

HINKLEY SUPPLY CHAIN PROGRAMME



IMPACT EVALUATION – FINAL REPORT

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IN ASSOCIATION WITH
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March 2020

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EXECUTIVE SUMMARY

This report provides an independent assessment of the impact of the Hinkley Supply Chain Programme (HSCP) which is being delivered across three areas in South West England and South Wales. It is important to note that this work had a relatively narrow remit. The focus was to provide an independent and objective review of the evidence collected by the HSCP with regards to:

- the delivery performance against the output targets as defined in the programme contract
- the performance against the Key Performance Indicators which are also defined in the programme contract
- the indications of wider impact for those businesses supported through the programme

As a consequence, this report should not be considered a full evaluation of the programme. For example, it has not focused on factors such as the effectiveness and quality of delivery, how the partnership model has worked etc. The work has not involved any consultations/interviews with delivery partners and/or supported businesses. The focus has been on verifying the data that has been collected and reported by the programme, and to form a view on the developing impact that the programme may have facilitated through the support it has provided to eligible businesses. The programme is funded through a range of partners including:

- EDF Energy
- Heart of South West LEP
- West of England Combined Authority
- Welsh Government

As a consequence of this funding model, the areas in which delivery is focused are:

- Heart of the South West (covering Devon and Somerset)
- West of England (covering the West of England combined authority area)
- Wales (with a focus on South Wales)

The project is led by the South West Manufacturing Advisory Service Ltd (SWMAS). The impact assessment took place between January and February 2020. It is a relatively concise piece of work with a defined brief that focuses on providing an independent and objective assessment of the impact of the programme to date, largely based on the information collected and collated by SWMAS. Therefore, this primarily involved secondary research methods. The impact assessment was undertaken by Shane Vallance of Moor Economics, in association with Hayley Sampson of Hayley Sampson Research.

The programme was designed to address the high barriers to entry (perceived and actual) for SMEs into the nuclear new build market. For many SMEs these barriers are insurmountable, or certainly the risk they associate acts as a significant disincentive for engagement. Equally, it is argued that many Tier 1 and Tier 2 contractors are not fully aware of the capabilities within the local region.

The HSCP aims to address these issues through its two main delivery strands:

- Supplier development for local SMEs
- Inward Investment Support

The overall public investment over the 3-year programme period of £1.728mn represents a significant commitment from the funding partners. The contribution of each of the three public funding partners of £576,000 reflected the activity between the two delivery strands (£480,000 for the supply chain development and £96,000 contribution towards the inward investment activity).

The programme has performed well against its contract output targets. To date, this impact assessment estimates that it has delivered 777 Information, Diagnostic and Brokerage (IDB) assists, with 232 intensive assists (12+ hours of support) provided. Given the programme was not delivered through ERDF, and therefore did not need to adhere to ERDF output reporting requirements, the funding partners had agreed that a business could benefit from more than one intensive assist and/or IDB if the activity related to different work packages. Therefore, the above output assists relate to 163 unique businesses receiving an intensive assist and 446 SME businesses receiving an IDB. Nearly 4,200 businesses are now registered on the Hinkley Supply Chain Portal.

The latest information released by EDF shows the considerable spend that the HPC project has supported within the programme area. This data indicates that c£870mn has been spent across the HotSW, WofE and Wales. Given this represents spend-to-date, the actual value of contracted work is likely to be higher. Significant future contract opportunities remain in place and the hope is that the programme area will continue to benefit, with the objective being that the HSCP increases those benefit opportunities.

This impact assessment has estimated the economic benefits that the programme has helped support to date. We have adopted a relatively narrow approach to these estimates, focusing specifically on the evidenced contract values indicated by businesses who have completed an 'Impact Record'. This covered 84 businesses, 37 of which had won an HPC-related contract, with several more in the process of bidding. Therefore, it could be argued that this represents a partial view of those businesses which may have benefited. However – given the remit of this work – we have only focused on 'evidenced impact' which we were able to independently verify.

On that basis, we estimate the programme has supported *at least* c£10.5mn gross GVA to date in those businesses where Impact Records have been supplied and contract wins have been indicated. This is equivalent to c£33mn in contract values. We estimate this has supported 221 gross jobs in those 37 businesses. This illustrates that the impact on a per business basis can be significant, highlighting the scale of the HPC-related contract opportunities. We estimate that the supply chain development strand has delivered a gross benefit: cost ratio of circa 7:1 against the public investment associated with that activity (or circa 6:1 on a net additional basis).

Working in partnership, the programme has also helped support 34 inward investment projects into the programme area, with a pipeline of potential interested other organisations. Twenty of these inward investments represents Foreign Direct Investments. We have not quantified the economic impact of this strand but given the relatively limited resource devoted to the inward investment activity we feel this is a strong achievement. *Overall, our independent view based on the review of evidence provided is that the programme has delivered good value-for-money and has the potential for more given the pipeline of contract opportunities that are still to materialise.*

SECTION ONE: PROJECT CONTEXT

1.1 Introduction

This report is based on an independent and objective review of the information that has been collected by SWMAS, with a particular focus on indications of positive impact on those SME businesses that have engaged with the Hinkley Supply Chain Programme (sometimes referred to as ‘HSCP’ hereafter) and their ability to exploit opportunities that have arisen as a result of the construction, and operation of Hinkley Point C.

The programme is funded through a range of partners including:

- Heart of South West LEP
- West of England Combined Authority
- Welsh Government
- EDF Energy

The programme is managed by a single contract through Somerset County Council on behalf of the funding partners (HotSW LEP, WofE LEP and Welsh Government). The total contract value for the three years of the programme period (March 2017-February 2020) was £1,728,000.

As a consequence of the funding model, the programme is being principally focused on three areas in South West England and Wales. The areas covered by the delivery of the project are:

- Heart of the South West (covering Devon and Somerset)
- West of England (covering the West of England combined authority area)
- Wales (with a focus largely – but not exclusively - on South Wales)

However, the potential benefits of the programme – in terms of SME engagement in the HPC supply chain and/or inward investment projects – are not necessarily limited to the programme area. The programme has been able to support a number of SMEs beyond the HSCP programme area, particularly if the capability of that business is the most appropriate (‘best match’) for the relevant supply chain opportunity. However, this support was not provided ‘free’ through the programme, with a charge normally applied to access those services i.e. attendance at a relevant workshop.

The programme opportunity was advertised via an Invitation to Tender that was issued at the end of 2016. A consortium of delivery partners including the South West Manufacturing Advisory Service Ltd (SWMAS), Somerset Chamber of Commerce and Business West – supported by EDF Energy – responded to the tender opportunity.

The impact assessment took place between January and February 2020. It is a relatively concise piece of work with a defined brief that focuses on providing an independent and objective assessment of the impact of the programme to date, based on the information collected and collated by SWMAS. Therefore, this primarily involved secondary research methods, although a number of discussions were held with the HSCP programme director.

1.1.1 Methodological Note

The impact assessment is underpinned by a theory-based approach. The broad theory is that SMEs in the programme area find it difficult to understand and exploit opportunities in large infrastructure projects such as Hinkley Point C (HPC). There are difficulties in engaging with Tier 1 and Tier 2 suppliers, even though many of those SMEs have the capabilities to meet their requirements. Equally, Tier 1 and Tier 2 suppliers are not necessarily aware of the capabilities within the local SME community. In many respects, these issues – which to some extent will be common in many infrastructure projects – are heightened by the specific requirements associated with nuclear new build projects such as Hinkley.

In essence, there are significant ‘barriers to entry’ for SMEs into the new nuclear build market. These barriers are:

- Information asymmetries (information failure) – where SMEs have a lack of information to make informed economic/commercial decisions
- The cost (time and resource) required for SMEs to fully understand the available opportunities, and to ensure they meet the nuclear-related requirements. This cost often acts as a significant disincentive for many SMEs, due to the heightened risk it presents
- The ‘scale’ of the opportunities presented. The perception among the SME community that the size of opportunities emerging from new nuclear builds precludes them from acting as suppliers

The programme of support aimed to address these barriers to entry by:

- making the commercial opportunities more visible (reducing information failure)
- identifying SMEs that could exploit those opportunities and, if appropriate, support them in the process of supplying (meeting requirements) into the HPC project (reducing risk), and
- presenting opportunities in smaller work packages (managing the ‘scale’ of opportunities)

It is important to note that the impact assessment had a relatively narrow remit. The focus was to provide an independent and objective review of the evidence collected by the HSCP with regards to:

- the delivery performance against the output targets as defined in the programme contract
- the performance against the Key Performance Indicators which are also defined in the programme contract
- the indications of wider impact for those businesses supported through the programme

As a consequence, *this report should not be considered a full evaluation of the programme*. For example, it has not focused on factors such as the effectiveness and quality of delivery, how the partnership model has worked etc. The focus has been on verifying the data that has been collected and reported by the programme, and to form a view on the developing impact that the programme may have facilitated through the support it has provided to eligible businesses.

It does not include use of a control group which is arguably the most technically robust, or ‘gold standard’, approach to establishing the counterfactual (i.e. capturing impact on those SME businesses that had not engaged with the programme but may have benefited from opportunities arising from the Hinkley Point C project) because it would have required planning in advance of the evaluation being commissioned. Such an approach would not have been practical within the timeline of the study and would have raised several methodological challenges within the context.

This impact assessment has also not involved discussions with delivery partners in the wider delivery consortia. Therefore, we are not able to comment on their views of how effective the programme has been.

Because this work has solely been based on the review of data and evidence collected by the programme, and has not involved consulting supported businesses, we are not able to specifically comment on the 'what if' question i.e. what would have happened in the absence of the programme support. However, we have accessed some benchmark guidance to inform considerations of net additionality. However, these benchmarks are now relatively aged and generic in their nature. They do not closely match to the type of support offered through the programme, or the specific nature of the nuclear sector. These observations are important for the interpretation of the 'net additional' impact of the programme. Consequently, in our view greater emphasis should be placed on observations regarding the '*gross*' impact (as detailed later in this report).

Having stated that, the programme team have sourced evidence from several supported businesses that indicate that those businesses felt the support they received as being important/integral to winning contracts at HPC. Having reviewed this feedback (sometimes in the form of video case studies) we have confidence that the programme support has been highly important to many businesses. This is discussed in more detail later in the report.

The impact assessment has involved an independent review of several sources of information that have been provided by the HSCP team. These were:

- The original tender as issued by Somerset County Council on behalf of the funding partners
- The tender submission as developed and submitted by SWMAS Ltd on behalf of the delivery consortium
- The contract agreement
- Signed Impact Records – submitted by 84 HSCP supported businesses to date
- Access to public EDF data and privileged access to programme data
- Inward Investment Landings and Pipeline opportunities
- Annual reports and contract reporting presentations compiled by the project team
- Contract governance meeting minutes
- Data relating to the amount of support (hours) delivered to companies, including eligibility and geographic location data
- Data relating to work packages and supplier matches
- Hinkley Supply Chain Portal data
- Events data
- Supported companies' postcode locations
- Client survey results raw data
- NPS Scores and Knowledge Gained from workshops
- Example Event/Workshop Feedback form

1.2 *Aim of the project*

1.2.1 Overall objectives

The Hinkley Supply Chain Programme (HSCP) is designed to help companies across the funded areas access additional support to increase the level of local content in the Hinkley Point C (HPC) supply chain. The principle long-term objective is to anchor nuclear skills and capabilities within the region, utilising the opportunities arising from HPC as the catalyst for engagement. The Hinkley Supply Chain Programme team offers access to a range of capabilities within the nuclear industry that includes:

- Procurement and contracting expertise
- Supply Chain Development
- Establishing Collaborative Relationships
- International Relationships
- In country content development

The team has offered a wide range of services and support to the main contractors and the suppliers across the region. It has delivered a significant programme of support on both a one-to-one and one-to-many basis to SME businesses, helping them access information and support in relation to the HPC project.

The programme has two main delivery strands:

- Supplier development for local SMEs
- Inward Investment Support

The support is broken down into 4 main categories:

1. Understanding HPC
2. Getting Ready for HPC
3. Bid Preparation
4. Preparing to Deliver

The programme was designed to align with the procurement process that businesses will follow. One of the major barriers for businesses is to identify the most appropriate route to market for the HPC project. There remain significant opportunities, many of which are now within the Tier 1 contractors which were selected for the HPC project. The visibility of the Tier 1 and Tier 2 contractors was one of the initial challenges faced by businesses of all sizes across all levels of the supply chain.

The confidence of the businesses to invest and change is dependent on understanding the route to market, the size of the opportunity and the potential return on investment. The programme has aimed to uncover the opportunities and break them down into more 'accessible' components so that local businesses can better review and decide if the opportunity is suitable for them. These are known as 'work packages' within the programme.

Even if they choose to pursue an opportunity the procurement process is often difficult for SME businesses to navigate. The support programme has also been designed to align with the opportunities available and the procurement process. This has included helping businesses to highlight their credibility within the

sector, developing knowledge of the opportunities at an early stage and closing any credibility gaps in terms of standards for production, certification or skills which are vital to move through the engagement and procurement process.

It is envisaged the work that has been delivered since the launch of the programme has laid the foundation for contracting opportunities in the following years. This has important implications for this evaluation. There is an expectation that many of the benefits that may accrue will occur well beyond the timescales of this programme. This will be as a consequence of new relationships built and established between the regional businesses and key infrastructure and technology suppliers. In fact, some of the benefits may occur outside of the direct HPC project, as relationships could be extended into other contracts. It is envisaged that this is one of the key aspects of the programme, facilitating opportunities for SME businesses to break into the wider supply chain opportunities for many of the major infrastructure companies - often the hardest aspect for an SME.

1.3 Programme Need

The need for business support to be provided to the SME community to exploit opportunities arising from the nuclear industry (in)directly arose from developments over the preceding few years. For example, local partners had established the Nuclear South West (NSW) brand and programme of activity. This was initiated by the Nuclear South West Stakeholder Alliance Group (NSW SAG) and involved three Local Enterprise Partnerships (HotSW, WoE and GFirst) together with academia, vocational skills providers, business support agencies and inward investment teams.

The NSW's mission was to capitalise on the South West's unique nuclear industry opportunities and strengths and maximise the ability of local firms to take advantage of the UK and worldwide nuclear development and decommissioning programmes. Strategic objectives are/were:

- To promote and raise the profile of the South West's nuclear opportunities nationally and internationally
- To secure investment in the South West nuclear industry
- To deliver projects and programmes to unlock economic potential of the South West's nuclear industry

Nuclear South West produced a strategy, which clearly identified the type of support that the SME community required, to be able to access nuclear supply chain opportunities, as well as raising the profile of the area's nuclear strengths and capabilities to promote sustainable long-term inward investment.

This ambition was reflected in the decision made to procure a service focused on providing support to the SME community. The local partners recognised the significant economic opportunities for businesses; particularly relating to the HPC project.

However, and importantly, evidence from business support agencies, EDF and their Tier 1 contractors provided a compelling case that specific and bespoke interventions to support the SME community were required to fully embrace/exploit the opportunities that were expected to arise.

As discussed previously in 1.1.1, there are often significant ‘barriers to entry’ into the new nuclear build market for SMEs. There is certainly a ‘search cost’ associated with understanding what opportunities exist in large infrastructure projects, and these search costs are often prohibitive to SMEs who largely see these opportunities as inaccessible. The specific nuclear-related requirements heighten these costs (and risks) to SMEs. In addition, many SMEs are not necessarily aware of the specific requirements associated with engaging with the nuclear industry and do not necessarily have the time or expertise to better position themselves.

1.4 Project Timetable

As shown in [Table 1](#) the Hinkley Supply Chain programme started in contractual terms in March 2017, with a practical completion date of February 2020 – a delivery period of approximately 37 months. The project is still scheduled to complete by the end of February 2020.

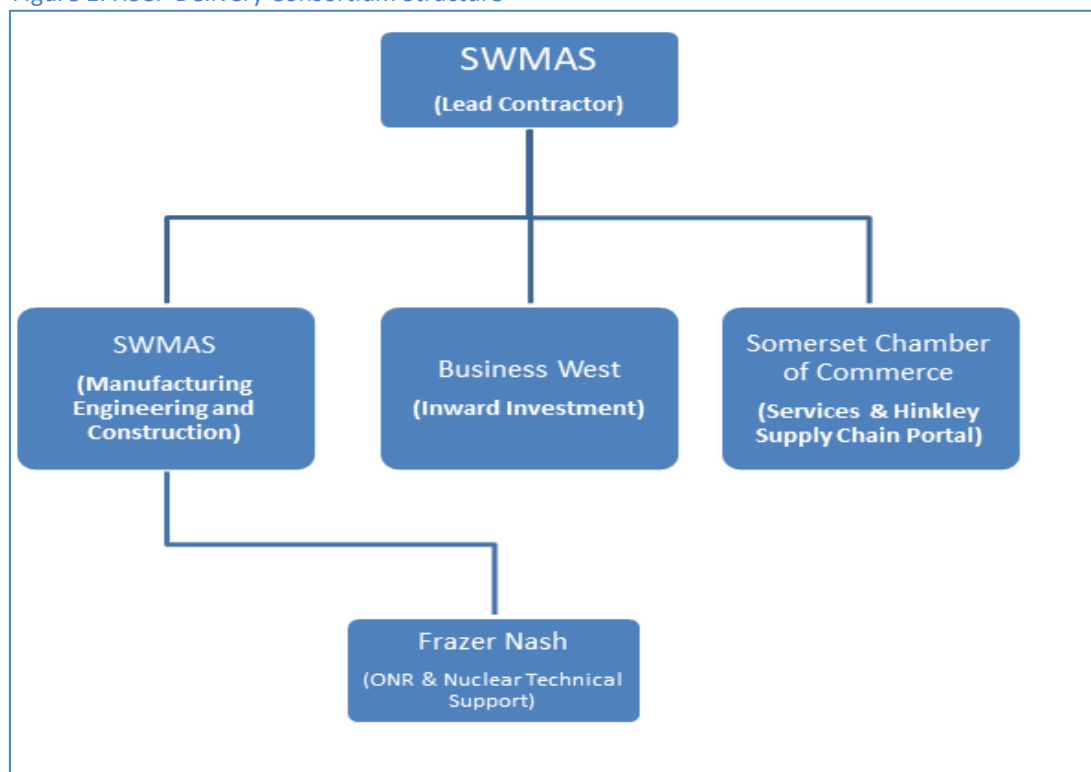
Table 1: Hinkley Nuclear Supply Chain Project Timeline

	Milestone	Contract – delivery timeline
a)	Start date	1 st March 2017
b)	Agreed Activity End Date	28 th February 2020
c)	Date of submission of first contract drawdown	March 2017

1.5 Project Design

The HSCP programme was developed and delivered across a consortium of delivery partners, led by SWMAS Ltd as the lead contractor. The contract agreement in place is between Somerset County Council (on behalf of the funding partners) and SWMAS Ltd (on behalf of the delivery partners). The structure of the delivery model is shown in the graphic on the following page, detailing the principle responsibilities for each delivery partner.

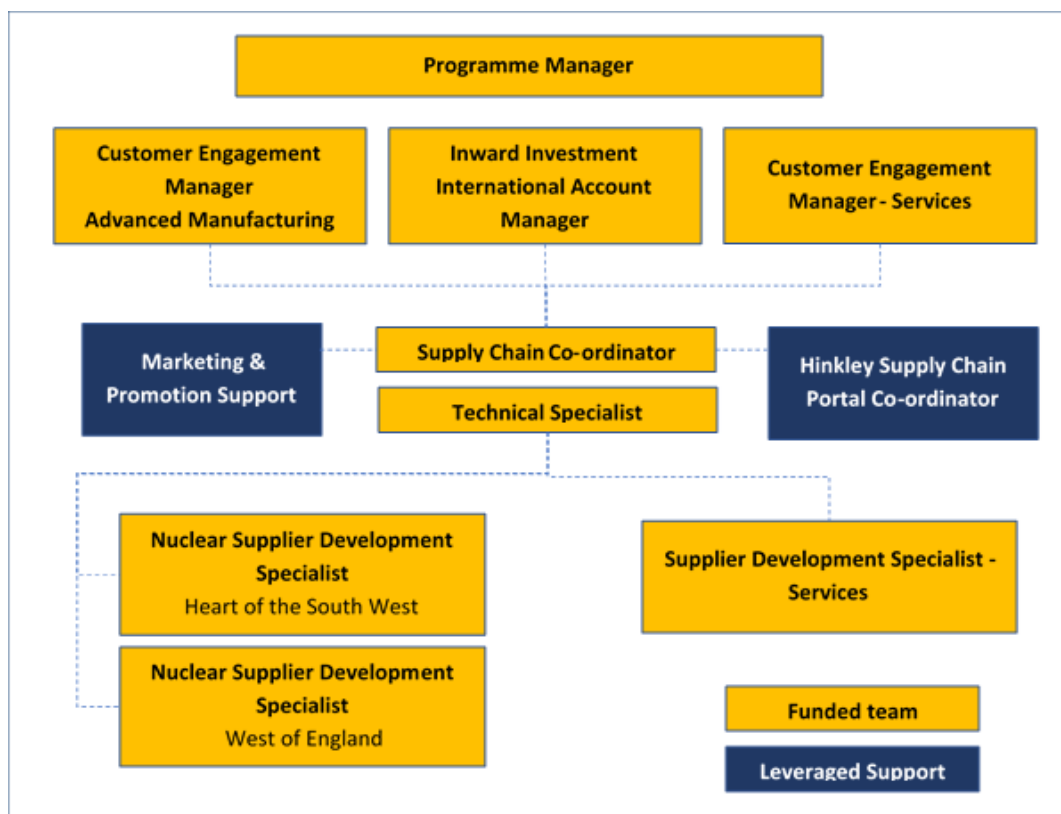
Figure 1: HSCP Delivery Consortium Structure



The HSCP team comprises nuclear specialists who have the necessary skills to assess the viability of opportunities as they arise. Importantly, for potential dual-use application, several of the team have other specialisms in other sectors e.g. marine, which also enables them to identify wider opportunities and applications in other sector areas. For example, steel poles/shafts used in nuclear builds can also be used as marine propulsion shafts.

It has a specifically appointed programme manager to oversee the management and delivery of the programme, including managing the relationship with the principle funders and reporting back on progress. The programme manager is supported by further resources from within the core corporate SWMAS Ltd team. The team structure/organisation chart of the programme is shown in [Figure 2](#) below.

Figure 2: HSCP Programme Organisation Structure



The funding was solely revenue support. The breakdown for each respective funding partner is shown in [Table 2](#). The contract was based on a funding commitment from the HotSW and WofE LEPs, with the Welsh Government having an option to 'opt-in' to the programme. It exercised that option. It is important to note that the HSCP was not an ERDF programme and therefore there was no direct requirement for match funding. However, [Table 2](#) illustrates that there has been significant private investment, most notably from SWMAS Ltd and EDF via Somerset Chamber of Commerce and principally in relation to the Hinkley Supply Chain Portal.

Table 2: Match funding breakdown by LEP and Welsh Government

LEP Area	Supply chain development	Inward investment	Total project funding
West of England	£480,000	£288,000	£1,248,000
Heart of the South West	£480,000		
Welsh Government	£480,000		£480,000
Total Contracted Value	£1,440,000	£288,000	£1,728,000
SWMAS Ltd – private contribution			£226,764
Direct programme cost			£1,956,563¹
EDF – private contribution – Hinkley Supply Chain Portal			£750,000
TOTAL (inc. EDF supply chain portal investment)			£2,706,563

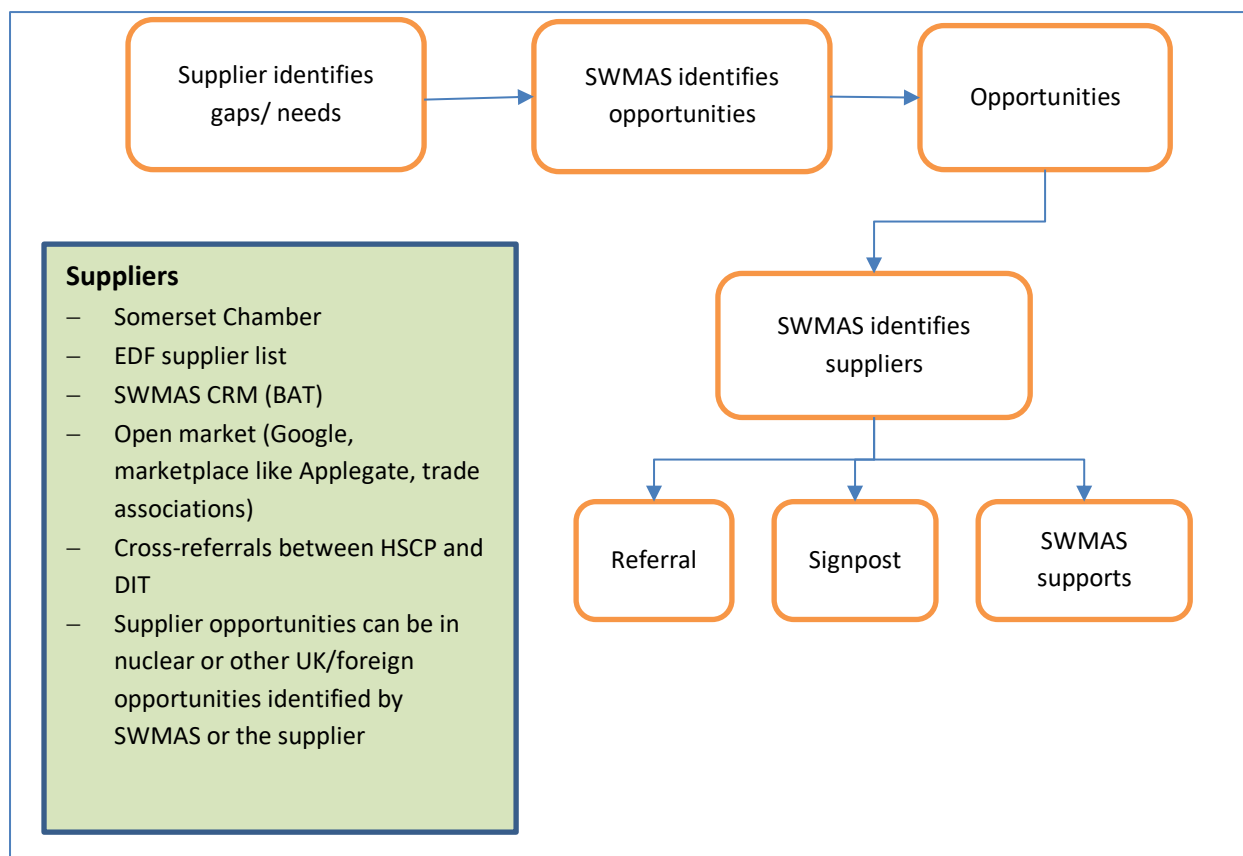
¹ Figures may not exactly match due to rounding.

It is important to note that there was no requirement for private match investment in the programme. However, SWMAS Ltd made a financial commitment to deliver the programme and its investment in staff resource is reflected in its considerable own financial commitment.

The broad principles of the programme are based on improving the supplier development route for SMEs into the HPC project. The opportunities are identified through a combination of avenues, either through Tier 1 and/or Tier 2 suppliers identifying future opportunities, or through the HSCP programme team working proactively to find/expose those opportunities. It is our understanding that the HSCP team have differing 'relationships' amongst the Tier 1 and/or Tier 2 community. Some Tier 1/Tier 2 businesses are proactive in identifying future opportunities, whilst in other cases less information and visibility is available. In those cases, the onus is on the HSCP team to attempt to find out more information. The level/type of information coming from the HPC client base is not necessarily consistent.

The HSCP team then use their sources and understanding of the supply chain landscape to begin to match potential suppliers into these opportunities. This could then lead to a capability review about how well positioned that potential supplier is with regards to the opportunity. If there are gaps in capability which can be addressed, then this can lead to further requirements for support which could be fulfilled by the HSCP programme or the business is signposted/referred to suitable supplier(s). Signposting might also include to sources of funding/grants. This is shown graphically in [Figure 3](#) below.

Figure 3: Route into service



The programme also aims to build collaborations among businesses in order to fulfil an opportunity, allowing them to operate at scale where they would not normally have been able to compete.

Businesses are registered on the Supplier Capability Assessment index database (determined with EDF) - which assesses the size of the business (number of employees), sector, turnover, opportunity types/matches etc. Businesses self-register on the index (Supplier Capability Assessment), it is not mandatory. Businesses on the index are then verified against requirements of the customer by the programme finding about more detailed information on the specific requirements of that opportunity.

The HSCP programme team will undertake a capability review of businesses on the capability index database which will lead to a priority opportunity. It is optional for SME businesses to decide whether they would wish to pursue that opportunity. Many businesses may choose not to pursue based on a number of factors. For example, the risk may be deemed too high, they perceive the commitment and/or lead-in time to the opportunity not appropriate for their needs, or they may have pursued previous opportunities but were unclear why their tender submission was rejected.

SECTION TWO: PROJECT PROGRESS

2.1 Introduction

This section of the report provides an independent assessment of the programme's progress to date in terms of the contracted targets as well as the Key Performance Indicators against which the programme has previously reported. Where appropriate, programme delivery is split by funding partner area.

As at February 2020, a total of 609 separate businesses has been supported through the programme, either through an 'intensive assist' (12+ hours of support) or through the provision of an Information, Diagnostic and Brokerage (IDB) assist (3 hours of support). 163 unique businesses have received an intensive assist, with a further 446 businesses receiving an IDB assist.

As agreed with the funding partners, eligible businesses were able to be supported more than once if different HPC-related opportunities required further support. Therefore, the programme has actually delivered 777 separate IDB assists, and 232 intensive assists over the 3-year programme period. This is discussed in more detail below.

2.2 Output Analysis

A central requirement of this impact assessment was to review and verify the output and KPI information that has previously been reported by the HSCP.

2.2.1 Supply Chain Development (A)

The HSCP is not funded under ERDF and therefore, although output results use terminology similar to ERDF Output Indicators to capture results, the outputs do not have to adhere to the ERDF reporting definitions. However, the 3-hour minimum time count for businesses receiving information, diagnostic and brokerage (IDB) output is retained.

Following on from discussions between the programme and the funding partners, eligible SMEs are permitted to be counted as a programme output more than once if they have received more than one instance of 12-hours intensive business support to consider and bid for different work package opportunities at Hinkley Point C. The minutes of the Governance meeting with funding partners outlines the agreed reporting requirements that the programme needed to adhere to:

"It was agreed that businesses could receive more than one round of assistance (IDB or Intensive Assistance) and that each separate round of assistance would be counted as a unit, however support provided to the same business could only be received once in a 6 month period and should not be the same type of support."

(Minutes of Governance Meetings with Funding Partners – July & Sept 2019)

Additionally, for each 12-hour intensive support the eligible SME has received, a corresponding IDB output has also been counted. For example, if a company has received 40 hours of support in connection with one or more work packages, then 3 x 12-hour intensive support outputs would be counted, along with 4 x IDB outputs. A worked example is shown below:

Company A - 40 hours of support:

$$\begin{aligned}
 40 \div 12 &= 3 \times 12 \text{ hour } \textit{intensive assists} \text{ (36 hours)} \\
 &= 3 \times 3 \text{ hour } \textit{IDB} \\
 40 - 36 \text{ hours} &= 4 \text{ hours} = 1 \times 3 \text{ hour } \textit{IDB} \\
 &= 3 \times \textit{intensive assists} + 4 \textit{ IDBs}
 \end{aligned}$$

Therefore, this worked example of support provided to a single eligible SME illustrates that it may have resulted in the programme capturing 3 x 12-hour intensive assists and 4 x 3-hour IDBs. To reiterate the point made previously, this conforms to the reporting requirements as set out and agreed by the funding partners. However, in our view it is important to also understand how many unique businesses have been assisted through the programme. This is set out in the below table.

The table also includes a RAG rating on whether the contract output targets have been achieved. This assessment is based on the review through this impact assessment. Those classified as ‘amber’ are marginally falling short of the output target as specified in the contract. This initial [Table 3](#) details delivery for all three areas in the programme area (HotSW, WoE and Wales). The subsequent tables ([Table 4](#)[Error! Reference source not found.](#) - [Table 6](#)) separately show the information for each of the areas. NB. HotSW does not have an HPC Supply Chain Portal registrations (A5) target however both WoE and Wales do.

Table 3: Unique businesses assisted through the programme

All Areas	ITT targets	Contract targets HotSW + WoE	HSCP targets HotSW + WoE + Wales	01/03/2017 - 31/12/2019	Impact Assessment Review			
				Reported HotSW + WoE + Wales	HotSW + WoE + Wales ²	All areas ^{2,3}	Unique company count ⁴	Latest data reviewed
A1: Enterprises receiving intensive support	150	min 250	325	213	217	232	163	16/01/2020
A2: Enterprises receiving IDB	400	min 500	700	735	704	777	609	16/01/2020
A3: Job creations in supported enterprises	200	min 150	200	350	200	221	-	Impact records ⁵
A4: Enterprises supported achieving new standards ⁶	50	min 50	75	204	283 [^]	314	205	15/01/2020
A5: Supported enterprises in the WoE and Wales registering on HPC Supply Chain Portal for the 1st time	10%	min 200 uplift on existing numbers	200	276	221	WoE: 170 Wales: 51	WoE: 170 Wales: 51	26/02/2019
A6: Supported enterprises winning a nuclear related contract		min 12	18	27	35	37	37	Impact records ⁵

[^] This encapsulates those enterprises who have attended workshops defined by the programme as providing ‘knowledge gained’

² Using multiple counting formula

³ Includes companies located in regions outside of HotSW, WoE, and Wales

⁴ Where each company is counted once regardless of how many intensive or IDB projects they have received

⁵ Based on 84 Impact Records reviewed and the methodology adopted in this impact assessment (see Section 3)

⁶ A4 metric based on companies gaining knowledge from workshops linked to standards (Pre-qual, Risk factors in pricing for nuclear, Project Management, NEC3 Contracting, FIDIC Contracting, ISO Accreditation, Fit 4 Nuclear)

The data specifically relating to delivery within the HotSW LEP area is shown in [Table 4](#) below. It is important to note that up until Sept 2019, the contract and reported figures represented combined outputs between the HotSW and WofE LEP areas.

Table 4: Programme delivery outputs – Heart of the South West LEP

Heart of the South West LEP	ITT targets	Contract targets HotSW + WoE	HotSW targets ⁷	Actual (01/03/2017 - 31/12/2019)	Impact Assessment Review		
					HotSW ⁸	Unique company count ⁹	Latest data reviewed
A1: Enterprises receiving intensive support	150	min 250	125	84	86	63	16/01/2020
A2: Enterprises receiving IDB	400	min 500	250	323	315	191	16/01/2020
A3: Job creations in supported enterprises	200	min 150	75	126	100	N/A	Impact records ¹⁰
A4: Enterprises supported achieving new standards	50	min 50	25	88	129	89	15/01/2020
A5: Supported enterprises in West of England registering on HPC Supply Chain Portal for 1st time	10%	min 200 uplift on existing numbers	N/A	N/A	N/A	N/A	26/02/2019
A6: Supported enterprises winning a nuclear related contract		min 12	6	12	18	18	Impact records ¹⁰

The following table details delivery specifically in the WofE LEP area. Again, it is important to note that, up until Sept 2019, the contract and reported figures represented combined outputs between the HotSW and WofE LEP areas. It is also important to note that the approach adopted in this impact assessment to capture ‘contract-specific’ economic impacts (see section 3.1) means that the job estimates are indicated lower than previously reported. This is due to the difference in the approach adopted for this work, and the approach previously used by the HSCP team. In terms of the latter, this captured projected job growth within those WofE businesses that have received support from HSCP and supplied an Impact Record. This evidence does show that for those businesses, they expect the number of aggregate jobs to increase by c100 jobs after support has been received.

The adjusted figure shown in [Table 5](#) indicates a lower figure, relating to HPC-related contracts won to date. However, this analysis has been based on 15 Impact Records submitted from WofE businesses (in the context of 77 receiving 77 intensive assists). Out of these 15 Impact Records, 11 businesses had won HPC-related contracts, although in the majority of cases the value of those contracts had been relatively small. However, it is the programme’s understanding that some of the contract values have been under-reported in the WofE – leading to a potential under-representation of the job impacts. Nevertheless, the evidenced job impacts are highlighted below. See Section 3.1 for commentary on the approach adopted.

The WofE outputs also do not allow the full demonstration of the impact on the local SME community. As shown in the later section (2.2.2), a lot of inward investment activity has occurred in the WofE. Inward investors have acquired

⁷ Sept 2019 Contract Governance Meeting – agreed West of England targets to be stripped out of the HotSW + WoE contract targets

⁸ Using multiple counting formula

⁹ Where each company is counted once regardless of how many intensive or IDB projects they have received

¹⁰ Based on Impact Records received to date and the methodology adopted in this impact assessment (see Section 3)

a significant number of businesses that were ‘clustered’ around the procurement hub in Bristol city centre. The impact on the growth of those SMEs (and associated creation/safeguarding of jobs) have not yet been quantified and are, therefore, not reflected in the below table – which focuses solely on the supply chain development programme strand.

Table 5: Programme delivery outputs - West of England LEP

West of England LEP	ITT targets	Contract targets HotSW + WoE	WoE targets	Actual (01/03/2017 - 31/12/2019)	Impact Assessment Review		
					WoE ¹¹	Unique company count ¹²	Latest data reviewed
A1: Enterprises receiving intensive support	150	min 250	125	76	77	56	16/01/2020
A2: Enterprises receiving IDB	400	min 500	250	251	235	129	16/01/2020
A3: Job creations in supported enterprises	200	min 150	75	93	25	N/A	Impact records ¹³
A4: Enterprises supported achieving new standards ¹⁴	50	min 50	25	71	94	71	15/01/2020
A5: Supported enterprises in West of England registering on HPC Supply Chain Portal for 1st time	10%	min 200 uplift on existing numbers	200	196	170	170	26/02/2019
A6: Supported enterprises winning a nuclear related contract		min 12	6	10	11	11	Impact records ¹³

The same data is shown for Wales, relating to delivery supported by Welsh Government funding ([Table 6](#)). This table includes revised targets as agreed and evidenced in the Contract Governance meeting held in September 2019. For outputs A1 and A2, these targets were marginally lowered from the original contract targets.

These numbers do not reflect a further 16 SMEs that have signed-up to receive intensive support since January, but not yet counted as an achieved output. Again, as in the other LEP areas, the lower job creation figures relate to the approach adopted in this Impact Assessment – focusing specifically on job estimates associated specifically to HPC-related contracts.

¹¹ Using multiple counting formula

¹² Where each company is counted once regardless of how many intensive or IDB projects they have received

¹³ Based on Impact Records received to date and the methodology adopted in this impact assessment (see Section 3)

¹⁴ A4 metric based on companies gaining knowledge from workshops linked to standards (Pre-qual, Risk factors in pricing for nuclear, Project Management, NEC3 Contracting, FIDIC Contracting, ISO Accreditation, Fit 4 Nuclear)

Table 6: Programme delivery outputs - Wales

Wales	Original Contract targets (Oct 2017)	Wales targets (Sept 2019)	Actual (01/03/2017 - 31/12/2019)	Impact Assessment Review		
				Wales ¹⁵	Unique company count ¹⁶	Latest data reviewed
A1: Enterprises receiving intensive support	?	75	53	54	37	16/01/2020
A2: Enterprises receiving IDB	250	175	161	154	72	16/01/2020
A3: Job creations in supported enterprises	50	50	131	77	N/A	Impact records ¹⁷
A4: Enterprises supported achieving new standards ¹⁸	25	25	45	60	45	15/01/2020
A5: Supported enterprises in Wales registering on HPC Supply Chain Portal for 1st time	100	100	80	51	51	26/02/2019
A6: Supported enterprises winning a nuclear related contract	6	6	5	6	6	Impact records ^{17,19}

Other LEP areas receiving IDB and intensive support are shown in the below tables.

Table 7: Outputs achieved in other LEP areas

Other LEP areas	Impact Assessment Review		
	Other LEPs ¹⁵	Unique company count ¹⁶	Latest data reviewed
A1: Enterprises receiving intensive support	54	37	16/01/2020
A2: Enterprises receiving IDB	154	72	16/01/2020
A3: Job creations in supported enterprises	21	N/A	Impact records ^{17,14}
A4: Enterprises supported achieving new standards ¹⁸	31	21	15/01/2020
A5: Supported enterprises registering on HPC Supply Chain Portal for 1st time	N/A	N/A	26/02/2019
A6: Supported enterprises winning a nuclear related contract	6	6	Impact records ¹⁷

Table 8: Other LEP areas receiving IDB and intensive support

Impact Assessment Review			
Intensive Assistance		IDBs	
LEP area	Companies	LEP area	Companies
Cornwall & Isles of Scilly LEP	1	Cheshire & Warrington LEP	1
Dorset LEP	2	Cornwall & Isles of Scilly LEP	5
Gloucestershire LEP	2	Dorset LEP	16
Swindon & Wiltshire LEP	2	Gloucestershire LEP	20
Both the Gloucestershire LEP companies went on to win HPC contracts ¹⁷		Hertfordshire LEP	1
		London LEP	1
		Stoke-on-Trent & Staffordshire LEP	1
		Swindon & Wiltshire LEP	14
		The Marches LEP	1
		Worcestershire LEP	1

¹⁵ Using multiple counting formula

¹⁶ Where each company is counted once regardless of how many intensive or IDB projects they have received

¹⁷ Based on Impact Records received to date and the methodology adopted in this impact assessment (see Section 3)

¹⁸ A4 metric based on companies gaining knowledge from workshops linked to standards (Pre-qual, Risk factors in pricing for nuclear, Project Management, NEC3 Contracting, FIDIC Contracting, ISO Accreditation, Fit 4 Nuclear)

In addition to these contract output targets, there was also a set of KPIs that the programme has reported progress against. Again, we have reviewed these as part of this impact assessment, and this is set out in the below table. Again, this is expressed as a RAG assessment for each indicator.

Table 9: Programme KPIs

	Annual report 2018-2019 (Oct '19)	Impact Assessment Review	Latest data reviewed
Engaged with Tier 1 and Tier 2 contractors to the project	Over 90	127	Undated
Work packages identified and assessed	Over 350	376	26/04/2019
Times companies promoted against HPC related opportunities	Over 7500	7509	26/04/2019
Individual companies promoted to opportunities with contractors linked to the project	Over 3000	2240 ¹⁹	26/04/2019
Companies that have started customer journey through programme	Over 800	882	16/01/2020
Companies receiving intensive support	120	163	16/01/2020
Workshops run to support companies using HPC as catalyst for growth	Over 100	101	26/04/2019
Companies supported to invest in the region	23	34	11/09/2019

Finally, the programme team have previously reported a number of other deliverables through the Annual Reports, which it has submitted to funding partners. We have summarised these in the below table.

Table 10: Additional programme outcome deliverables

	Mar 2017 - Mar 2018 inclusive		
SME Business Support	Contract Governance Minutes	Impact Assessment Review	Latest data reviewed
Number of companies engaged through the programme	Over 800	876	16/01/ 2020
Jobs creation	200	221	Impact Records
GVA created	£13m	£10.0mn-£10.4mn	Impact Records
Firms winning contracts related to HPC	18	37	Impact Records
Contracts awarded to companies supported through programme	£20m+	£31.7mn-£33.0mn	Impact Records
Value of contracts of companies in bidding process & bidding	Over £400m	£468.3mn	Undated (<i>estimated figures</i>)
Additional GVA	More than £15.5m	£10.5m	Impact Records

The geographical distribution of the businesses assisted through the programme are shown in the maps contained in Appendix A.

¹⁹ 3,047 suppliers matched of which 807 had a pre-March 2017 match search delivery date, therefore 2,240 companies promoted

2.2.2 Inward Investment (B)

The programme also had a set of output targets in relation to its inward investment strand. Again, part of this exercise has been to provide an independent review of the evidence that supports the performance against those targets. These are set out in the below table. Again, performance against output targets is indicated through a RAG assessment. This has only been applied against those outputs we have been able to independently verify.

Table 11: Inward Investment outputs

All Areas	ITT targets	Contract targets (min)	CTD	Actual 01/03/2017-31/12/2019	Impact Assessment Review		
					All areas	Unique company count	Latest data reviewed
B1: Interact with nuclear-related potential investors ²⁰	500	500	1,500	2,000+	Unable to validate. Running total kept of estimated numbers at each event attended.		
B2: Develop pipeline of warm leads ²¹	50	50	150	410	410 ²² (63)	410 (63)	Sept 2019
B3: Develop relationship with qualified leads	30	30	90	135	148	148	Nov 2019
B4: Successful landings	15	15	45	34	34	34	Sept 2019
B5: Account Management Service	50	50	150	N/A	SWMAS initially account managed NSW II. They would get prospects to the next stage then hand them over to the teams. Metric no longer applicable to SWMAS as investment parties/partners took over the account management.		
B6: Develop Projects ²³	10	10	30	18	Unable to validate as count from personal knowledge of the NSW II companies that isn't captured.		
B7: Engage Industry Ambassadors	10	10	30	21	21	20	Undated

As discussed previously, the programme has been able to support 34 inward investment landings. We view this as a significant outcome given that the programme period has almost exactly mirrored the period following the EU Referendum and the subsequent uncertainty that has followed. As shown by national data, this uncertainty has affected investment and the flow of inward investment into the UK²⁴.

²⁰ e.g. a member of the HSCP speaking at an event is talking to all attendees about opportunities at NSW/Hinkley

²¹ B2-B4 outputs: two different .xlsx used. The B2 .xlsx now aligns with the partners' systems (change requested by the partners)

²² It is our understanding that the definition of what constituted a 'warm lead' changed during the contract period. The original definition focused on those organisations that were interested in the region and for which programme had email/address details. However, this definition was subsequently 'tightened' to focus more on those organisations where that initial interest had developed into opportunities that were more likely in the short-to-medium term. Therefore, both definitions are reflected in the table. 63 relates to the number of landings (those businesses that had moved from 'pipeline' to 'actual') and those which are currently defined as prospective inward investment opportunities

²³ Relates to companies already in the area but looking to develop additional projects

²⁴ <https://www.ft.com/content/6416a20a-9805-11e9-8cfb-30c211dcd229>

2.2.3 Hinkley Supply Chain Portal

Focusing specially on registrations on the Hinkley Supply Chain portal, the following series of tables indicate how many additional registrations have taken place since the HSCP. There was a specific target within the WofE to achieve a 10% uplift in registrations on the HSC Portal during the programme period i.e. against a pre-programme baseline. The number of companies registered²⁵ on the HSC Portal between July 2010 and February 2019 was 4,179. There were 493 new registrations between the start of the HSCP programme and February 2019 (the latest available data), representing a 13.4% increase in overall registrations.

Again, this is represented as a programme total amount and each of the individual three areas. The differential between the total registration (4,179) and the totals in each of the three areas (3,932) highlights those registrations outside of the programme area.

Total	Annual report 2018-2019 (Oct '19)	Impact Assessment Review	Uplift	Latest data reviewed
Registrations on the HSC portal	c.4100	4179		05/02/2019
Registrations since March 2017		493		
Registrations prior to March 2017		3686	13.4%	

WofE	Impact Assessment Review	% uplift	Latest data reviewed
Since March 2017	170		05/02/2019
Prior to March 2017	816		
Total	986	20.8%	

HotSW	Impact Assessment Review	% uplift	Latest data reviewed
Since March 2017	272		05/02/2019
Prior to March 2017	2457		
Total	2729	11.1%	

Wales	Impact Assessment Review	% uplift	Latest data reviewed
Since March 2017	51		05/02/2019
Prior to March 2017	166		
Total	217	30.7%	

The specific geographical locations of the HSC Portal registrations are shown in the below tables. It shows that over half (c57%) of the businesses registered on the portal are located in Somerset.

²⁵ 2018 Portal Report Annual Report May 2019 v2.xlsx

Table 12: HSC Portal registrations by registrant location

Local Authority Area	No: of companies	Local Authority Area	No: of companies
Somerset	2,381	Cardiff	48
Devon	331	Swansea	17
Plymouth	78	Bridgend	17
Torbay	39	Newport	16
		Monmouthshire	15
City of Bristol	398	Pembrokeshire	14
Bath and North East Somerset	107	Rhondda Cynon Taff	14
South Gloucestershire	171	Caerphilly	13
		Neath Port Talbot	13
Gloucestershire	166	Torfaen	12
Wiltshire	81	Carmarthenshire	12
Swindon	39	The Vale of Glamorgan	6
		Blaenau Gwent	5
Cornwall	74	Merthyr Tydfil	4
		Powys	2
Dorset	79		
Poole	15		
Bournemouth	12		
		Total	4,179

A map showing the locations of those businesses which have registered on the Hinkley Supply Chain portal is shown in Appendix A.

It is important to note that the Hinkley Supply Chain Portal is heavily dominated by Somerset businesses (57% of total). HPC partners have viewed the portal as an important tool. As such, there was an expectation that the HSCP would use the portal as the resource to identify businesses that could meet contract opportunities. Whilst the programme did have some flexibility, the geographical distribution of businesses on the portal did have some influence in activity.

When registering on the portal, businesses are requested to indicate what particular capabilities/ specialisms they consider themselves to hold. Therefore, they are self-defined by the businesses themselves. The following charts have been taken from the data²⁶ that informed a report previously submitted by the HSCP team. Again, we have reviewed this data source.

²⁶ 2018 Portal Report Annual Report May2019 v2.xlsx

Figure 4: HotSW registered businesses (capabilities) - Hinkley Supply Chain Portal

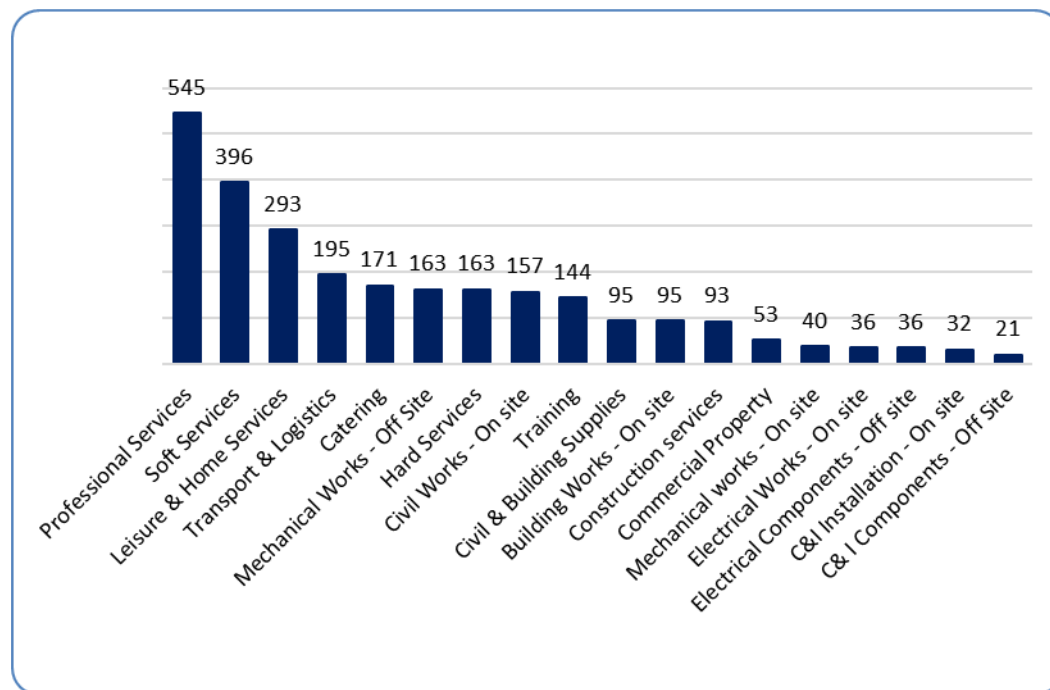


Figure 5: WoE registered businesses (capabilities) - Hinkley Supply Chain Portal

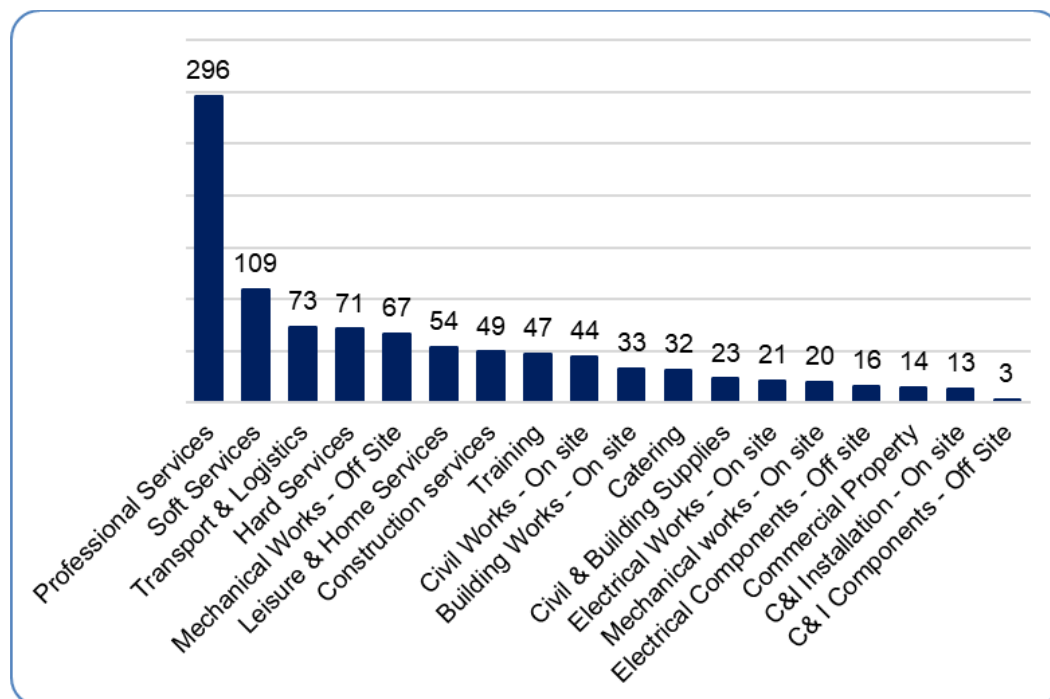
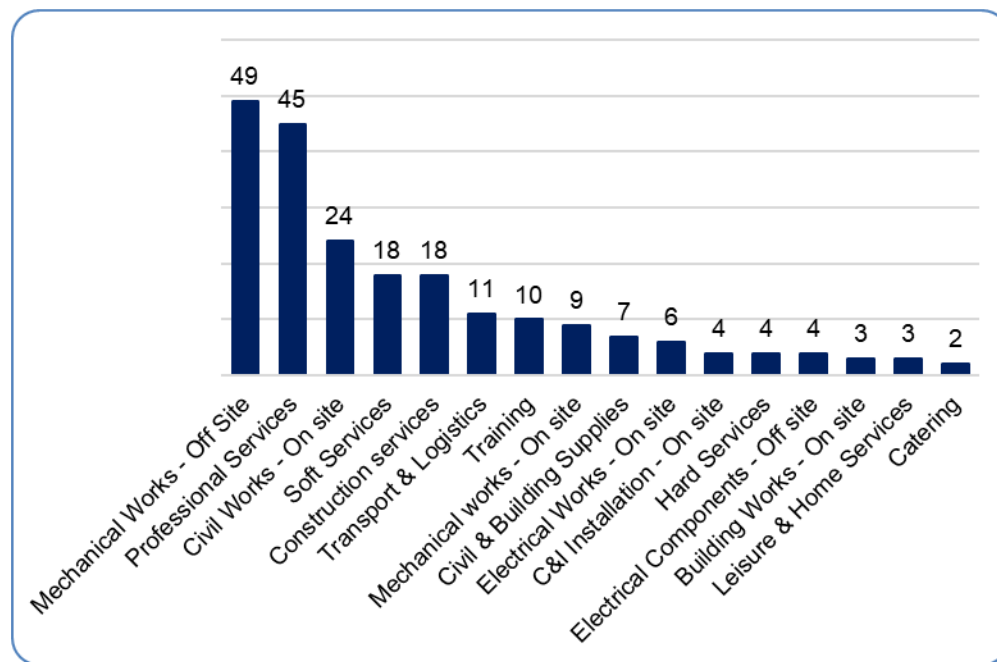


Figure 6: Wales registered businesses (capabilities) - Hinkley Supply Chain Portal



2.3 Survey and Event Feedback

2.3.1 Survey Feedback

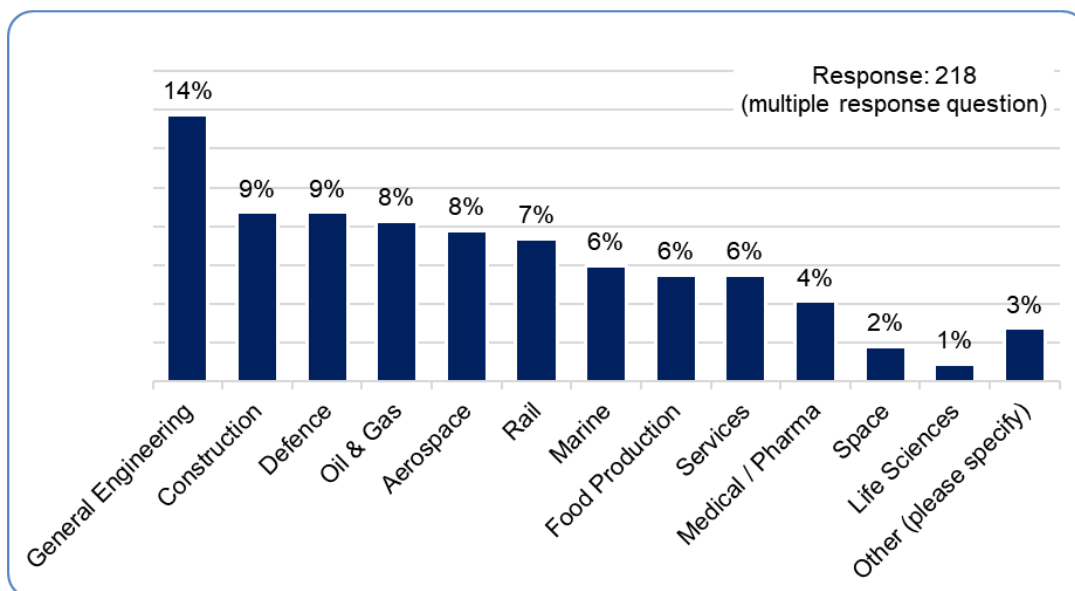
The HSCP programme circulated a survey to those businesses that had received support at that time (c.400 businesses). The survey was circulated in May/June 2019. The aim of the survey was to gain feedback on the quality of support provided. However, it is important to note that only 41²⁷ businesses fully responded to the survey. This number of responses represents just 4.5% of the 903 companies that had started their journey through the programme at that time. **Consequently, care should be taken in placing too much emphasis on the interpretation of the results, particularly when viewing the responses as being representative of the whole cohort supported through the programme.** Given the low number of responses, we do not feel that these responses should be viewed as wholly representative. However, the results are outlined here for completeness.

34 respondents (83%) classified themselves as an SME. Given that SMEs were only eligible for support through the programme, this probably indicates that some were unsure of the definition of what constitutes an SME.

‘General Engineering’ was the most frequently represented sector amongst the survey respondents with 30 businesses selecting this option. This was followed by Construction (19), Defence (19), and Oil & Gas (18). Businesses were able to select more than one option. This is insightful, illustrating that many businesses view themselves as serving several markets. On average, businesses selected 4 sectors.

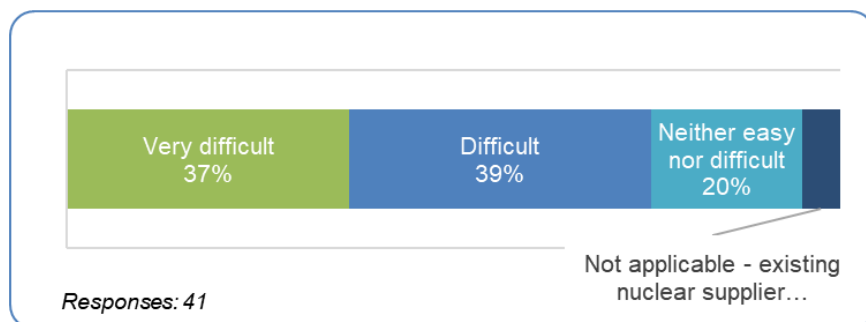
²⁷ Three respondents have been excluded as they did not answer any of the questions

Figure 7: Apart from Nuclear which sectors does your business operate in?



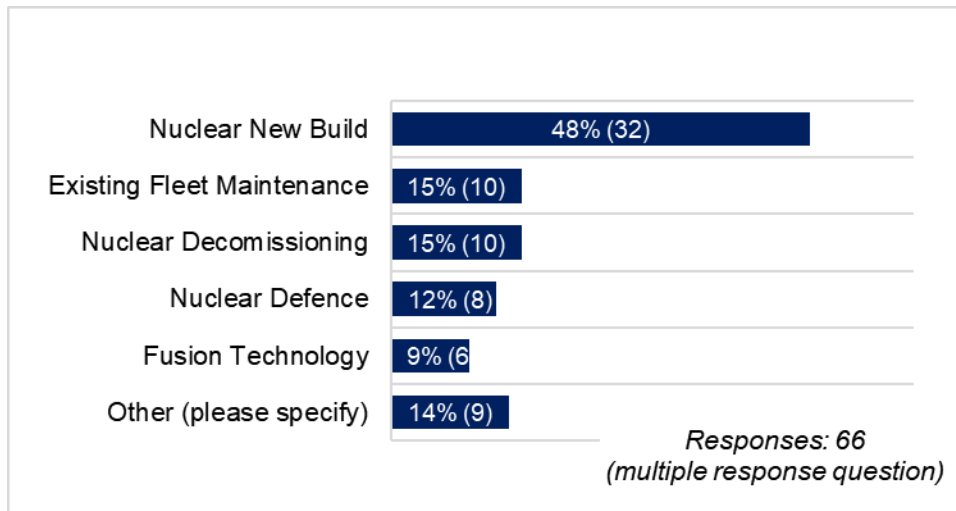
Almost half of respondents (49%) said they were now ‘confident’ or ‘very confident’ to invest in nuclear – even though just under half of these did not already supply into the nuclear market or had only supplied a small amount of business. 70% of this cohort had previously found it difficult or very difficult to break into the nuclear market. Overall, 75% (31) respondents said it was difficult or very difficult to break into the nuclear market – as shown in the below chart.

Figure 8: How easy have you found it to try and break into the nuclear market?



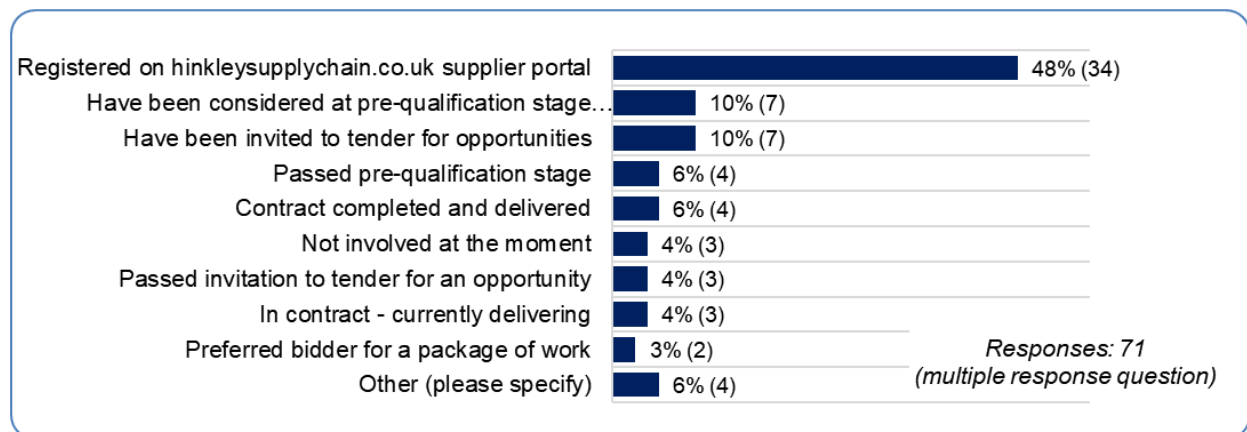
Just over a third (14 businesses) felt moderately confident to invest, even though nearly two-thirds of these had yet to supply into the Nuclear market. The survey respondents were mainly looking to grow in the nuclear new build market, with 48% choosing this option. A small proportion (15%) were looking for opportunities in ‘existing fleet maintenance’ and ‘nuclear decommissioning’ respectively.

Figure 9: Which market segments within Nuclear is your business looking to grow with or access?



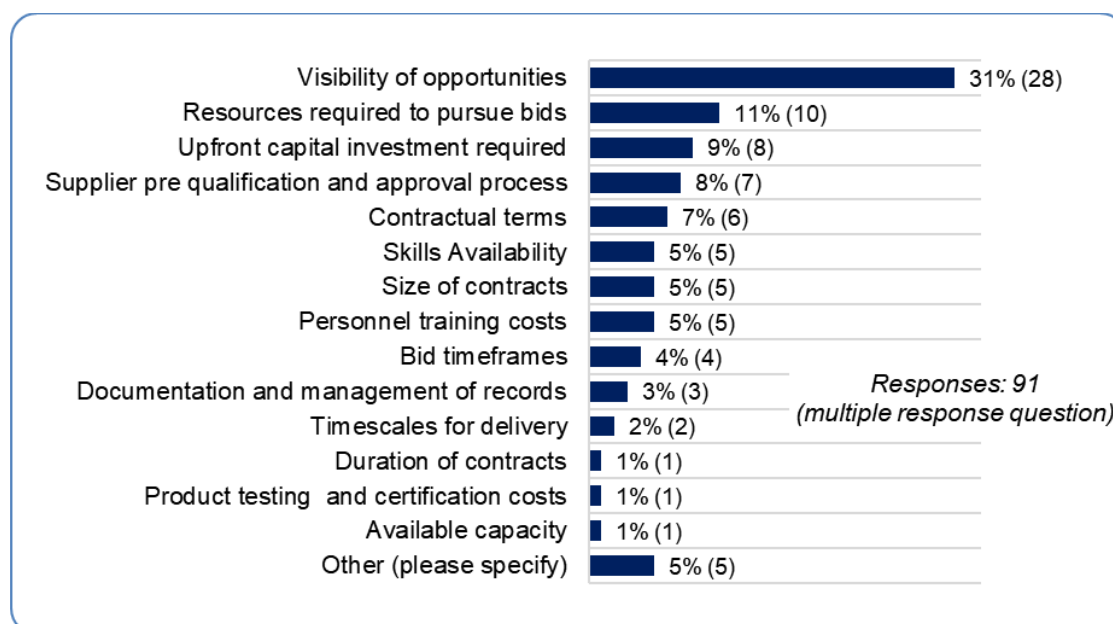
Of the 34 business who stated they were registered on the Hinkley supplier portal, 6 (18%) reported that they had been considered at pre-qualification stage (PQQ). Contracts for these were predominately valued at less than £100,000, with one of between £100,000-£500,000 and one at £1mn-£5mn. At the time of the survey, two had passed the Invitation to Tender stage for an opportunity, and in one case the contract (£1m - £5m) had been completed and delivered.

Figure 10: Can you confirm if your company is involved in the Hinkley Point C supply chain procurement processes? Please indicate how far you have progressed with any opportunity to date.



When asked what their biggest challenge was in growing their business using HPC and nuclear as a growth platform, 28 (31%) respondents identified 'visibility of opportunities', followed by 'resources required to pursue bids' (11%).

Figure 11: What would you describe as your biggest challenge in growing your business using HPC & nuclear as a growth platform?



Over half (58%) of those answering ‘visibility of opportunities’ also described their biggest challenges, citing issues around who to contact and accessing the appropriate people within Tier 1 and Tier 2 contractors. A small number (4 businesses) identified lacking knowledge or understanding of what was required and expectations of them, and concerns around their business competence or resources (2). A selection of comments is highlighted below:

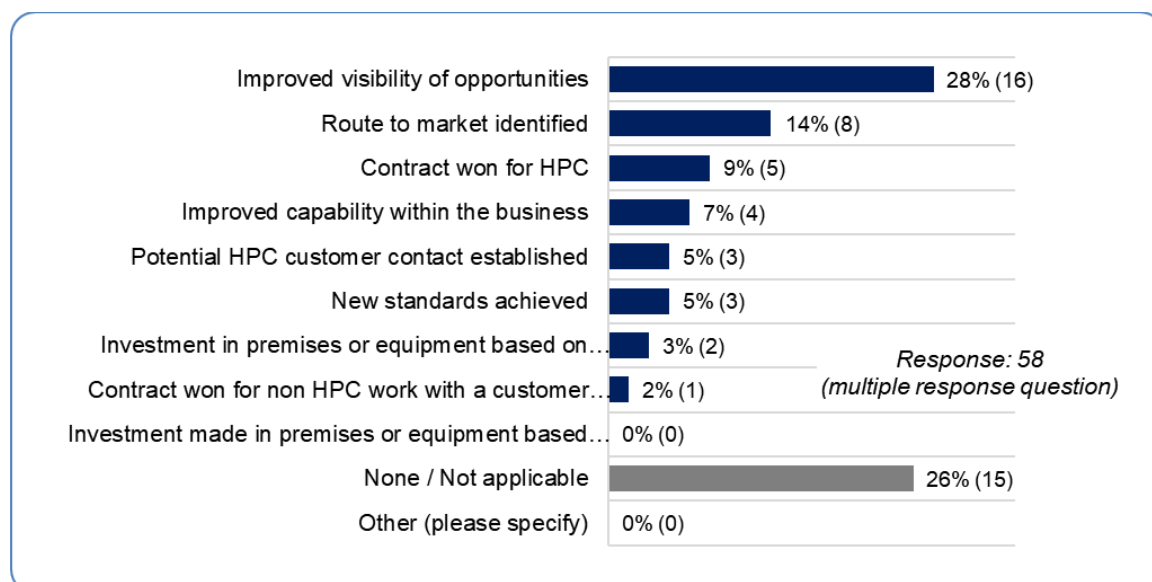
“Our position in the supply chain limits visibility of opportunities as main contractors empower their contractors to source own materials”

“Access to the appropriate technical and commercial people at Tier 2 and Tier 3 who would be interested in our products.”

“Identifying and building awareness of our business competence amongst Tier 1 / Tier 2 suppliers”

When asked what significant impact their business had seen as a result of taking part in the HSCP, ‘improved visibility of opportunities’ was cited in 28% of cases, followed by ‘route to market identified’ (14%) and ‘contract won for HPC’ (9%).

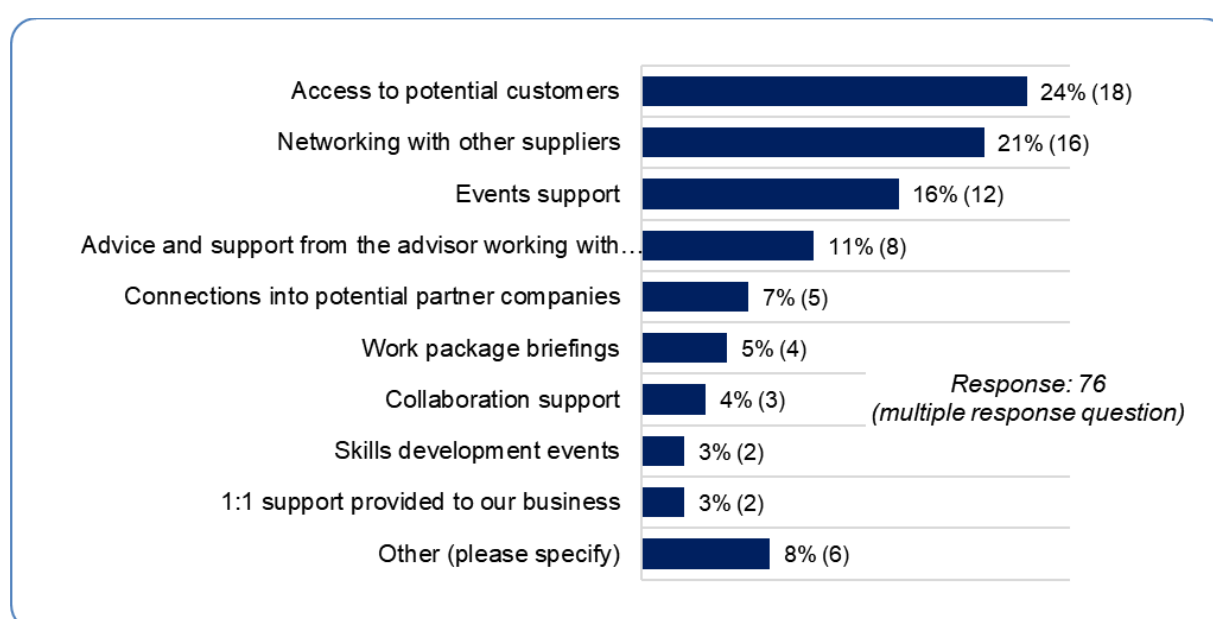
Figure 12: Please give details of any significant impacts your business has seen as a result of taking part in the Hinkley Supply Chain Programme.



Eleven (39%) of those who earlier identified 'visibility of opportunities' as one of their biggest challenges, had seen improved visibility as a result of taking part in the HSCP.

In keeping with the main challenges being identified as 'lack of visibility of opportunities' and of 'who to contact/accessing the right people to raise awareness of their business', 24% (18 businesses) valued gaining access to potential customers. This was identified as the most valuable aspect of the HSCP by all those who responded to the survey.

Figure 13: What have you valued most about taking part in the Hinkley Supply Chain programme?



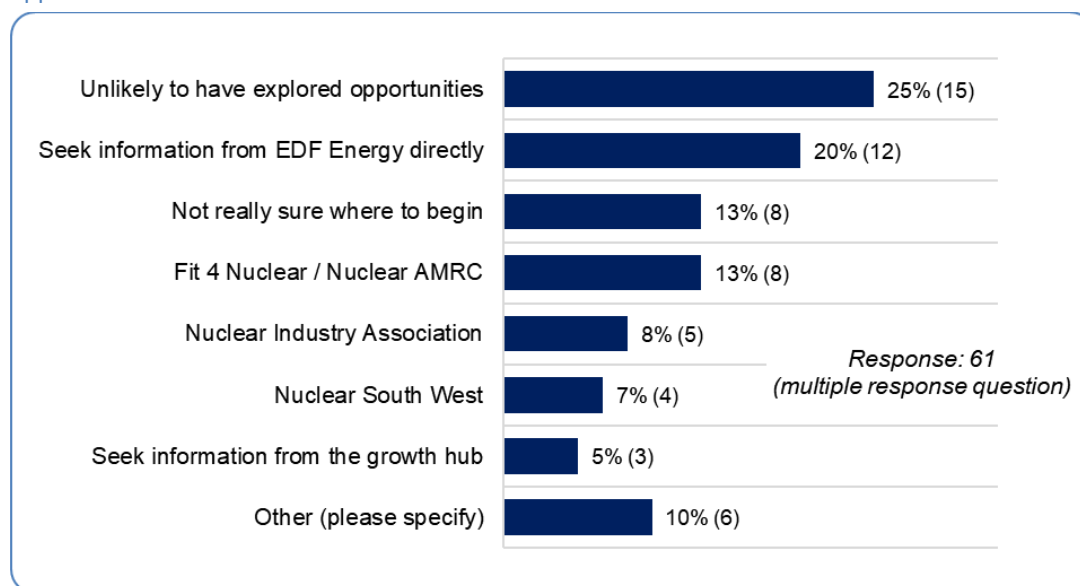
Other positive comments included “general heads up of progress” and “opportunities to tender for other work for Tier 1’s involved with HPC new build.” However, two businesses commented that they were yet to see any value.

Just over half of survey respondents (21 businesses) rated the service they had received as ‘good’ or ‘very good’. However nearly a quarter (9 businesses) rated it as ‘fair’ or ‘poor’, and 9 that it was ‘average’.

Other than one business (who was further down the HPC supply chain), none of the nine answering ‘fair’ or ‘poor’ were directly supplying into the HPC project at the time of the survey. It was therefore not surprising that the majority (78%) found it difficult to break into the nuclear market. A review of their earlier comments showed their biggest challenges to be around knowledge of requirements, how to access opportunities as a professional services-oriented provider, the need for approvals, or a belief that contracts were going to companies outside the local area. One business referenced Fit4Nuclear²⁸ but did not expand on its view.

Survey respondents were asked how they would have explored opportunities within the nuclear sector if HSCP did not exist. The most frequent response was that they would be ‘unlikely to have explored opportunities’, with a quarter of businesses (15) selecting this option. This was followed by 20% (12) of businesses who said they would ‘seek information from EDF Energy directly’, and 26% (16) ‘not being sure where to begin’ or would have contact ‘Fit4Nuclear/Nuclear AMRC’. Respondents were able to pick multiple options.

Figure 14: If the Hinkley Supply Chain Programme did not exist how would you have explored opportunities within the nuclear sector?



When asked what had worked well with the support they had received from the programme, the largest number of responses was around the receipt of information and an increase in knowledge. Perhaps not surprising results given the focus of the programme.

²⁸ <https://www.namrc.co.uk/services/f4n/> - delivered by the Nuclear Advanced Manufacturing Research Centre

Respondents were asked what challenges they felt were not being addressed, and for which they would like support. Nearly half (46% or 12 businesses) referenced getting access to contractors and/or contacting contractors about opportunities. Some specific comments received were:

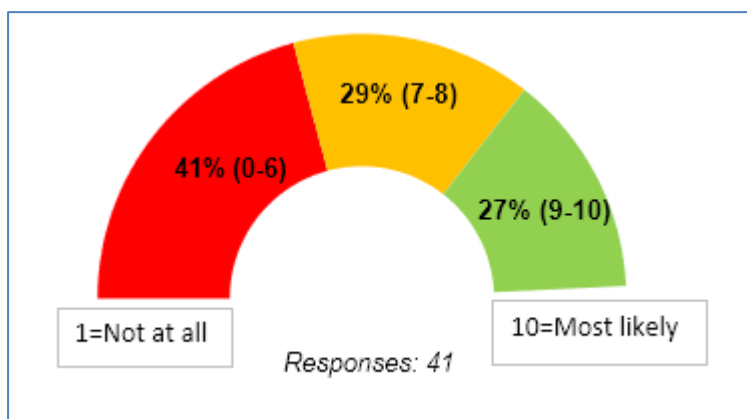
“Access to the appropriate technical and commercial people at Tier 2 and Tier 3 who would be interested in our products

“There needs to be more ‘meet the buyer’ events. More visibility of tier 2 and 3 contractors, supply chain website only identifies tier 1”

“FIDIC contract briefings – NEC has been well covered but I have not seen briefings on FIDIC Getting Approved”

Overall, the responses received via the client survey regarding whether that business would recommend the HSCP to similar businesses was mixed. Businesses were asked to score out of 10 (1 being not at all and 10 most likely to recommend). 41% (17 businesses) scored the support no higher than 6/10. Just over a quarter (27% - 11 businesses) scored 10/10. The overall mean score was 4.8/10.

Figure 15: Likelihood to recommend the HSCP service to other businesses (survey)



The Net Promoter Score²⁹ indicates that the respondents were 15% less likely to recommend the service. Again, it is important to reiterate that these responses represent a small proportion (4.5%) of the total number of businesses supported.

In addition to the challenges outlined above, some of those who were least likely to recommend the service (i.e. scored 0-6/10) also referred to lack of knowledge of what they should be doing at different stages, how to secure tender opportunities even when involved in the supply chain, and access to grants and funding opportunities.

When asked what they most valued about the service, nearly two-thirds of those giving 10/10 scores valued the access to potential customers, and nearly half valued the advice and support from the adviser working with them and the networking opportunities with other suppliers afforded by the programme. The most significant impact half of the 10/10 scoring businesses had seen was the visibility of opportunities.

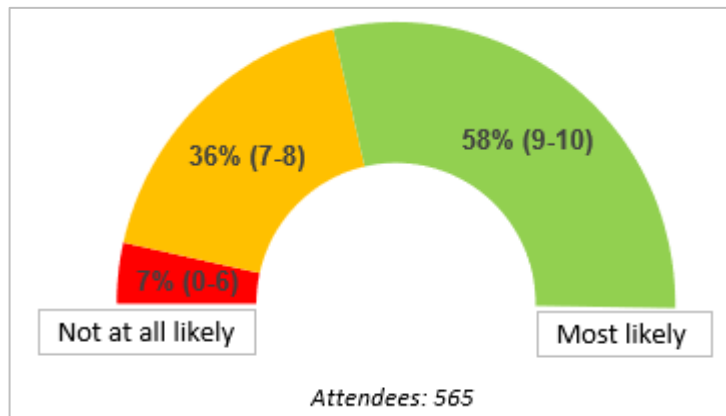
²⁹ NPS = (Promoters (0-6 score) - Detractors (9-10 score)) / Number of respondents

2.3.2 Event Feedback

After attending an event hosted by the HSCP, clients were asked to complete a feedback form which asked their likelihood to recommend the Hinkley Supply Chain Programme service to other businesses in the area. The collated Net Promoter Score (NPS) results were shared with the evaluation team.

This showed that over half of the attendees (58% or 325 attendees) would be most likely to recommend the HSCP service to other businesses (awarded scores of 9 or 10/10). Over a third (36%) were less decided.

Figure 16: Likelihood to recommend the HSCP service to other businesses (event feedback)



Due to the limited nature of the impact assessment and the short timescales it has not been possible to carry out any analysis of responses provided to the other questions on the feedback form. However, in broad terms it appears that the feedback received at programme events by those businesses was positive.

SECTION THREE: PROJECT OUTCOMES AND IMPACT

Having provided an overview of progress and outputs in Section Two, this section of the report focuses on wider outcomes and impacts arising from Hinkley Supply Chain Impact programmes activities. This represents the core focus of this impact assessment. This section also considers the project's additionality, concluding with an assessment of whether it has made a difference.

The assessment of impact focuses on the two core strands of the programme:

- Supplier development for local SMEs
- Inward investment support

3.1 *Supplier development for local SMEs*

3.1.1 **Gross impact**

The first strand of the programme was to work with SMEs in the programme area, providing support to help them achieve the standards and capabilities that Tier 1 and Tier 2 contractors require from the supply chain. In addition, it had a role to engage with Tier 1 and Tier 2 industrial partners to understand their contract requirements and to match those against businesses who could meet those requirements. There was also a range of other activities included in this strand.

The assessment of impact of this strand has principally focused on the evidence that has been collated by the HSCP through the Programme Impact Records. This form is used by the programme to capture the support that a business will have received through the HSCP. It also captures important information for the purposes of assessing impact:

Financial information that encapsulates the year 'previous' to the programme support, the 'current' year which reflects financial performance in the year of initial HSCP support, and the 'next' year – reflecting financial information for the year following HSCP support. The financial information that beneficiaries are asked to complete are:

- Financial year date
- Turnover
- Full Time Equivalents
- Net Profit
- Depreciation
- Total Salary Costs

Businesses are then asked to derive the Gross Value Added (GVA) generated by their business. This has largely been left blank, perhaps not surprising given it is a measurement that is not used/required in financial accounting. However, GVA can be easily derived through summing Net Profit, Depreciation and Total Salary Costs. The HSCP programme team have captured this and used it as the basis for their previous GVA reporting (see later comment).

The Impact Form also asks businesses to detail how much investment it has made as a result of the realised/potential HPC-related contract opportunities. It also provides an opportunity for businesses to outline any new standards achieved as a result of the HSCP support.

Importantly, it asks businesses to detail the number of contract wins it has successfully secured, as well as the indicative value of those contracts. This has largely been completed by those businesses which have won contracts to date, although several have chosen not to disclose. Again, this is understandable given commercial confidentiality. Usefully, several businesses have detailed those tender opportunities for which they are still in the bid process. On occasion, some businesses detailed those tender opportunities against which they submitted a bid but were unsuccessful.

It includes an activity time-log of the HSPC support provided, alongside the date of support. Importantly, for the purposes of this impact assessment the Impact Record contains the following statement:

“By signing this form, you confirm that you have received support through the Hinkley Supply Chain Programme to help your business access opportunities within the nuclear sector....”

The Impact Record is then signed and dated by a representative of the business. In our view this statement and associated business signatory provides a firm foundation upon which the validity of impact estimates can be based. Using the Impact Records as a basis for evidence of impact has previously been discussed and agreed by the funding partners – as highlighted by the minutes of the Governance meetings. However, it is still useful to highlight that the Impact Record confirms that the business has received support to access opportunities through the HSCP. It doesn't directly evidence that secured outcomes (contracts/standards) were as a direct result of the programme. We feel this is important to understand and, in many ways, is understandable given that there will be a range of influencing factors.

The HSCP team have worked to obtain as many signed Impact Records as they can from those businesses which have been supported through the programme. To date they have received completed 84 Impact Records and, for the purposes of this impact assessment, we have reviewed all of those submitted. This leads to a fundamental point which is important to recognise in the analysis. The 84 Impact Records received to date only represent a small proportion of those businesses that have received support through the programme – as shown previously it has delivered 'intensive support' to 163 unique businesses to date within the programme area.

Fundamentally, the programme has attempted to capture the indicative contracts that businesses that have been supported through HSCP have won through Tier 1 and/or Tier 2 contractors. This is commercially sensitive data and therefore cannot be used widely by the programme. We were able to review this data under restricted access, managed closely by the programme team and meeting data confidentiality and non-disclosure requirements³⁰.

We have been given access to this data as part of impact assessment. This was last updated in August 2019. This has been informed by its own intelligence and links with those contractors and individual SME businesses. It reflects the HSCP team's estimates of the contract value wins to date. Similarly, it reflects the

³⁰ As part of this work, we have signed Non-Disclosure Agreements with SWMAS Ltd

potential contract values of those opportunities where the business is at preferred bidder/pre-contract stage, as well as those contract values where the business is currently bidding against an opportunity. We discuss the indicative value of these contract wins later in this section, in the context of the ‘evidenced’ feedback received through the Impact Records.

In addition, the programme also receives data directly from EDF relating to the contract spend with those businesses that have been supported through the programme. EDF collects this data from its Tier 1 and Tier 2 suppliers, as well as those contracts it may commission directly. This differs from the other data in the respect that this represents spend to date (last updated in October 2019), rather than contract values given and many of those contracts will be delivered over the coming years. We were advised that due to its commercially sensitive nature, this data could not be included in our analysis.

However, we were able to access recently published supply chain spend data broken down into geographical area (<https://www.edfenergy.com/energy/nuclear-new-build-projects/hinkley-point-c-for-suppliers-and-local-businesses/built-in-britain>). This data was released in February 2020 and acts as a key source. The data details spend to date, the number of suppliers and individual contracts, and the average value of contracts. This is detailed in *Table 13* below, broken down by Local Authority areas. We have mapped those Local Authority Areas against the relevant funding partner. The data reflects spend since January 2016. Therefore, useful to note that this does precede the start of the HSCP. It may also capture some spend with businesses who may not necessarily have been supported through the programme.

Table 13: EDF Supply Chain spend data (Feb 2020)

Local Authority Area	Funding Partner Area	Project Spend	Number of suppliers	Number of contracts	Average spend per contract
West Somerset	HotSW LEP	£4,357,254	14	16	£311,232
Taunton Deane		£8,407,284	78	92	£107,786
South Somerset		£5,649,333	24	29	£235,389
Sedgemoor		£186,570,787	132	203	£1,413,415
Mendip		£46,741,361	26	30	£1,797,745
Mid Devon		£1,053,955	15	16	£70,264
North Devon		£489,754	22	23	£22,262
East Devon		£2,485,586	10	10	£248,559
Exeter		£2,227,656	26	26	£85,679
Torridge		£42,769,106	20	26	£2,138,455
West Devon		£21,935	3	3	£7,312
Torbay		£164,156	4	4	£41,039
Plymouth		£4,931,306	17	19	£290,077
Teignbridge		£2,141,585	13	14	£164,737
South Hams		£56,356	3	3	£18,785
HotSW Total		£308,067,414	407	514	£599,353
Bath and North East Somerset	WofE LEP	£32,674,896	18	20	£1,815,272
City of Bristol		£336,541,380	133	165	£2,530,386
South Gloucestershire		£119,611,563	58	75	£2,062,268

WofE Total		£488,827,839	209	260	£1,880,107
Monmouthshire	South Wales	£9,794,234	10	14	£979,423
Newport		£5,611,710	6	8	£935,285
Torfaen		£811,456	3	3	£270,485
Blaenau Gwent		£40,353	2	2	£20,177
Merthyr Tydfil		Not disclosed			
Rhondda Cynon Taf		£174,908	8	8	£21,864
Caerphilly		£1,000,823	8	9	£125,103
Cardiff		£11,161,103	16	18	£697,569
Vale of Glamorgan		£157,699	5	6	£31,540
Bridgend		£770,326	8	8	£96,291
Neath Port Talbot		£29,433,418	7	10	£4,204,774
Swansea		£8,782,336	5	5	£1,756,467
Carmarthenshire		£267,058	2	2	£133,529
Pembrokeshire		£1,647,901	4	4	£411,975
South Wales Total		£69,653,331	84	97	£718,076
Powys	Rest of Wales	£311,442	3	5	£103,814
Ceredigion		Not disclosed			
Gwynedd		Not disclosed			
Conwy		£255,656	2	2	£127,828
Denbigshire		£360,453	2	2	£180,227
Flintshire		£40,900	2	2	£20,450
Wrexham		£239,606	5	5	£47,921
Rest of Wales		£1,208,057	14	16	£75,504
Wales Total		£70,861,388	98	113	£627,092
TOTAL – HSCP Programme Area³¹		£867,756,641	714	887	£978,305

This table illustrates the extent of HPC related spending across the HSCP area. Since 2016, the data indicates that c£870mn has been spent across the HotSW and WofE LEP areas and across Wales, with the concentration of spend within Wales heavily concentrated in South Wales. It is important to note that this data relates to spend to date, it does not reflect contracted values. Therefore, it differs somewhat to some of the other data analysed for this work and would be expected to increase over the coming years. Equally, it does also capture spend that precedes the HSCP and, as would be expected, it does not disclose the details at an individual business level. Therefore, we cannot cross-reference against HSCP beneficiaries.

Therefore, as stated previously, the main focus of the impact assessment in terms of ‘verified’ evidence has been the Impact Records collated by the HSCP programme team. The Impact Records have also been the main source for reporting back to funding partners on wider indications of impact, through both governance meetings and the Annual Reports submitted in 2017 and 2018.

The method that has been used by the programme team has been based on the change in estimated GVA and jobs between the baseline year (year before HSCP support) and the forecast outturn the year following

³¹ This includes the whole of Wales given that Welsh Government funding permits support across all of Wales

the HSCP. Using this approach, the GVA impact reported in the 2018 Report was £15.5mn, with jobs in supported businesses predicted to increase by 265 jobs over the same period.

Using this approach - but reflecting the updated number of Impact records received - indicates that across the 84 businesses where Impact Record evidence exists, the projected GVA impact now equates to £10.5mn and that 221 new jobs are expected to have been created. This can be verified by our review of all of the Impact Records and discussed in more detail below.

However, in our view we feel that it is important to observe that the increase in GVA and/or jobs within these businesses may not necessarily be connected to the programme support. It may also reflect success that the business has enjoyed in its other non-HPC related business. This is quite likely. Of course, attributing business growth to specific support programmes is always a methodological difficulty and certainly not unique to HSCP. It is important to reiterate that the Impact Record confirms that the business has received support from the programme, but it does not state that the expected growth in that business has been as a direct consequence of either the HSCP, or even the opportunities it has been able to exploit at HPC.

In reality the association of subsequent business growth to the HSCP support will differ on a business-by-business basis. For some businesses, the support and subsequent HPC contract wins will be integral to their future growth prospects. Some of these success stories are illustrated by the video case studies that are shown on the HSCP website – for example (<https://www.swmas.co.uk/success-stories/vessco-engineering-ltd>). In other cases, the association may be weaker, particularly for those businesses which have indicated that they have yet to win an HPC-related contract but have projected business growth. Those businesses have been captured in the overall impact as previously reported.

If the programme were to continue, in our view it would be beneficial to undertake an independent survey and/or more in-depth interviews with businesses to evaluate the attribution of benefits to the HSCP support.

Consequently, we feel it appropriate to estimate the impact of the programme (using GVA as the proxy) using an alternative method. This alternative approach is based on using the values of those contracts which have been evidenced through the Impact Records. By basing our estimate on the secured contract values, we feel it may more closely reflect the business 'uplift' that can specifically be attributed to the HPC-related business.

This approach uses the following steps:

1. For all 84 businesses that have an Impact Record we have estimated their GVA for the baseline and current year. As previously stated, the Impact Record asks for businesses to record Net Profit, Depreciation and Total Salary Costs – thus allowing GVA to be estimated³².
2. We then estimate the Turnover: GVA ratio across all 84 Impact Records, taking an average across the two years. This showed that on average GVA represented c.31% of turnover for those supported businesses.
3. We then placed the Turnover: GVA ratio against the recorded contract values that had been stated in the Impact Records. This then allows us to derive a GVA impact which is specifically related to

³² There were a small number of businesses (7) where the required information was not disclosed, even though turnover was. In these instances, we assumed that the average turnover: GVA ratio (as derived from the other 78 businesses) could be applied

those contract wins. In essence, we have estimated the GVA equivalent of those contract values where evidence has been provided by the business.

Our review of the Impact Records shows that across the 84 businesses, they have indicated that they have won 124 HPC-related contracts with a combined value of £31.7mn to date. By applying the Turnover: GVA ratio we have estimated using the information provided by the businesses, this equates to a GVA equivalent of £10.0mn. This does not include those contracts against which they may be currently bidding, or even at preferred bidder stage.

It is also important to note that this should be viewed as an under-estimate given that some businesses chose not to disclose the contract values, even though they had indicated that HPC-related contracts had been won.

We have also referenced our estimates against the contract-win data collected by the programme team. The contract values estimated by HSCP – as evidenced in the Impact Records – was slightly higher at £33. Applying the Turnover: GVA ratio to this equates to £10.4mn.

Therefore, through this approach we estimate that the GVA impact to date – based on a sample of those HSCP supported businesses which have won contracts to date – to be in the range of £9.4mn-£9.8mn. Given that this estimate has been based on verified evidence submitted by those businesses then we have a high-level of confidence that it illustrates the potential impact to date, and that it specifically relates to HPC-related contracts for those businesses.

However, to reiterate the point made several times in this section, we expect that this only represents a proportion of the impact to date for the businesses supported through the programme. This is due to three principle reasons:

- The Impact Records will only represent a proportion of businesses supported through the programme which have won HPC-related contracts. For example, earlier in this report we have referenced three other important sources of information provided by the programme. In combination, these indicate that the Impact Records only represent a proportion of contract wins/spend to date:
 - The project spend data that has recently been released by EDF – as shown equating to c.£840mn to date in the HSCP programme area
 - The commercially sensitive data that has been gleaned by the programme team from Tier 1 and Tier 2 contractors. As stated, we have reviewed this information under restricted access. This source estimates that the value of agreed contracts amongst supported HSCP businesses equates to c£158mn. Obviously, this exceeds the contract values as illustrated through the Impact Records. This can largely be explained by one very large contract which isn't reflected in an Impact Report for that business
 - Other commercially sensitive data that has been provided by EDF to the HSCP programme, relating specifically to spend rather than contract values. As stated, we were not able to include this in our analysis due to its sensitive nature. It is our understanding that it does indicate that extent of spend to date amongst HSCP supported businesses far exceeds the values captured through the Impact Records, although some of this may precede the HSCP programme period.

- There is the possibility that not all HPC-related contracts were disclosed within the Impact Records. Certainly, there are some gaps in contract values which will have affected estimates. Equally, some of the contract values may have been under-reported by businesses, primarily due to commercial sensitivity
- The estimates only represent the GVA impact of those contracts won to date. The Impact Records also show that in many cases, the businesses are in the process of bidding into other contract opportunities. There is a pipeline of potential further contract wins which are not accounted for in estimates of impact to date. For example, the data from the Tier 1 and Tier 2 contractors (August 2019) suggests that HSCP supported businesses were at 'preferred bidder' or 'pre contract' status for other contracts worth an estimated c£19mn. They were also bidding into contracts worth an estimated c£84mn. Therefore, in August 2019 there was at least a further £105mn of further contract opportunities that could have been realised, or certainly a proportion of these. Given this data related to August 2019, it is plausible that some of these opportunities have now translated into contracted services. We also return to these 'pipeline' of potential opportunities later in this section.
- These estimates also do not reflect the contract opportunities which are yet to flow out from the HPC project. A large proportion of the project (construction and operation) is yet to be developed and further significant opportunities will arise, some of which could be exploited by HSCP supported businesses
- There may be non HPC-related contract wins which are not reflected in the Impact Records. As SME businesses have established commercial relationships with Tier 1 and Tier 2 contractors, these relationships may have extended into other commercial opportunities outside of the HPC project. Anecdotal feedback given to the HSCP team has suggested that there is an increasing number of instances where this is now occurring
- It only reflects the economic impact of the supply chain development strand of the programme. It does not reflect any further benefits that will have been associated with the inward investment strand (as discussed later)
- Finally, these estimates of impact are only made for those businesses in the programme area (HotSW and WoFE LEP areas and Wales). Where appropriate i.e. where the capability sat with an SME outside of the programme area, it may have matched the opportunity to that business. Businesses outside of the programme area were still able to access support from HSCP but charges were applied to access that support. Therefore, the support of the programme will have helped deliver economic benefit to a wider area, although the concentration has very much focused on the programme area. The data from the Tier 1 and Tier 2 contractors suggest that contracts in excess of c£42mn had been placed with businesses outside the programme area. Those businesses had been supported through the programme, although that support would have incurred a cost.

Therefore, it is our independent and objective view that there is a high probability that the estimates of impact to date under-represent the value of commercial opportunities realised/being realised by HSCP supported businesses. Our expectation is that the commercial benefits will exceed those previously stated. However, the signed Impact Records do provide a credible evidence source upon which a great degree of confidence can be placed in terms of indication of impact. By focusing more specifically on contract values, *we have verifiable evidence that at least c£10-mn-£10.5mn of gross GVA has been supported through the programme, and that this will increase over time.* We consider the value for money of this verifiable evidence later in this report.

We can also utilise the information supplied through the Impact Records to better understand the projected employment impact that can be more closely associated with the HPC contract wins. The Impact Records show that across the 84 businesses, a total of 3,260 FTE jobs were supported (in the year where the business began to receive HSCP support). This represents a mean average of 45 FTE jobs per business, or 33 as a median average.

Using the derived GVA information that year shows that on average this equates to a GVA per FTE average of £47,130. We also undertook the same estimate using the baseline (pre support) information, and this derived an average GVA per FTE job of £47,800. Therefore, we have reasonable confidence of this representing a robust measure of productivity per FTE employee.

By setting this against our earlier estimate of HPC contract-related GVA impact to date allows an estimate of HPC contract-related employment impact. On that basis, *we estimate that at least 221 FTE jobs are projected to be created across the 84 supported businesses.* Again, the same caveats (as expressed previously in the GVA section) are in place regarding this potentially being an under-representation of employment impact. *We consider this to be verifiable impact, based on evidence received from a proportion of supported businesses.*

3.1.2 Gross-to-net additional impact

The previous estimates of impact could be regarded as the gross impact of the programme to date. It is good practice for economic impact assessments to also consider the net additional impact of public sector investments³³. The effects of an investment/intervention should take into consideration:

- Deadweight - which refers to outcomes that would have occurred without the intervention. This is often the most important adjustment/consideration, trying to understand the ‘counterfactual’ at a firm level i.e. what that firm would have done anyway in the absence of the support
- Leakage - which is the extent to which effects “leak out” of a target area into others
- Displacement - which is the extent to which an increase in economic activity promoted by an intervention is offset by reductions in economic activity elsewhere.

These adjustments are normally applied to estimate of gross impact to derive the direct net additional impact. To derive the total net additional *impact*, it is also accepted practice to consider indirect impact i.e. through secondary supply chain impacts. In the context of this impact assessment, this would be the supply chain impacts of the SME businesses supported through the programme. Given the lack of information on the supply chain purchases made by the SME beneficiaries, the secondary impact is normally estimated using ‘off-the-shelf’:

- Multipliers – which refers to the secondary impact in the target area through supply chain purchases (indirect) and the wage spend of supported employees (induced)

³³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf

Given that this work hasn't involved interviewing or surveying supported businesses, we have no insight into the net additional impact of the programme from primary research. Therefore, we need to use available benchmark guidance to inform the adjustments we apply.

However, before this exercise is undertaken it is important to make one observation that affects our approach. As shown in 3.1.1 above, the HSCP has previously reported GVA/job impact based on the changes in those indicators from the baseline (pre-support period) to the year following the support. In our view, the projected changes over that period (given it involves financial forecasts/projections by the business) effectively form the *gross* impact on those supported businesses. The approach adopted by the HSCP team in its reporting to date was acceptable/understandable and similar to how gross impact is reported by many other programmes/projects. The observed change in business performance is often taken as the gross impact of the intervention.

In our view, our alternative approach – focusing specifically on the GVA/job impact that can be associated with HPC-related contract wins – has already begun to adjust the gross impact to better reflect the net additional impact of the HSCP support. We feel that much of the deadweight (accounting for changes in supported businesses which may have occurred in the absence of programme support) has already been stripped out through our adjusted approach. To apply net additionality adjustments to these already adjusted GVA/job estimates could increase the prospect of downplaying the net additional impact of the project.

Equally, we feel that displacement is also less relevant to the nature of support and objectives of the programme. As previously stated, the programme was developed in response to significant barriers to entry into the nuclear new build market for many SMEs. The public investment was justified on the basis that for many SMEs these barriers were insurmountable without a targeted programme of support being put in place. The supply chain within the programme area – for new build nuclear – was viewed as relatively underdeveloped. Therefore, in our view the prospect of significant market displacement seems small, given the specific niche requirements that are associated with most contract opportunities/work packages. As such, we have adopted a lower adjustment for displacement.

We have slightly adjusted the strength of the regional multiplier to also reflect that the sector is starting from a nascent position. Therefore, it is reasonable to expect that some of the subsequent supply chain activity (beyond the SME beneficiaries) may be weaker within the programme area. Given the programme area is relatively large, we assume leakage is minimal. We still make an adjustment for deadweight, reflecting that there remains a possibility that in some cases the supported businesses may have won HPC-related contracts, although not necessarily in the same timeframe.

The adjustments used to estimate the net additional impact of the programme are set out in [Table 14](#) below, alongside the available benchmarks³⁴. The benchmarks relate to evaluation evidence from 200+ 'business development & competitiveness' interventions and therefore, despite being relatively dated (10+ years), still represents the best available resource to understand typical adjustments used.

³⁴ 'Research to improve the assessment of additionality' – BIS Occasional Paper No. 1 – October 2009

Table 14: Net additional impact adjustments and benchmarks

Net additionality factor	Benchmark guidance	Adopted adjustment
Deadweight	45.5%	25%
Displacement	29.3%	15%
Leakage	11.5%	5%
Regional Multiplier	1.5	1.4
Net additionality	49.7%	84.7%

Therefore, we have made a smaller adjustment to reflect our estimates of the net additional impact of the project for the reasons explained previously.

Adopting this assumption leads to an estimate of c£8.5mn-£8.9mn of net additional GVA impact, and 188 FTE jobs that can be associated with the supply chain development strand of the HSCP programme to date. Again, this is based solely on the verifiable evidence through the Impact Records. To reiterate, given the other evidence we have reviewed regarding the pipeline of future contract opportunities, our expectation is that this will increase over time.

3.2 Inward Investment Support

The second strand of the programme was to encourage the flow of inward investment into the region. Business West are contracted as the delivery partner for the inward investment activities of the programme.

This was expected to relate closely to the opportunities that arose from the HPC project and the programme was expected to play an important role. Initial work involved clarifying the region's joint 'landing offer' and the key strengths of the inward investment offer.

The programme has supported a number of events which have played an important role in generating inward investment enquiries. These have included:

- World Nuclear Exhibition (2016 & 2018) - organising the Nuclear South West pavilion as part of the UK stand
- DIT Civil Nuclear Showcase – Nuclear South West stand
- Nuclear Industry Association (NIA) Nuclear New Build Conference
- 4th World Nuclear Congress
- Anglo French Embassy - presentations

As stated previously, as part of this evaluation we have reviewed the inward investment data/information that has been compiled by the programme. Again, the aim was to provide an objective and independent view of the data.

The high-level observation that we draw is that the programme has been successful in helping to support a large number of inward investment 'landings' into the programme area, and it has been able to do this with a relatively low level of resource devoted to this activity. Our view is that the 'leverage' on the inward

investment resources/activities has been significant, although we recognise that the programme support will only be one element of the factors that influence the decision to invest in the region. The level of interaction between the programme and the interested business differs on a case-by-case basis.

The data that has been compiled by the programme is split into three 'classifications':

- 'Landings' – confirmed inward investment (normally a physical presence being established) into the programme area
- 'Prospect' – interest in inward investment opportunities by businesses, but not yet confirmed. The expectation is that some of these 'prospects' will firm-up their interest at some point in the future. In effect, this could be viewed as the pipeline of potential inward investment landings
- 'Suspects – interactions' – those businesses where some initial interaction has been held but considered too speculative at present to be considered as potential/pipeline opportunities

The emphasis of our review has been on the 'landed' inward investment projects, and those which are considered as 'prospect/pipeline' opportunities.

In total, the programme has recorded 34 confirmed inward investment projects which have occurred over the past 1-2 years. Inward investment in the context of the programme can capture intra-UK investments i.e. outside of the HotSW, WofE and Wales, or established presence by international businesses. The data indicates that of the 34 landed opportunities, 20 were from international businesses. The majority of these were from within the UK, but certainly not restricted – with investors also including businesses from the US, and China. The remaining 14 were from businesses with an already established presence in the UK but establishing a presence in the programme area.

Table 15 illustrates this data. The inward investment source indicates that the earliest date for inward investment landing was March 2017, with the latest captured in September 2019.

Table 15: Companies supported to invest in the region³⁵

	All Inward Investment	FDIs	Inward Investment
Total (as given in Annual Report 2018-2019)	Parent Company Country of Origin [All]	Parent Company Country of Origin [excl UK and UK-Wales]	Parent Company Country of Origin [UK and UK-Wales]
23	34	20	14

It is also our understanding that the number of 'landed' projects that have been captured by the programme will understate the number of inward investment projects that have occurred in the programme area. This is due to the reporting requirements placed on the programme. These requirements are in place to reduce the potential for double counting between programmes i.e. with Department of International Trade (DIT) activities.

The programme can capture 'landed' inward investment projects if it meets the following requirements:

- That it has engaged with the business for at least 3 months prior to any investment being made

³⁵ Copy of HPC inward investment pipeline_090120.xlsx

- ii. The programme must be able to evidence capital or operational spend and job creation as a consequence of the landed investment

Given the programme may have had interaction with businesses – through the other activities in the HSCP – beyond the 3 month period, then its role in facilitating an inward investment decision will be underplayed by the number (34) of recorded landings it has recorded to date. In addition, it is not always an easy process to obtain the required evidence from the business.

The inward investment data captured by the programme also contains reference to what interaction it had with the business, starting from the initial enquiry. This information indicates that the relationships/interactions were different in each case, reflecting the needs of the individual businesses. In several cases, the HSCP has worked closely with other relevant organisations more oriented towards encouraging inward investment in the relevant region. For example, many of the landings in the West of England have involved joint working/collaboration with Invest Bristol & Bath (IBB), with IBB now account managing the business after the initial presence has been established.

The breakdown of locations for the landed inward investment projects are shown below:

- West of England – 16
- HotSW – 13
- Gloucestershire – 1
- To be Confirmed/No information – 4

Several of the businesses have established a presence at the Somerset Energy Innovation Centre, therefore closely aligning with capital investment made by the HotSW LEP through the establishment of that Centre. This is encouraging in the context of the broader objective of developing a ‘nuclear cluster’ in the area surrounding HPC.

The size of the inward investment projects also differs on a case-by-case basis, with many involving establishing a small initial presence but with the expectation that will build over time. Nevertheless, in some instances that initial presence is involving circa 10-12 jobs being established. Therefore, a good initial foundation upon which to build further presence.

In terms of assessing the economic value of these landed inward investment projects, this is not possible to do at this stage. This is principally due to a lack of consistent data upon which to base any economic value i.e. jobs, investment values. This has not been systematically recorded by the programme, which is understandable given that it does not have responsibility for tracking/supporting the business (in inward investment terms) once the presence has been established.

Another important point to make is that it is not possible to specifically attribute the ‘landed’ investment project to the HSCP. As stated, the programme has worked closely with partners – such as IBB in the WofE – and these programmes are also required to capture outputs. It is likely that there is some cross-over, and we would need to guard against double-counting. In reality it may not be possible to ‘disentangle’ the support provided through various programmes. However, as shown by the interaction that the HSCP has had, for several of the ‘landed’ projects the programme may have played a key role. In other instances, its role may have been less intense.

However, to reiterate our earlier overall observation, given the limited resources that deliver the inward investment strand of the programme, it is our view that 34 landed inward investment projects should be viewed as a significant success. Evidence from inward investment programmes – many of which have been much more heavily resourced – shows that it tends to be difficult to convert ‘initial enquiry’ into ‘landed’ investment. A great deal of resource – in terms of interaction with the interested business – often needs to be devoted to help that investment materialise.

Obviously, the commercial opportunity presented by the HPC project is the key factor in the location-decision by the business. However, the programme could be viewed as successful in highlighting that opportunity to potential investors and helping to facilitate the process from initial enquiry stage.

The success of the inward investment strand has the potential to increase, given that a good pipeline of other ‘prospects’ has developed. According to the information provided by the programme, there are currently 30 other investment opportunities which have the potential to convert into landed inward investments. Each of these are at varying stages of the process, and it is reasonable that some may not necessarily come to fruition. The majority of these represent inward investment by non-UK businesses, with the majority focusing on establishing a presence in the HSCP programme area i.e. not considering alternative locations in the UK.

For several, the decision to invest in the HSPC programme area is expected to take place over the next 12 months. For others, the date of expected decision is unknown. Nevertheless, even if a proportion of the pipeline are converted to ‘landed’ investments, it would add to the development of nuclear-related presence in the programme area. It would also strengthen the ‘return’ (which cannot be quantified at this stage) against the inward investment strand of HSCP.

SECTION FOUR: VALUE FOR MONEY

The previous section provided estimates of the gross and net additional impact of the programme to date – expressed through both GVA and FTE jobs. As stated, this has been based on the verifiable evidence as provided in the Impact Records and that, in our view, it is probable that this represents an under-representation of impact to date. More certainly, it under-represents the potential future impact as the pipeline of contract opportunities continues to develop, some of which will be exploited by businesses supported through HSCP.

Nevertheless, our consideration of the value-for-money that the programme has delivered to date is based on that evidence that we have independently reviewed and verified. This includes the programme monitoring data – helping us to confirm the scale of support provided – as well as the Impact Records submitted by 84 businesses to date (February 2020).

Section Four details the estimate of GVA impact for the supplier chain development strand of the programme. As stated, the impact of the inward investment activities can largely be assessed from a qualitative basis. It is difficult to quantify the impact of the 34 landings in a consistent manner, particularly given many are still establishing their presence in the programme area. Consequently, the quantified consideration of value-for-money focuses largely on the supply chain development strand.

As shown in Section 1, the public funding devoted to the supply chain development strand equated to £1,440,000 over the 3-year programme period. In Section 3 we have estimated both the gross and net additional GVA impact of the programme to date. As we have stated several times throughout this report, our view is that this may underrepresent the full extent of impact to date. However, we have based our assessment on verifiable evidence. We can place this against the public investment to understand the value-for-money supported by the supply chain programme strand. This is represented through:

- Benefit: cost ratio (BCR) – both in gross and net additional terms

Table 16: Benefit: Cost ratio – supply chain development

Public investment – supply chain development	Gross Impact (GVA) - £mn – supply chain development	Net additional Impact (GVA) - £mn - supply chain development
£1.44mn	£10.03mn - £10.44mn	£8.50mn - £8.84mn
Benefit: cost ratio	7.0 - 7.2	5.9 - 6.1

In our view, [Table 16](#) shows that the supply chain strand of the programme has already delivered a robust return against the public investment, particularly in the context that it is based on evidence from only a proportion of supported businesses. *A benefit: cost ratio >6 in net additional terms (or >7 in gross terms) is robust. We feel that this is a positive indication that the public investment from partners is generating good value-for-money, and that it is highly likely this will strengthen as more contract opportunities (HPC and non-HPC related) materialise.*

In our view, it is difficult to compare against relevant BCR benchmarks, given that the programme represents a very specific intervention in a relatively nascent market within the UK.

However, *our independent and objective view is that, given this is based on verified evidence, this provides confidence to the funding partners that the programme has made a significant difference in helping SME businesses in the programme area exploit HPC opportunities.*

It is also important to note that this assessment of the value-for-money delivered by the programme only reflects contract wins to date. During the review of evidence for this work, it is also clear that several HSCP supported businesses are in the process of bidding against further contract opportunities. As stated previously - based only on the market intelligence collated by the programme team – HSCP supported businesses were (in 2019) at ‘preferred bidder’ stage for £19mn of other contracts, and that others were bidding against other contracts with the potential value of £84mn.

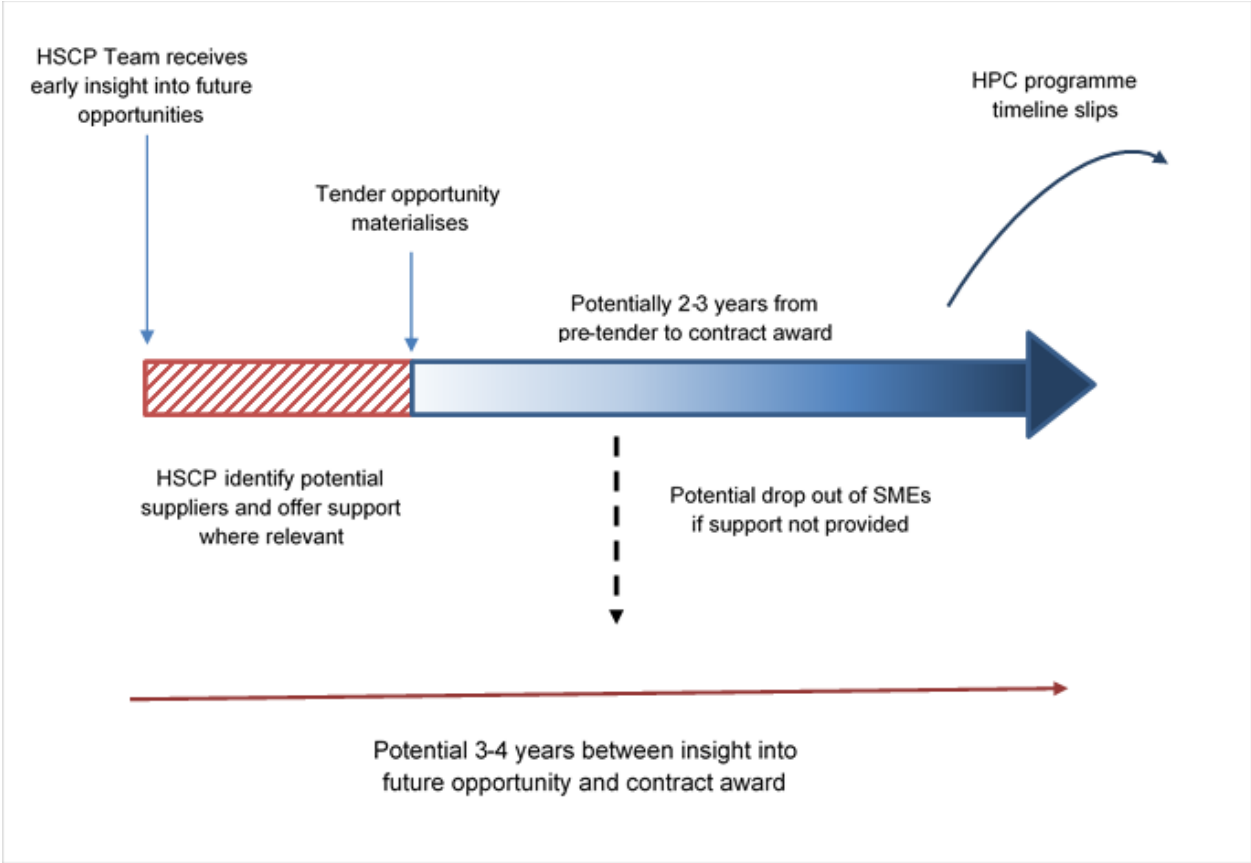
Given that this only represents a very small proportion of the contract opportunities still to be developed through the HPC project, then it does illustrate the potential for the economic impact for local businesses to grow strongly from these initial encouraging estimates.

In our view it also illustrates the potential importance of keeping in place a support mechanism for SMEs. Many SMEs will continue to need support to help them through the HPC supply chain process and there is a danger that if this support were no longer available, then the ‘barriers to entry’ cited by many could increase again.

This argument is connected to two main factors that will drive future opportunity:

- Firstly, the whole HPC project timetable is experiencing some delays. According to previous communication from EDF in September 2019 (<https://www.edfenergy.com/media-centre/news-releases/update-on-hinkley-point-c-project>) the previously communicated risk of Commercial Operational date for unit one and two (of 15 months and 9 months respectively) has increased. Consequently, some of the major work packages are also ‘shifting to the right’ in terms of overall timelines.
- The time between an early indication of contract opportunity and the award of that contract can be quite substantial. On occasions this may take 3-4 years. A slippage in the overall HPC project timetable may increase the length of time between ‘early insight’ and contract award. The HSCP programme team are aware of several work packages where this slip is occurring. Therefore, it is highly feasible that SMEs who have been identified at this early stage, will still require significant support to keep that opportunity ‘alive’. In effect, the shift in timelines could potentially increase the risk (and/or reduces the incentive) for SMEs to engage in the HPC supply chain. Maintaining support in this context is important and reduces the risk of ‘drop-out’ at delicate stages of the process. This is demonstrated graphically below:

Figure 17: HPC Project Timetable Slippage (contract opportunity to award)



SECTION FIVE: CONCLUSIONS AND LESSONS LEARNED

6.1 Introduction

This final section of the report provides an overall assessment of the HSCP programme, highlighting some points for consideration particularly around indications of impact. Where relevant, we also highlight some lessons learned. These principally relate to issues that have affected how this impact assessment has been undertaken i.e. data management. They do not cover wider programme delivery aspects, given the narrow remit for this work.

6.2 Overall Assessment

This impact assessment has reviewed a wide range of information/evidence that the HSCP team have collated. The principle focus of this work has been to provide an independent and objective review of whether the support provided by the programme has provided an economic impact in the programme area.

In our view – even on a narrower approach to estimating economic impact – the programme has provided a strong return against public investment. Our estimate of the value-for-money of the supply chain development strand of the programme – as measured by benefit: cost ratio set against *gross* and *net additional* GVA – is positive. On a gross impact basis, this strand has generated a benefit: cost ratio of 7+. Given the potential for these benefits to increase (see below comment) then it is our view that this demonstrates the positive impact provided by the programme. We feel the programme has provided value-for-money, although it is difficult to compare to relevant benchmarks given the specific nature of the programme support.

The estimate of the quantified impact of the programme does not include the inward investment strand, given that there was less detail available. However, the programme has evidence that it has played a key role in 34 inward investment ‘landings’ to date within the programme area. This includes 20 FDI projects. Given the level of resource devoted to this strand was relatively focused (£288,000 over three years) we also view this as a significant achievement. The programme has interacted with many organisations interested in locating in the region to exploit the HPC-related opportunities, and there is a pipeline of further ‘warm leads’ which means the inward investment activity could increase over the coming years. Partnership working has been important in promoting inward investment opportunities.

Overall, we feel the evidence, combined with the fact that the overall HPC project timeline has slipped, means that the support mechanisms for SMEs remains important. The high barriers to entry for SMEs into the nuclear new-build market still exist. The HSCP programme has been an important mechanism that aims to address several of those barriers – in effect, by helping to increase the visibility of the future supply chain opportunities and helping SMEs achieve the required standards – then over time this should reduce some of the (perceived and actual) risks to those SMEs. The scale of contract opportunities that are still to develop means that the potential economic benefit to the region could be significant.

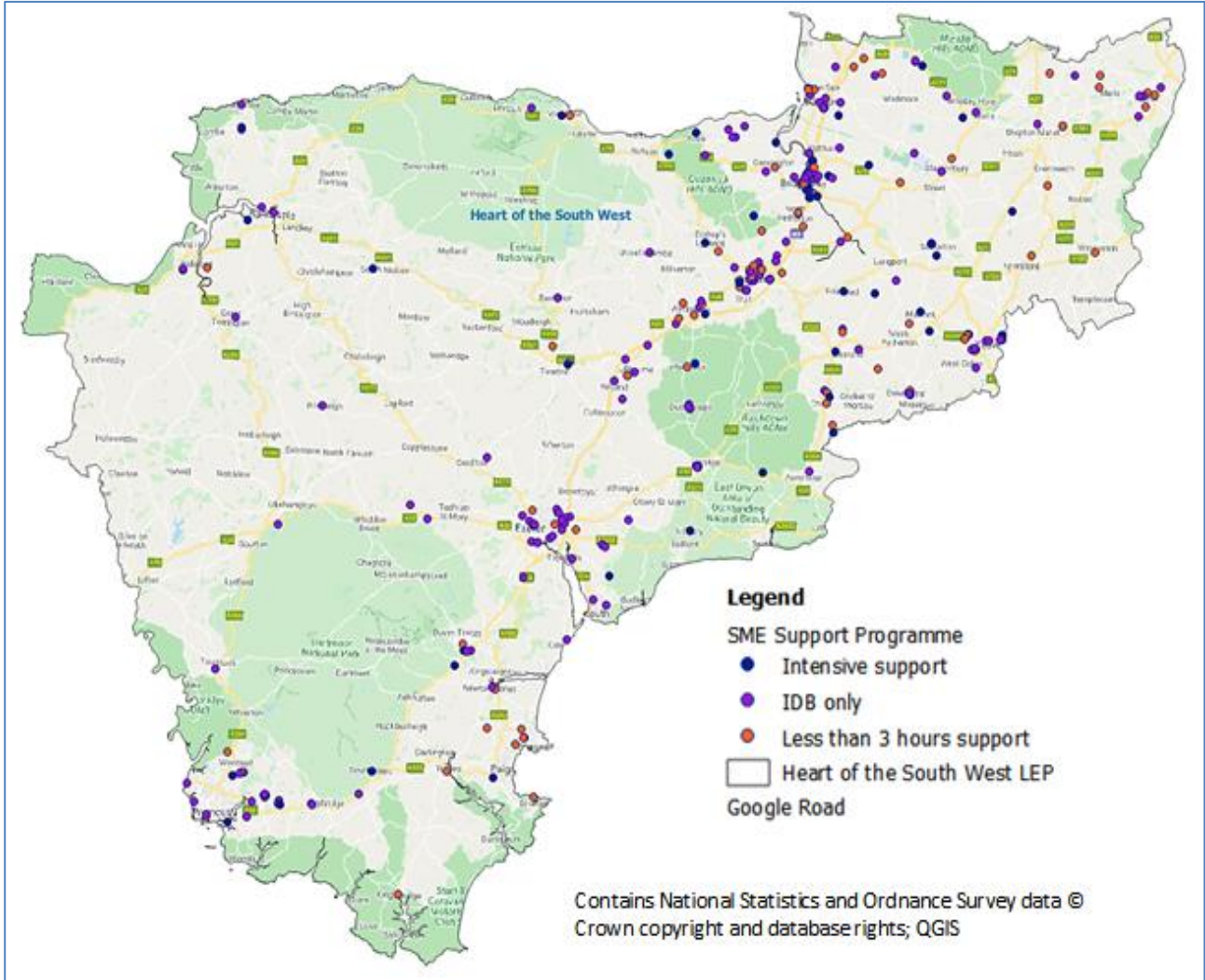
We highlight some lessons learned for the programme team to consider:

- As previously stated, this impact assessment has used a narrower measure of gross economic benefit than previously adopted by the programme team in its own reporting. We have used an approach that focuses specifically on the economic value (GVA and jobs) of the HPC-related contract wins. We feel that this is more likely to represent the actual benefits related to HPC activity. By focusing on wider growth within the businesses (many of which have multiple revenue streams – many of which not related to HPC-related activity) there is a risk that the impact of the programme could be overstated. The programme team may wish to adopt this more refined estimate moving forward. The broad steps are:
 - Assuming the contract values act as a good proxy for turnover
 - Using the average turnover: GVA derived from the Impact Records (31.6%) to convert the contract values to a GVA equivalent
 - Using the GVA per job derived from the Impact Records (£47,200 – current prices) to estimate the employment impact. This will derive the gross impact of the project
- The programme has needed to collect and collate a considerable amount of data from disparate internal and external sources in order to monitor and report on progress towards achievement of targets. The data has been captured in the main in a variety of Excel spreadsheets. Whilst this is a common method - for example, when amalgamating information from external partner databases and/or when existing in-house CRM systems are not configured/configurable to accept new programme data - this does create considerable work and re-work on the part of the organisation responsible for managing the data. It also means, as in the case of this impact assessment, that some data sets cover different date parameters, and some can be somewhat out-of-date – given the resource needed to keep these sources updated.

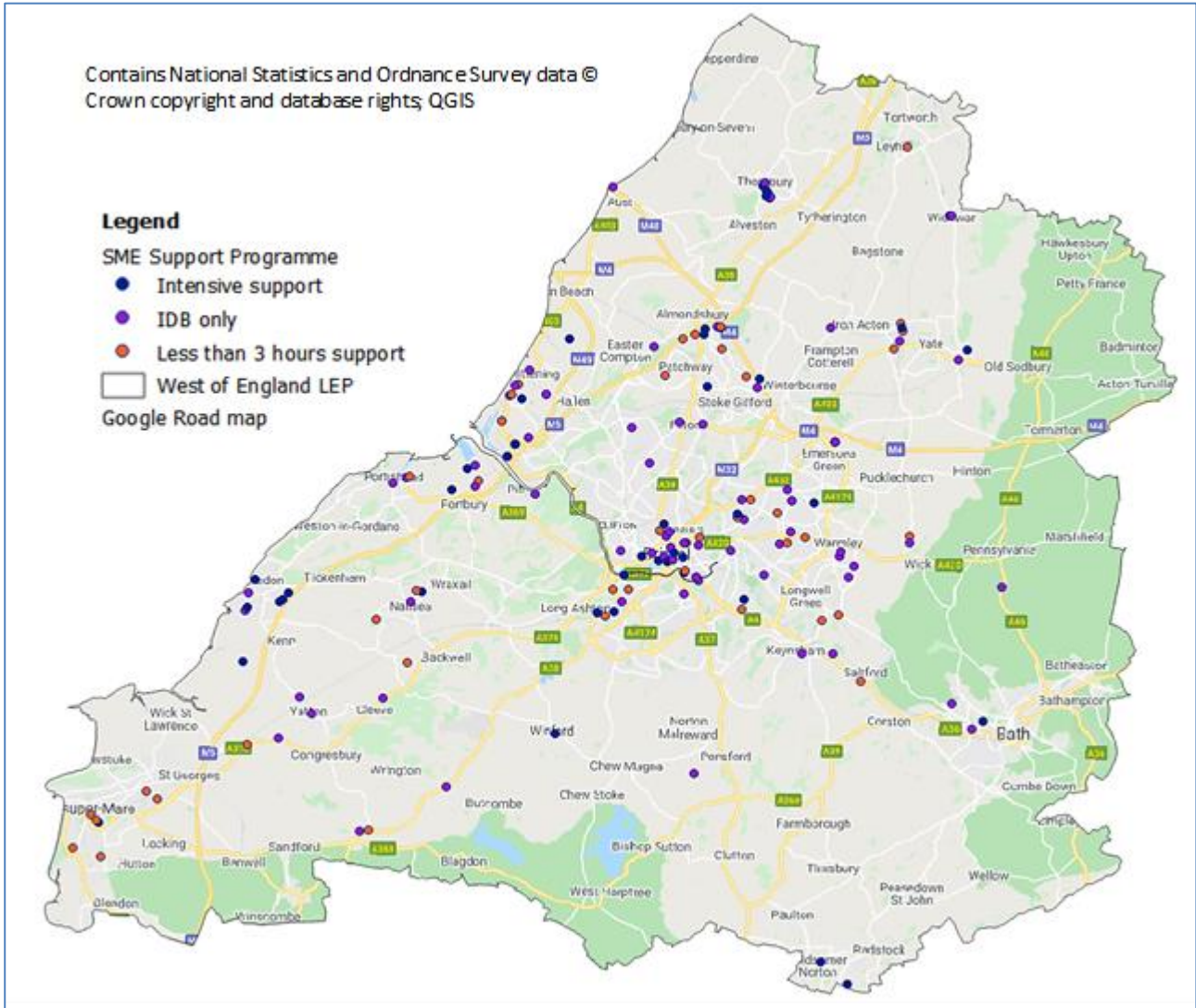
In our view, the programme would benefit from investigating the use of a CRM system to capture core data which would reduce the burden on the data managers.

APPENDIX A – GEOGRAPHICAL LOCATION OF ASSISTED BUSINESSES

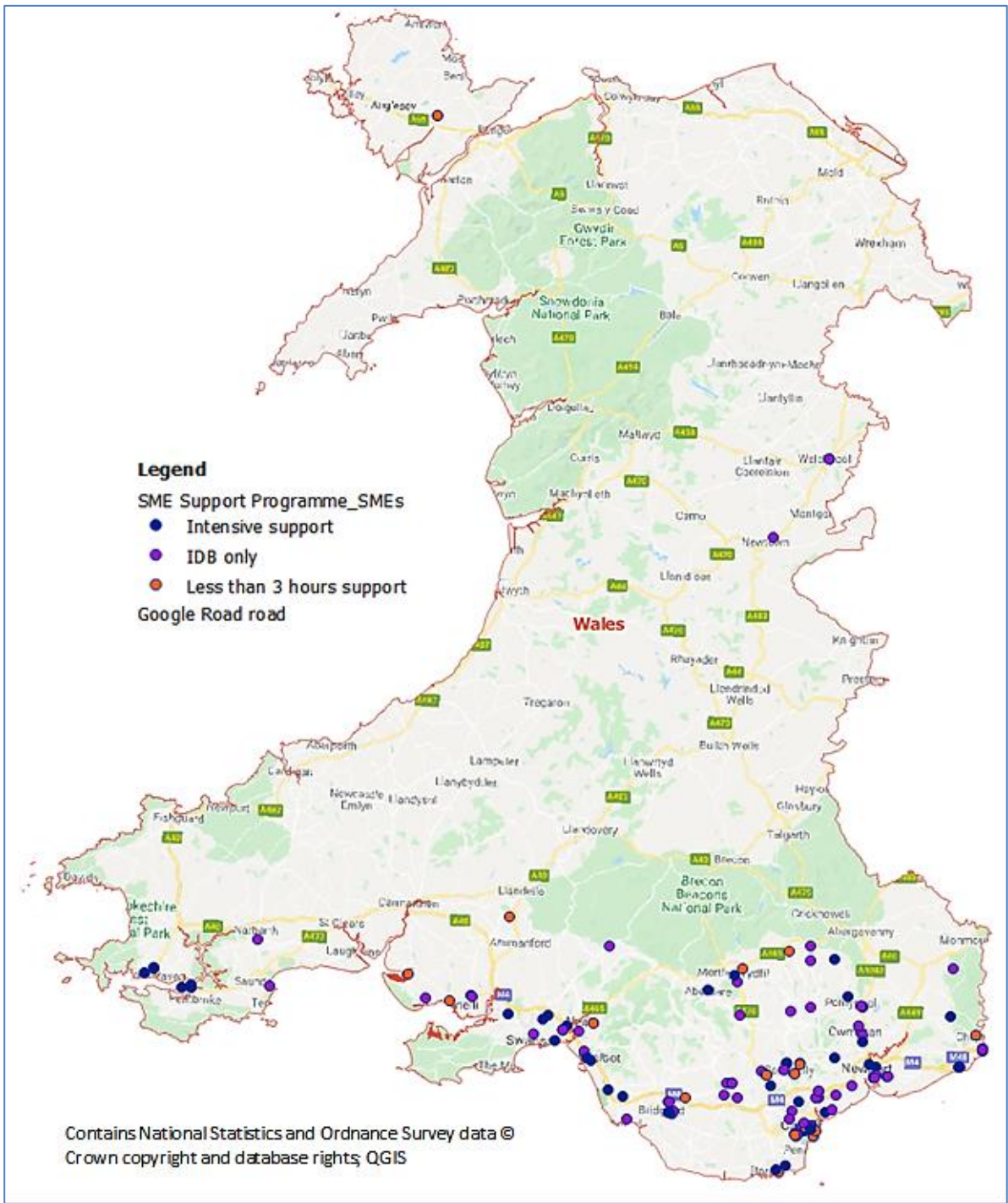
Heart of the South West LEP



West of England LEP

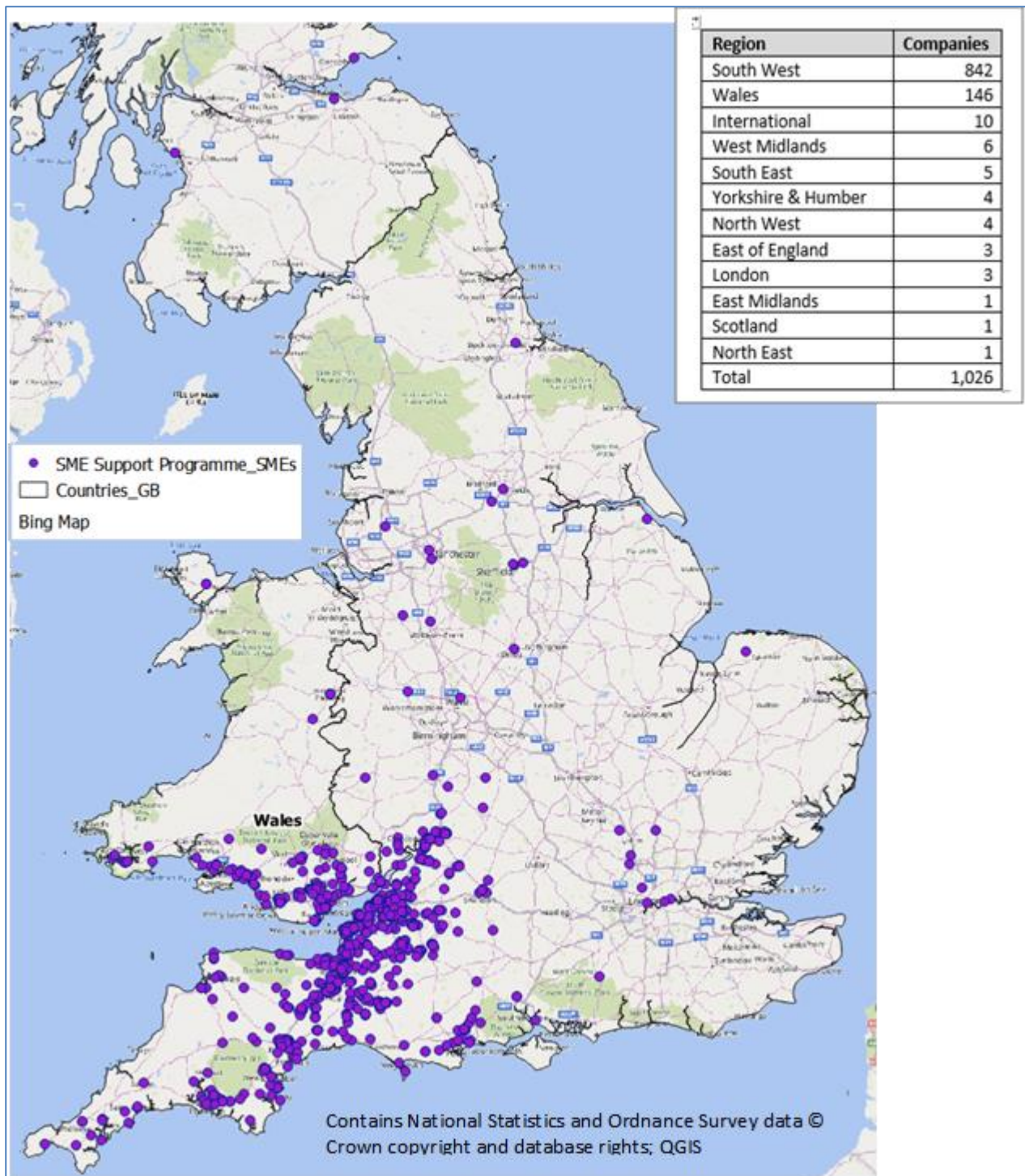


Wales



SME Business Support – SMEs

This map shows the SMEs engaged by the programme on a UK-wide basis. However, not all will have received an IDB and/or 12-hour intensive support.



HSC Portal registration densities (registrations between March 2017 – February 2019)

The below 'heat map' indicates portal registration densities. The larger blue circles indicating a higher density of business registrations. Over half (c57%) of the businesses registered on the portal are located in Somerset.

