



National Audit Office

The Regional Growth Fund

Detailed methodology

MAY 2012

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1 This document outlines the methods used in our examination.

Scope

2 This National Audit Office report assesses the value for money of the Regional Growth Fund (the Fund). It covers the £1.4 billion allocated through the Fund so far. Our aim was to assess whether it will be spent cost-effectively in line with the Fund's objectives. In making our assessment we considered whether the Fund's expected results represented the best possible return compared to what could reasonably have been achieved with the same resources. We did not assess the individual projects.

3 The main data provider for this report was the Regional Growth Fund Secretariat (the Secretariat), a group of officials drawn from a range of government departments, which leads the Fund's administration.

Methodology

4 The methods we used for this study were:

- Secretariat questionnaire;
- review of key Secretariat documents;
- interviews with key individuals in the Secretariat, contributing departments and stakeholder departments;
- review of published material on economic development, challenge funds and government interventions to support private sector growth;
- validation of the Secretariat's appraisal methodology and selection processes;
- quantitative analysis of administrative, application, assessment and appraisal data, and management information;
- external peer review; and
- telephone interviews with a sample of potential Fund recipients.

5 Method strands were synthesised to provide evidence governed by an audit framework established at the outset of the study. The main elements of our fieldwork took place between August and December 2011.

Secretariat questionnaire

6 Prior to undertaking fieldwork we asked the Secretariat to provide written responses and identify key documentation against an audit framework we designed for the study. This framework was based on the National Audit Office's management cycle for public expenditure programmes and the Fund's governance structure. It identified a wide range of questions relevant to the Fund, under which we were able to collate information provided by different sources. The questionnaire results gave:

- a written account from the Secretariat of planning and delivery which provides a cross-reference to other methods;
- supplementary factual information to inform study development; and
- clarity around core areas on which the study should focus.

Review of key Secretariat documents

7 Our review included documents produced by the Secretariat on the planning and implementation of the Fund, including development documents, public guidance, application and administrative documents. Where available we also examined supporting evidence from stakeholder departments on the set-up and design of the Fund.

Interviews with key individuals in the Secretariat, contributing departments and stakeholder departments

8 We conducted 11 semi-structured face-to-face and telephone interviews with key individuals and groups within the Secretariat involved in implementing the Fund, to understand how the work to deliver the Fund had been planned and designed and how resources had been allocated.

9 We also conducted a semi-structured group interview with representatives from each of the Department for Communities and Local Government, Department for Transport and the Department for Environment, Food and Rural Affairs to understand how these departments engaged with the Fund, and their perception of strengths and weaknesses in administration and implementation. We also held similar discussions with Cabinet Office and HM Treasury officials.

Review of published material relating to economic development, challenge funds and government interventions to support private sector growth

10 We reviewed published material on regional economic development, government interventions in the private sector and informed appraisal. This included evaluation literature from interventions in the UK and internationally. We used this information to identify reasonable expectations of the kinds of impact the Fund might achieve based on past experience, and to help develop performance indicators for similar types of intervention and to understand the broader context for the Fund.

Quantitative analysis of administrative, assessment and appraisal data and management information; and validation of the Secretariat's appraisal methodology and selection processes

11 We examined the processes in place to record and track applications made to the Fund and their progress through the assessment and appraisal procedures. We examined the information that was extracted from applications and presented to the independent advisory panel and the information presented to Ministers to inform decisions on which projects to conditionally allocate funding. This included cross-matching a selection of information from a sample of bids from the first bidding round.

12 We also undertook secondary descriptive and explanatory quantitative analysis and qualitative analysis of the Secretariat's assessment and appraisal data and method, including location and public sector dependency measures. We sought to validate the measures the Secretariat had used to determine the level of fit that projects displayed with the objectives of the Fund and to determine whether those that had been selected were those that demonstrated the best fit. We undertook bivariate analyses, such as independent sample T-tests, to determine whether the mean 'scores' on key measures such as the number of net additional jobs created were significantly greater in projects selected for funding, compared to those appraised but not selected.

13 We also undertook exploratory binary logistic regression analysis in an attempt to determine the most important factors influencing project selection. However, the results were not conclusive. This reflects the fact that many of the measures used to assess projects are inter-related or composite measures.

14 We conducted statistical analysis based on the information provided by the Secretariat in relation to project location, published at: <http://www.bis.gov.uk/policies/economic-development/regional-growth-fund/bidding-guidance>. This included correlation analysis, comparing the ranks of different local authority areas on the Fund's measures with other established measures such as the Index of Multiple Deprivation.

15 We also examined the benefits selected projects offered compared with their costs and examined relative value for money and the cost-effectiveness of the Fund's expenditure over the two bidding rounds.

External peer review

16 We discussed our early document and literature reviews with experts in economic geography to shape and scope the direction of the study. As the study progressed we discussed emerging findings with a number of experts and practitioners in order to test the strength and reasonableness of our conclusions and recommendations. These were: Harvey Armstrong, Professor Emeritus Sheffield University; Henry Overman, Professor of Economic Geography, London School of Economics; Colin Wren, Professor of Applied Microeconomics, Newcastle University; and David Faull (MRICS), former Senior Commercial Manager, Millennium Commission Commercial Department.

Telephone interviews with a sample of potential recipients

17 We conducted telephone interviews with a small sample of potential recipients, who were to receive a (conditional) offer of grant. A sample of ten applicants was drawn from the first two bidding rounds. We conducted six interviews exploring the context of their bids to the Fund.