business grants have been used for). BEIS guidance indicates that R&D can lead to monetised economic benefits through its effect on turnover and GVA, and through spillover effects experienced by other businesses. This is not captured in the BCR.

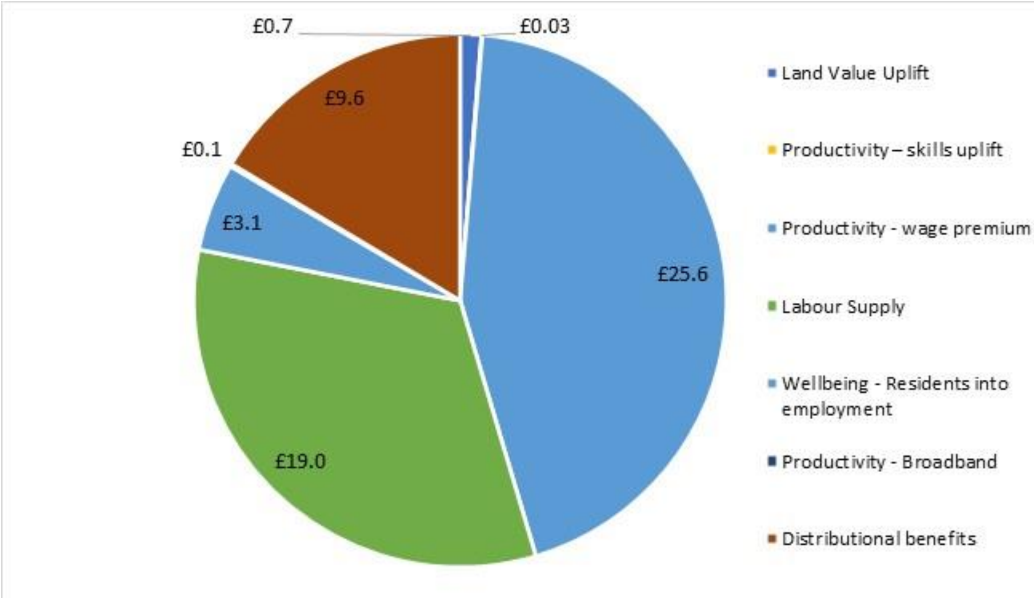
The BCR is a ratio of public benefits to public sector costs. For the business support theme, the majority of match-funding comes from private sector sources. DLUHC's appraisal guide indicates that private sector contribution should be netted off the public benefits before the BCR is calculated unless they have already been accounted for in the land value uplift estimate. We have assumed that this private sector investment would not have gone ahead without the LGF grant, and can therefore be considered additional.

Value for money assessment

Across the business support theme as a whole, the initial and adjusted BCRs as currently estimated are above 1.0:1 but below 1.5:1, and, therefore, represent 'low' value for money. Adding in the distributional weighting indicates that the business support theme offers 'medium' value for money. However, there is considerable variation between projects, with three having BCRs above 2.0:1, whilst others are well below 2.0:1.

Table A6: Evaluation Summary Table – Business Support Theme	
Present value of benefits:	
Initial	£45.4m
Adjusted	£48.7m
Adjusted including distributional benefits	£58.2m
Present value of public sector costs, £m	£34.5m
Value for Money indicators	
Net present social value, £m	£23.66
Initial BCR	1.3
Adjusted BCR	1.4
Adjusted inc. distributional benefits BCR	1.7
Significant non-monetised impacts	• Overcome market failures to provide high quality office and industrial accommodation for new start and growing firms • Support the growth of a pipeline of businesses to increase demand for (and viability of) business premises. • Provide grant funding to stimulate private sector investment in business growth activities.

Figure 6: Monetised economic benefits by category, Business Support theme



Source: AMION Modelling

7 Themes for which it has not been possible to estimate a BCR

There are three themes for which it has not been possible to convert the LGF outputs into a robust BCT estimate. These are tourism; enabling works; and transport.

- Tourism

The two LGF projects classed as 'tourism' projects are very different. One is a £1m project to improve facilities at Normanby Park, with LGF contributing just over 50% of the costs. The other is the £36m Hull Bonus Arena project, including £3.5m of LGF funding. The LGF monitoring activity does not include capturing data on visitor numbers, spend or place of origin.

The monetised economic benefits relating to the Arena would reflect the well-being benefits of people attending cultural events. An audience figure was found for the first year of the Arena's operation, but since then attendances have been severely affected by Covid-19 related restrictions. Although an estimate could be provided based on this figure, it would be subject to very wide confidence intervals and could be potentially misleading.

- Enabling Works

Two projects were classed as 'enabling works'. Again these were quite distinct, with one focusing on conversion of city centre space to leisure and residential uses, and the other providing infrastructure works at a strategic employment site.

In both cases, the BCRs calculated were extremely low. This reflects the fact that enabling works do not lead directly to outputs but focus on removing barriers to future development. The securing of outputs and therefore economic benefits depends on a second phase of work which is not covered by the LGF funding.

- Transport Projects

Approximately one quarter of LGF funding was allocated to transport projects (£32m), with match-funding taking total investment in transport projects to c. £55m. A range of LGF outputs relating to transport are being monitored, including length of resurfaced and new roads, length of cycleways completed, length of resurfaced footway, and length of shared pedestrian and cycleways. Good progress has been made towards achieving the target outputs.

However, there are no outputs relating the use of the new transport infrastructure, and no monitoring has been undertaken to assess the impact on journeys by car, by bike or on foot. The benefits of transport projects in a social cost benefit analysis framework are measured through for example benefits to the individual (journey time savings); benefits to other road users (business users and transport providers); wider economic impacts, and through active mode benefits (which include health benefits to the individual and savings to society). Without baseline data on the 'before' position, and monitoring data on what has happened since the LGF funding was invested, it is impossible to provide an estimate of the scale of the transport benefits generated through LGF funding. Where transport infrastructure unlocks development it is necessary to assess how much of this activity is dependent on the project. Each scheme is inevitably dependent on its specific characteristics and local circumstance.

8 Key messages

This section briefly summarises key messages from the analysis of economic benefits, and the consultations undertaken with project leads to understand impact and value for money.

- The challenges of a change in VfM method

When the LGF programme was established in 2014/15, the economy was very gradually emerging from the impact of the 2008 financial crash and subsequent cuts to public sector investment in economic growth. The outputs agreed for the programme reflected its aims and objectives – to increase jobs and deliver investment in economic infrastructure – skills, housing and commercial property.

Although updated DLCG Appraisal Guidance was published in 2016, and a new Green Book methodology for assessing economic benefits was released in 2018, those managing the LGF programme and the project sponsors using LGF to deliver projects continued to deliver against the targets which had been set, and monitor progress against those targets.

It is challenging to go back part-way through delivery (or in many cases after the LGF-funded element of delivery has concluded) to try to re-set the approach to estimating value for money. For some monetised benefit categories, LGF outputs can be converted to something which provides a proxy for economic benefits; for others, without baseline data and on-going monitoring there is a real challenge in estimating VfM.

- Direct and indirect outputs

Using the LGF monitoring data to create a social CBA model highlighted a number of issues with the way in which outputs and outcome indicators were identified by projects. The key example is the inclusion of both direct and indirect outputs in the contractual outputs against which the LGF projects are being monitored. In a number of cases, this has led to challenges in meeting the contractual targets, with project leads having relatively little influence over what outputs are delivered, and when.

In the social CBA modelling, this led to some unexpected benefit categories being identified for particular types of project. For example a number of skills theme projects included a large number of job outputs. Whilst it is likely to be the case that significant number of trainees gained employment following their training, this should be considered an indirect impact (unless the skills support specifically provided help to people to get into work), not directly under the control of the project. Counting both the training delivered to trainees, and their subsequent entry to employment, has the potential to over-state the benefits of a training project.

- BCR estimates

Across all LGF themes, the estimated BCRs are at the lower end of the value for money scale, and for some themes the BCRs are too low to say that investment has provided 'good' value for money. However, this is not a criticism of the projects, which have largely delivered the outputs expected of them (and contractually agreed with the LEP).

Table A7: BCRs by Theme

Theme	Initial BCR	Adjusted BCR	Adjusted inc. Distributional benefits
Housing	1.8	1.9	2.7
Flood management	1.5	1.5	1.7
Skills	2.0	2.1	2.7
Public realm	1.3	1.5	1.9
Business support	1.3	1.4	1.7
Total			

In part, this reflects the known challenges of demonstrating value for money in a social CBA in a place where land values and wage levels are low. It is also reflects the fact that LGF projects were designed to deliver LGF outputs, rather than monetised economic benefits. Future projects, which can be designed with monetised economic benefits built in rather than added on, should be expected to deliver higher BCRs.

- A rounded view of Value for Money

There has been a significant focus on project BCRs in recent years, with the then MHCLG setting a minimum BCR threshold for the Future High Street Fund of 2.0:1. However, following the Green Book review in 2020, HM Treasury reiterated that the BCR should not be seen as the key deciding factor within a project appraisal, and that a strong strategic case is the foundation for every project seeking public funding. In March 2022, HM Treasury issued Green Book Supplementary Guidance on Value for Money. This states that value for money is a balanced judgement about finding the best way to use public resources to deliver policy objectives. Comparing the social value for money of alternative options requires use of the Green Book methodology, in particular the five case model, as well as its associated analytical tools. Only options that deliver the SMART objectives for the project can be considered value for money, therefore value for money is not just about a BCR.

Whilst the BCR can capture monetised economic benefits, it cannot reflect the wider, non-monetised benefits which a project will generate, which may be equally or even more important. The consultations with project leads highlighted a wide variety of non-monetised benefits relating to their projects (summarised in the Evaluation Summary Tables) which should be taken into account in any rounded view of value for money. The final report will also consider more 'traditional' value for money metrics including unit costs and GVA per public sector pound invested.

- Conclusion

Previously programmes have been judged against the standard requirement for a BCR of 2.0:1, and on this basis it appears therefore that the former Humber LEP LGF programme does not perform strongly on value for money. However, more recently programmes such as LUF Round 2 have required a minimum BCR of 1:1 – reflecting a broader basis than just BCRs for judging value for money. Moreover, this is not a criticism of the projects, which have largely delivered the outputs expected of them (and contractually agreed with the LEP).

In part, the relatively low BCRs reflect the known challenges of demonstrating value for money in a social CBA in a location where land values and wage levels are low. It also, however, reflects the fact that the LGF projects were designed to deliver LGF outputs, rather than monetised economic benefits, in circumstances that pre-date subsequent guidance. In other words LGF projects were not designed to maximise the value of monetised economic and social benefits, but to deliver specific jobs, housing and infrastructure objectives. In addition there are a number of areas where the projects have delivered benefits which are not currently being captured in the monitoring information and which are therefore difficult to include in the economic modelling work. Future projects, which can be designed with monetised economic benefits built in rather than added on, would and should be expected to deliver higher BCRs.