

BiGGAR Economics

Evaluation of Scottish Enterprise Borders'
Response to Foot and Mouth Disease

A Final Report to
Scottish Enterprise Borders

June 2004

BiGGAR Economics

Midlothian Innovation Centre

Pentlandsfield

Roslin

EH25 9RE

0131 440 9032

info@biggareconomics.co.uk

CONTENTS	Page
1 INTRODUCTION.....	1
2 STUDY OBJECTIVES AND METHODOLOGY	3
3 IMPACT OF FMD IN SCOTLAND	6
4 SE BORDERS FMD RESPONSE PROGRAMME.....	10
5 SURVEY OF ASSISTED BUSINESSES	16
6 ECONOMIC IMPACT	28
7 CONCLUSIONS AND RECOMMENDATIONS	34
APPENDIX A: SURVEY QUESTIONNAIRE	37

1 INTRODUCTION

1.1 Background

BiGGAR Economics was appointed by Scottish Enterprise Borders (SEB) in December 2003 to undertake an assessment of the impact of Foot & Mouth Disease (FMD) on the Borders economy and an evaluation of the effectiveness and impact of SEB's response to that crisis.

The Borders economy started to be affected by the outbreak of FMD in February 2001 through livestock movement restrictions and then countryside access closures. This had a particularly adverse effect on two sectors, tourism and agriculture, which both employ an estimated 13% of the regional workforce.

The rationale for SEB intervention was market failure in the form of externality, as the outbreak of FMD was completely out of the control of local business. With tourism about to enter its peak season, SEB intervened to try to sustain local jobs and businesses through a period of sales losses and cashflow difficulty.

A total of £2.7m 'contingency support' was secured. This comprised an estimated £1.8m in the form of grant assistance, loan finance, consultancy and business training support that was used to assist some 245 local businesses during 2001-02. It is this amount which is the focus of this study.

1.2 Study Objectives

The brief for this project was originally developed in early 2003. However, since it coincided with other research on the impact of FMD in Scotland, it was not progressed at that time. When the brief was reviewed in late 2003 it was decided that the study should be split into two stages. The aims of Stage 1 were to:

- assess to what extent the original brief's objectives have been met by information in other FMD research; and
- outline the work which still needs to be conducted to meet its objectives.

1.3 Study Methodology

Stage 1 of the study involved a desk based analysis of strategic documents provided by SEB and relevant operational documents and approval papers relating to the programme. This Stage 1 Report was submitted in January 2004.

On the basis that the original study objectives were not met by the outputs of Stage 1, the need for more detailed assessment was required. The 'Stage 2' research therefore included a detailed survey of businesses receiving assistance under the programme and consultations with SEB staff and SE Dumfries & Galloway.

This report provides a summary of the Stage 1 research and the findings from Stage 2. It therefore focuses on:

- the impact of FMD in the Borders; and

- the impact of SEB's FMD response programme on assisted businesses.

1.4 Structure of the Report

The remainder of the report is structured as follows:

- section 2 outlines the study objectives and methodology;
- section 3 reviews the findings of work already conducted on the impact of FMD nationally and sub-nationally;
- section 4 describes the FMD response programme;
- section 5 sets out the findings of the business survey;
- section 6 presents an assessment of the economic impact of the FMD response programme; and
- section 7 presents conclusions and recommendations.

2 STUDY OBJECTIVES AND METHODOLOGY

The brief for this project was originally developed in early 2003. However, since it coincided with other research on the impact of FMD in Scotland, it was not progressed at that time.

2.1 Aims of Original Brief

The original brief laid out the principal outputs to be as follows:

- an assessment of the impact of FMD on the Borders economy, with particular focus on tourism and agriculture;
- an assessment of the effectiveness of the SEB response programme, to include:
 - a review of the number, size and range of companies supported;
 - an assessment of the success of the programme in meeting its main objectives;
 - measurement of the net quantitative impacts of the programme, taking into account additionality and displacement and using appropriate multipliers;
 - an assessment of qualitative impacts, including whether the programme led to any diversification opportunities;
 - an assessment of the value for money of the programme as a whole and of its constituent parts;
 - an assessment of the approach and delivery of the programme; and
 - a summary of lessons learned from the delivery of the programme and recommendations for the future.

When the brief was reviewed in late 2003 it was decided that the study should be split into two stages.

2.2 Aims of Stage 1

The aims of Stage 1 were to:

- assess to what extent the original brief's objectives had been met by information in other FMD research; and
- outline the work which still needed to be conducted to meet its objectives. (This work, if required, would then be conducted in Stage 2 of the evaluation.)

2.3 Stage 1 Methodology

Stage 1 of the study involved a desk based analysis of strategic documents provided by SEB. The documents provided included:

- Economic Impact of the 2001 Foot and Mouth Disease Outbreak in Scotland by The Fraser of Allander Institute;
- Internal Audit Review of the SEB Foot and Mouth Loan Fund by Scottish Enterprise; and
- Foot and Mouth Recovery Plan Questionnaire Report by SEB.

A review of the relevant operational documents and the approval papers relating to the programme, and the original research brief drafted by SEB was also included at this stage. Analysis of the assisted companies, provided by SEB as an Excel spreadsheet dated 19 March 2002, was also conducted at this stage, and the SEB FMD programme manager consulted.

2.4 Need for Stage 2

A draft stage 1 report was presented to SEB on 13th January 2004. It was considered that only two of the original brief's objectives had been met by this work, and that the other study objectives relating to the impact of FMD and the SEB support programme on the Borders economy could not be met without further detailed work. None of the existing studies on the impact of FMD discussed the impact at the level of the Borders economy. Similarly, a postal survey of businesses assisted by SEB provides little more than anecdotal information on the effectiveness of SEB's response to FMD.

On this basis the second stage of the study was deemed necessary, whose main constituent would be an in-depth survey of the assisted businesses.

2.5 Aims of Stage 2

The aims of Stage 2 were to meet the objectives from the original brief which had not already been met. This would involve conducting a survey of Borders' businesses which had received support under the FMD response programme in order to assess the impact of FMD, and the benefit of the SEB FMD response programme.

2.6 Stage 2 Methodology

The key research undertaken in Stage 2 was a survey of businesses. In considering the most appropriate method for obtaining feedback from assisted businesses a number of factors were taken into account, including:

- the time required by businesses to participate in the evaluation;
- likely response rates associated with alternative methods;
- consultancy costs and other expenses of alternative methods; and
- the quality of the information that can be gathered.

On the basis of these, the best method to gather the information required was assessed to be through individual contact with the assisted firms. Completed interviews were sought with 60 of the 245 assisted firms, giving a sample of 25% which would provide statistically significant findings. Within the 60 interviews, 15

face-to-face (25%) were targeted to allow some of the issues to be discussed in more detail, with the remaining 45 conducted over the telephone. Since half of assisted businesses were in the tourism and agriculture sectors, the target was to complete 50% of the interviews with firms from each sector.

120 firms were contacted by letters in late January introducing the study. These were chosen at random from the population of assisted firms, including 30 firms from each of the agriculture and tourism sectors. The survey was conducted over four weeks following this letter.

The proposed questionnaire for interviews was forwarded to SEB prior to commencing the survey work and contained:

- information to allow the profiling and segmenting of the businesses assisted;
- the impact of FMD on the business;
- the process for accessing assistance through the programme, including recovery planning;
- the support received under the programme and its impact on the business;
- the quantifiable benefits of the assistance, including impacts on turnover, profitability and employment;
- questions to test additionality, displacement and wider multipliers; and
- how the response programme could have been improved.

3 IMPACT OF FMD IN SCOTLAND

3.1 Background

In 2001, FMD struck principally in two regions, Borders and Dumfries & Galloway. Some 735,000 animals were culled, 88% of which were sheep, on over 1,000 farms under the 3km cull rule (that animals on farms within 3km of infected sites should be culled). The impact of FMD fell primarily on two sectors, agriculture and tourism.

The direct impacts on agriculture came from the cull of trading and breeding animals, the ban on exports affecting the majority of meat products and the movement restrictions imposed to limit the spread of the disease. However, the owners of culled animals did receive compensation from the government.

The tourism sector was affected by the restricted access to the countryside imposed during the outbreak which impacted upon day-tripper and tourist numbers in rural areas, and more generally the sector was affected by the news coverage which created a negative image of Scotland as a place for a holiday at that time.

This section outlines the findings from existing research at the national and sub-national level on the impact of FMD. The impact which FMD had on businesses in the Borders is covered in chapter 5 Survey of Assisted Businesses .

3.2 Impact at the National Level

This section summarises the findings of the Fraser of Allander Institute (FAI) report “Economic Impact of the 2001 Foot and Mouth Disease Outbreak in Scotland” for the Scottish Executive’s Impact Assessment Group. This work used a specially adapted modelling approach with inputs from other Scottish and national studies on FMD to arrive at estimated GDP impacts on the tourism and agriculture sectors for the years 2001-06. It stressed the inaccuracies involved in any type of large modelling exercise, so the figures produced are best estimate guides to impacts.

The FAI report calculated that the FMD outbreak reduced the overall GDP of Scotland in 2001/02 by £13.6 - £29.8 million, or by 0.02 – 0.05%. This suggests a very small scale negative impact at the national level. The model was run on for the years to 2006, but the direct impacts in the years after 2001/02 were found to be insignificant, suggesting that FMD did not do lasting damage to the economy at a national level.

3.2.1 Impact on Agriculture

The national economy was estimated by FAI to have lost some £33.5 million of GDP as a result of the shock to agriculture in 2001/02. This was primarily due to the export ban (-£23.7 million) and the cull of breeding animals (-£9 million). Compensation payments, which reached a total of £72 million, and the restocking of animals, provided positive impacts on GDP at the national level.

The FMD outbreak was estimated to have cost some 964 agriculture related jobs nationally, again principally due to the effects of the exports ban and the culling.

Compensation payments and the restocking of animals again had an impact in the opposite direction in boosting employment.

3.2.2 Impact on Tourism

FAI estimated that FMD accounted for a reduction in tourism expenditure of some £667 million between 2000 and 2001. Almost two thirds (64%) of this was due to the downturn in daytrips, with a fifth (21%) due to falling numbers of domestic tourists. Falling rest of UK and foreign tourism expenditure accounted for the rest. It was estimated that this fall in tourism expenditure had a net negative impact on national GDP of £15.4 million or 2,687 jobs.

However, considering displaced household consumption – people spending their money on other things instead of daytrips and short breaks in Scotland – changes the picture. At a national level, this suggests that there was a net positive impact on GDP of £12 million as a result of FMD, principally due to a £71 million positive effect in urban areas. This was caused by significant displaced consumption, the ‘crowding-in’ of labour into the areas, and the fact that urban areas gained significantly from domestic tourism when the rural areas were inaccessible.

Nationally, there was estimated to be 343 net jobs lost as a result of the tourism shock. Here again, the 2,344 jobs created by displaced consumption, compensated for the 2,687 jobs lost directly as a result of falling tourism expenditure. The urban areas, benefiting most from the displaced consumption effect, saw jobs growth of 1,370, while the rural areas lost 1,713 net jobs as a result of the tourism shock.

3.3 Other National Impact Studies

A study by DTZ Pbeda for SEERAD looked at the impact on particular sectors and ‘fragile rural economies’. Tourism was found to be the most affected sector, with negative impacts felt nationally, while the agri-food and transport sectors were found to have suffered from localised effects in the infected areas of the Borders and Dumfries & Galloway.

Another study by McDonald and Roberts (2002) for the Scottish Economic Policy Network looked at distributional effects. One finding was that FMD had had a positive impact on farm types with cattle and sheep, but negative impacts on mixed type farms.

3.4 Impact at the Sub-National Level

The FAI work was disaggregated into three geographical areas:

- the **urban region** including the Area Tourist Boards of Angus and the City of Dundee, Argyll, the Isles, Loch Lomond, Stirling and the Trossachs, Ayrshire and Arran, Edinburgh and the Lothians, Greater Glasgow and Clyde Valley;
- the **infected rural region** comprising Dumfries and Galloway and the Scottish Borders; and
- the **uninfected rural region** including Aberdeen and Grampian, Highlands of Scotland, Kingdom of Fife, Perthshire, Shetland, Orkney and Western Isles.

This sub-section sets out the impacts of FMD on the infected rural region in comparison to the other two areas. Unfortunately, the impact information for the infected rural region has not been disaggregated down to its Borders and Dumfries & Galloway constituents. As a rough guide, the Borders constitutes around 40% of the infected rural region in terms of population, number of employees, and workforce in agriculture, and Dumfries & Galloway, 60%. However, these ratios could not be applied with confidence to the FAI numbers without an in-depth comparison of the agricultural and tourism sectors in each region, and of the extent to which FMD impacted on each.

Not surprisingly, the infected rural region bore the brunt of the impact of FMD on agriculture, losing an estimated £37.3 million of GDP and 1,677 jobs (Table 3.1). This was compared to the uninfected rural areas which benefited from the misfortune which struck the agriculture sector in the infected areas, with positive impacts of £9.5 million of GDP and over 500 jobs.

Table 3.1: Impacts on the Borders and Dumfries & Galloway as a result of the Agriculture Shock, 2001-02

Shock Constituent	GDP (£m)	Jobs
Export Ban	-8.32	-251
Cull of Trading Animals	-23.22	-2,458
Compensation Payments for Trading Animals	5.56	1,208
Movement Restrictions	-2.06	9
Cull of Breeding Animals	-9.22	-181
Restocking Demand	-0.04	-4
TOTAL	-37.30	-1,677

Source: Fraser of Allander Institute

The main negative impacts were from the animal culls (£32.4m and 2,639 jobs) and the export ban (£8.3m and 251 jobs). Compensation payments provided a positive impact of £5.6m and 1,208 jobs.

While FAI estimates that tourism expenditure fell by £71.14 million in the infected rural areas, the impact is off-set by an increase in household expenditure. As a result the estimates for the impact on tourism in the infected rural region are a £5.5m positive impact on GDP and a negative impact of 32 jobs (Table 3.2).

In presenting these findings, the FAI report comments that “it needs to be understood that a degree of imprecision is associated with all modelling work, particularly of this scenario type. However, in this case we also had difficulty in accurately determining the direct external shock to the model associated with the impact of FMD on tourist expenditure.”

Table 3.2: Impacts on the Borders and Dumfries & Galloway as a result of the Tourism Shock

Tourist Shock Type	GDP (£m)	Jobs
Foreign Tourist	-0.01	-6
Rest of UK Tourist	-0.63	-65
Domestic Tourist	0.50	-100
Day-tripper	3.34	-126
Displaced Consumption	2.26	265
TOTAL	5.46	-32

Source: Fraser of Allander Institute

3.5 Impact on Businesses in Scotland

The Scottish Executive's Impact Assessment Group also commissioned a series of three tracking surveys of non-agricultural businesses in April, June and September, 2001 to assess the extent to which they had been affected by FMD. The surveys were conducted by telephone by George Street Research across Scotland, although Dumfries & Galloway was omitted from the first one due to survey work having already been undertaken there. 1,114 businesses participated in all three surveys, while sample numbers were topped-up in each phase by additional interviews.

The main findings were that:

- two thirds of firms felt no impact from FMD, while a quarter identified some negative impact. However, in infected or at risk areas, one third could point to a negative impact on their businesses;
- tourism businesses were most widely affected, with half of them identifying a negative impact from FMD, while among only 4% did FMD have a positive impact. Tourism businesses sighted average losses of 31% attributable to FMD;
- the actions most commonly affected due to the impact of FMD included:
 - cancel/ postpone recruitment or capital investment;
 - increase marketing activity; and
 - reduce prices to attract business;
- FMD was attributable for the following:
 - staff changes in 3% of cases;
 - cost increases in 3% of cases;
 - sales losses for the year in 7% of cases; and
 - sales losses for the year 11% of businesses in infected or at risk areas.

4 SE BORDERS FMD RESPONSE PROGRAMME

4.1 Introduction

The SEB response to FMD was formulated shortly after it struck in February 2001. The Borders economy is vulnerable to external economic changes given its limited economic diversification from a rural and traditional industry base, and its high proportion of SMEs which are particularly sensitive to swift changes in turnover. Before FMD, the Borders already had the lowest Scottish wage levels and the second lowest GDP, and it was estimated that the Borders economy could lose 7% of GDP over the year due to FMD and the global downturn in telecommunications.

Early analysis of the effects of FMD suggested its main impacts were being felt on the agriculture, tourism and retail sectors, at a time when the electronics and telecommunications industries were also suffering.

Before FMD, agriculture contributed £127 million¹ or 12% of total Borders' GDP of £1,062 million. There is no comparable figure available for the tourism sector, although some estimates indicate a £190 million contribution to regional GDP². In 2000, the sector was worth over £100 million in tourism spending in the Borders' economy. Within this the accommodation sector accounts for £69 million of revenues.

There were 1,300 VAT registered stocks in the 'agriculture sector' in 2000, 30% of total registrations. There were 315 VAT registered stocks in the 'hotels and restaurants' sector in 2000, some 8% of total registrations.

Early survey work and analysis of the impact of FMD, referred to in SEB's programme approval papers, underlined the threat to key sectors:

- **Agriculture.** The cull involved 14% of the sheep breeding flock and 6% of cattle, on 120 Borders farms. In addition, thousands of cattle and tens of thousands of lambs were trapped by movement restrictions, leading to £166,000 of extra short-term costs on top of loss of sales and cashflow problems. Hill sheep farm profits were expected to fall by 400%, and demand for farming-related services to diminish sharply too. The impact on the local economy was estimated at £14m.
- **Tourism.** Path closures in the Borders shut off some 70% of rights of ways to walkers during the crisis, and a March 2001 survey of tourism businesses indicated:
 - sales revenues down by up to 50%, equivalent to £2.5m of visitor revenue;
 - visitors to TICs down by 30%, advance bookings for March-April down by 74%, and 41% of planned events cancelled or curtailed;
 - 52 full-time and 50 part-time redundancies, with 24 full-time and 140 part-time staff not going to be taken on, and 114 jobs at risk; and

¹ Scottish Agricultural College, 2003

² SE Borders FMD Response Programme Rationale

- 50 countryside activity businesses closed and 250 businesses experiencing worsening situations.
- **Retail.** An additional survey of filling stations underlined the impact of FMD on passing trade suggesting a 12.5% reduction in sales since the arrival of FMD.

4.2 Rationale for SEB Action

The rationale for SEB intervention was market failure in the form of externality, since FMD was completely out of the control of local firms. There was clearly a threat to key local sectors in what was anyway a fragile local economy, so with tourism about to enter its high season of April – October, SEB intervened to try to sustain local jobs and businesses through a period of sales losses and cashflow difficulties.

4.3 SEB Response Programme Design

The objective was to assist businesses directly affected by FMD through grant, loan and consultancy support targeted at helping them meet short, medium and long-term objectives. Scottish Enterprise Dumfries and Galloway had already embarked upon a programme of support in their region, so SEB action drew on this model, while tailoring it to local needs and circumstances.

The programme consisted of four levels of support:

- **Financial Assistance for Survival Planning.** Grants of up to £5,000, awarded on a 100% basis, would be available for immediate action planning. There would also be capital and interest relief on existing loans available for up to 12 months, with the maximum contribution to any business set at £7,500;
- **Loan Finance to Develop Recovery Plans.** This would involve loans of £1,000 - £10,000 to businesses that developed and implemented recovery plans. These would normally be provided to a level of 75%, and would be paid back over 36 months following a 3-6 month repayment holiday. There would also be a loan facility for larger rural projects subject to the same conditions, but with a maximum amount available of £75,000;
- **Consultancy Support to Develop and Implement Recovery Plans.** For businesses requiring a more in-depth recovery planning than SEB advisers could provide, £1,000 would be available for expert consultancy; and
- **Business Training Support.** This would be more general support, linking to existing SEB programmes such as the Marketing Advance Programme, Business Skills & Tourism seminars and First Steps to E-business.

All financial assistance would be dependent on commitment to developing and implementing a recovery plan along the lines of the Gateway Growth Model. There was an exit plan so that by the end of 2001 the programme would be completed, and businesses returned to existing support mechanisms.

4.4 Selection Criteria

The approved arrangements allowed SEB to provide financial support to eligible businesses as follows:

- grant assistance for immediate action planning – contribution up to a maximum of £5,000; and interest and capital relief provided on existing loans for a period of 12 months – contribution up to a maximum of £7,500.
- loan funding to develop recovery plans – interest free loans between £1,000 - £10,000 for 'medium term projects, on the basis of 75% contribution to project costs. There was a repayment holiday for a 3-6 month period permitted with loans to be paid 36 months later.
- consultancy support to develop and implement recovery plans – contributions of £1,000 for expert help to those businesses that required a more in-depth recovery plan than could be provided by SEB's own advisers.
- business training support through the Business Gateway.

The approval paper stated that businesses receiving support would be monitored against the implementation of their recovery plans on a three-monthly basis, in order to provide information on jobs and businesses that have survived the foot and mouth crisis.

This programme was devised after considering other levels of action which included doing nothing or less, and doing more. Doing nothing or less was considered to be not enough to impact on business recovery, while doing more was rejected because the package developed was deemed adequate to get the businesses moving forward.

A total anticipated budget of £1.4 million was put forward for approval, of which some £300,000 would be dispersed as loan finance with a 3 year payback period. SEB sought to allocate this repayment income of around £100,000 per year to supplement the New Ways loan fund on an ongoing basis. This was a development fund that was about to be launched in conjunction with Scottish Borders Council.

4.5 SEB Response Programme Delivery

The £1.4 million application was approved for the programme, and a further £800,000 was approved at a later stage.

A total of 245 different firms were assisted through 388 awards of grants, loans, relief on existing loan commitments, or funding for external consultancy. The total amount awarded to firms under the programme was £1.76 million³.

Table 4.1 below indicates that grants of £0.9 million accounted for over half of financial support under the programme, and were awarded to 97% of the companies assisted. Loans issued amounted to £0.48 million, or a quarter of the programme budget, and were received by 31%, while loan relief was worth £0.4 million and was received by over a quarter of firms (28%). Financial support for

³ SE Borders database

consultancy constituted a tiny proportion of the programme (under 0.5% of spending).

Table 4.1: Amount Awarded and Number of Businesses Assisted

Type of Support	Amount Awarded		Businesses Awarded Support		
	£	%	Number of Assists	% of Awards	% of Businesses Receiving Support
Grant	906,512	51.6	238	61.4	97.1
Loan	447,887	25.5	68	17.5	30.6
Loan Interest/ Capital Relief	396,654	22.5	75	19.3	27.8
Consultancy	7,000	0.4	7	1.8	2.9
TOTAL	1,758,053	100.0	388	100.0	

Source: SEB

Over half of firms (52%) assisted received just one type of award, while two fifths (38%) received two types of award, and a tenth (9%) received three types. Two firms received all four types of award.

Table 4.2 indicates that 60% of companies received up to £6,000 of support under the programme; just under 20% received £6,000 – £12,000, and just over 20% more than £12,000. The average award was £4,500, and the highest award was £28,750.

Table 4.2 also indicates that half of the support budget (50% or £877,660) was delivered to businesses in total packages of £12,001 or more, with a fifth (22% or £381,217) in packages of £6,001 to £12,000, and over a quarter (28% or £499,176) in packages of up to £6,000.

Table 4.2: Amount of Support Received per Business

Amount Received (£)	Number	% of Businesses	Funding	% of Funding
0 – 3,000	65	26.5	129,007	7.3
3 – 6,000	81	33.1	370,170	21.1
6 – 9,000	31	12.7	241,092	13.7
9 – 12,000	13	5.3	140,124	8.0
12 – 15,000	39	15.9	528,834	30.1
> 15,000	16	6.5	348,826	19.8
TOTAL	245	100.0	1,758,053	100.0

4.5.1 Profile of Assisted Firms

Table 4.3 indicates that half of all firms assisted were in either tourism (29%) or agriculture (21%). A further quarter were in retail (10%) or other services (14%).

Table 4.3: Breakdown of Assisted Businesses by Sector

Sector	Number	%
Tourism	72	29.4%
Agriculture, Forestry & Fishing	51	20.8%
Other Services	34	13.9%
Retail/ Wholesale	25	10.2%
Food & Drink	16	6.5%
Textiles	14	5.7%
Other Manufacturing	8	3.3%
Not Sure/ Stated	6	2.4%
Business Services	5	2.0%
Engineering	4	1.6%
Personal/ Domestic Services	4	1.6%
Construction	3	1.2%
Energy	1	0.4%
Educational Services	1	0.4%
Recycling Services	1	0.4%
TOTAL	245	100.0

Source: SEB

Table 4.4 shows that almost half of organisations supported were sole traders/ individuals (48.1%), and partnerships accounted for another fifth (19.6%) of assists. The type of organisation was not known in 17% of cases.

Table 4.4: Breakdown of Assisted Businesses by Type

Sector	Number	%
Sole Trader/ Individual	118	48.2
Partnership	48	19.6
Limited Company	30	12.2
Other	8	3.3
Not known	41	16.7
TOTAL	245	100.0

Source: SEB

Details on employment and turnover for assisted firms were only available for 41 and 63 of assisted firms respectively. This is presented in Table 4.5 below. The table shows that 40% had annual turnover of £50,000 or less, and just under 20% between £50,000 and £100,000. 16% had a turnover in excess of £250,000.

Table 4.5: Employment and Turnover at Assisted Firms

Number of Workers	Number	%	Turnover Range	Number	%
1 – 2	25	61.0	≤ 50,000	27	42.9
3 – 5	5	12.2	50,001 – 100,000	12	19.0
6 – 10	5	12.2	100,001 – 150,000	7	11.1
> 10	6	14.6	150,001 – 200,000	1	1.6
TOTAL	41	100.0	200,001 – 250,000	6	9.5
			> 250,000	10	15.9
			TOTAL	63	100.0

Source: SEB

4.6 Internal Audit of SEB Response Programme Delivery

The Internal Audit Review of the Foot and Mouth Loan Fund whose findings were circulated in March 2003, studied the way that the FMD response programme had been managed and operated and made five principal recommendations. Four of these related to project approval, project appraisal, the provision of financial assistance and the management of loans and were rated as minor or moderate control weaknesses.

The final control weakness, rated as significant, related to monitoring and evaluation. Monitoring of assisted businesses against their recovery plans had not been conducted every three months and an evaluation of the programme had not been carried out. Both of these were included in the application for funding to the Project Advisory Group. This study meets the requirements of the audit for a formal evaluation of the programme.

At the time of the FMD crisis SEB was under pressure to respond quickly, and was under-staffed, as all the extra work on this programme had to be conducted by existing staff in addition to existing workloads. As a result there were certain difficulties reported in the monitoring of assisted businesses.

5 SURVEY OF ASSISTED BUSINESSES

5.1 Introduction

The methodology used for the survey in this research is described in Section 2 of this report, with the findings discussed in this section. Appendix A contains the survey questionnaire.

5.2 Survey Population

Interviews were completed with 55 of the 120 assisted firms contacted by letter (17 face-to-face and 38 telephone interviews). This was slightly below the target of 60 completed interviews, but reflects the fact that in 16 cases (13%) the main contact could not be contacted or had left the area. In a further 18 cases the contact number was dead or the business had been wound up, suggesting a business failure rate of 15% since 2001 among companies contacted.

The survey findings reported in this section are representative of the wider population of 245 businesses supported under the response. The 55 interviews account for over a fifth (22%) of all businesses assisted by SEB, and their profile is outlined below in terms of:

- Sector and type of business;
- Employment and turnover; and
- Type and amount of support received.

5.2.1 Business Sector and Type

This breakdown is detailed in Table 5.1 and Table 5.2 and shows the close match achieved between the nature of those surveyed and the wider assisted business population. A third of survey respondents were in tourism (31%) and a quarter (24%) in agriculture, ensuring that the views of businesses in the two sectors most affected by FMD were well represented in the survey. Over half of respondents (53%) were sole traders.

Table 5.1: Breakdown of Interviewed Businesses by Sector

Sector	Number	%	% (All assisted businesses)
Tourism	17	31	29
Agriculture, Forestry & Fishing	13	24	21
Other Services	5	9	14
Retail/ Wholesale	7	13	10
Textiles	6	11	6
Other Manufacturing	5	9	3
Other/ not known	2	3	17
TOTAL	55	100	100

Source: Biggar Economics Survey; SEB

Table 5.2: Breakdown of Interviewed Businesses by Type

Sector	Number	%	% (All assisted businesses)
Sole Trader/ Individual	29	53	48
Partnership	13	24	20
Limited Company	11	20	12
Other/ not known	2	3	20
TOTAL	55	100	100

Source: Biggar Economics Survey; SEB

5.2.2 Employment and Turnover

The SEB data on turnover and employment at assisted firms, although incomplete, suggested that assisted firms were on the whole 'small'. The survey confirmed this and Table 5.3 shows that that over two fifths (42%) of businesses assisted had only one or two workers, and two thirds (68%) had five or less workers. Similarly, over a third of assisted firms (37%) had an annual turnover of £100,000 or less, and over four fifths (84%) had a turnover of £500,000 or less.

Table 5.3: Employment and Turnover at Interviewed Businesses in 2003¹

Number of Employees	Number	%	Turnover Range	Number	%
1	14	26	≤ 50,000	15	28
2	9	16	50,001 – 100,000	5	9
3 – 5	14	26	100,001 – 250,000	14	26
6 - 10	11	20	250,001 – 500,000	11	21
11 – 15	5	9	500,001 – 1,000,000	3	6
16 - 20	2	3	> 1,000,000	5	9
TOTAL	55	100	TOTAL	53	100

¹ Figures relate to businesses' last financial year

Source: Biggar Economics Survey

5.2.3 Type and Amount of Support Received

As with the wider population, Table 5.4 shows that almost all interviewed businesses received a grant (86%) and grants accounted for 49% of all support awarded. The survey slightly over-represented businesses receiving loans (36%) and slightly under-represented businesses receiving loan capital/ interest relief (20%).

Table 5.4: Amount Awarded and Number of Businesses Assisted

Type of Support	£	% of Total		Number of Businesses	% Receiving	
	Survey	Survey	All Assisted Businesses	Survey	Survey	All Assisted Businesses
Grant	215,583	49	52	53	96	97
Loan	169,645	39	26	20	36	31
Loan Interest/ Capital Relief	50,761	12	22	11	20	28
Consultancy	2,000	0	0	2	4	3
TOTAL	437,989	100	100	86	100	100

Source: Biggar Economics Survey; SEB

Table 5.5 shows that the surveyed businesses were broadly representative of the wider assisted population in relation to the amount of support received, with a fifth (22%) receiving £3,000 or less; a third (36%) receiving £3,000 to £6,000; and a third (33%) receiving more than £12,000.

Table 5.5: Amount of Financial Support Received by Interviewed Business

Amount Received (£)	Number	%	% (All assisted businesses)
0 – 3,000	12	22	26
3 – 6,000	20	36	33
6 – 9,000	4	7	13
9 – 12,000	1	2	5
12 – 15,000	14	26	16
> 15,000	4	7	7
TOTAL	55	100	100

Source: Biggar Economics Survey; SEB

5.3 Impact of FMD on Businesses

In order to assess the quantitative impact of FMD on firms, interviewees were asked for their turnover and employment levels for the financial years before FMD (2000) and in the year of FMD (2001). The findings indicate the considerable impact of FMD in 2001:

- turnover fell on average by 44%, 2000–2001;
- many businesses have only recently seen turnover return to pre-FMD levels, with turnover for 2003 slightly above (by 5%) its 2000 level;
- an estimated 15% of assisted businesses ceased trading during or following FMD;
- employment fell on average by 8% in 2000–2001 reflecting attempts made by employers to keep their staff on wherever possible, however hours were cut and the hiring of seasonal labour abandoned in numerous cases;
- by 2003, employment levels had risen again to a small extent, standing at 4% above their pre-FMD level in 2000.

5.3.1 Impact by Sector, Turnover and Employment

The impact of FMD on interviewed businesses by sector and size (in employment and turnover) is shown in Table 5.6. Although sample sizes are small when the sample population is subdivided, and individual firm performances therefore have the potential to skew results, the following can be noted:

- Between 2000 and 2001, turnover decreased the most in agriculture (53%). In tourism, textiles and retail/ wholesale the decline was 16-18%.
- Turnover slowly increased following FMD, so that over the period 2000-03, it had grown slightly in agriculture (3%), tourism (6%) and retail/wholesale (9%). Employment in textiles, however, had not recovered (-5%).

- Between 2000 and 2001, employment declined the most in agriculture (8%). In tourism, textiles and retail/ wholesale the decline was 4-6%. Over 2000-03, however, employment in agriculture and tourism increased by 8%, although it declined in textiles and retail/ wholesale (by 4-6%).
- The smallest businesses were hardest hit by FMD. Those with < £50,000 turnover lost 49% value of sales in 2001, and those with one or two employees lost 63% of turnover in 2001. However, by 2003, turnover had recovered and surpassed the performance of larger firms in many cases.
- This pattern was repeated in relation to employment numbers, with smaller firms tending to lose more jobs in 2001 than larger ones (a quarter of jobs lost in firms with < £100,000), but that by 2003 employment had recovered to slightly above its 2003 level.

Table 5.6: Turnover and Employment Impact of FMD on Interviewed Businesses by Sector and Size

	Turnover		Employment	
	% Change 2000-01	% Change 2000-03	% Change 2000-01	% Change 2000-03
By Sector:				
Agriculture, Forestry & Fishing ¹	-53%	3%	-8%	8%
Tourism	-16%	6%	-5%	8%
Textiles	-18%	-5%	-4%	-6%
Other Manufacturing ²	-20%	48%	0%	19%
Retail/ Wholesale	-18%	9%	-6%	-4%
Other Services ²	-51%	54%	-40%	-3%
By Turnover:				
< £50,000	-49%	27%	-23%	1%
£50,001 – £100,000	-23%	23%	-27%	9%
£100,001 - £500,000	-21%	13%	-3%	-1%
> £500,000 ³	-51%	2%	-3%	7%
By Employment:				
1 – 2	-63%	16%	-6%	11%
3 – 5	-15%	21%	-18%	9%
6 – 10 ³	-53%	0%	-11%	1%
> 10	-9%	15%	-1%	3%
Notes:				
¹ Agriculture turnover change figures were significantly influenced by one firm. Excluding it, average turnover reduction, 2000-01, was -27%, and 2000-03 was 19%.				
² These sectors had small samples and were affected by the performance of a couple of businesses within them.				
³ Figures on these rows are significantly influenced by the same agricultural firm mentioned in Note ¹ above.				
Source: Biggar Economics Survey; SEB				

Almost all interviewees stated that FMD had had a significant negative impact on their business (93%), with the rest suggesting a slight negative impact.

The most common kinds of negative impact on businesses are reported in Table 5.7. All businesses reported loss of sales, and over four fifths suffered reduced profits (89%) and lost customers (81%). Cancelled investment plans (54%) and cashflow problems (46%) were the next most common negative impacts.

Table 5.7: Most Common Negative Impacts of FMD on Interviewed Businesses

Type of Impact	Number of Businesses	% of Businesses
Reduced sales	54	100
Reduced profits	48	89
Lost customers	45	81
Cancelled/ postponed investment	29	54
Cashflow problems	25	46
Threat of going out of business	17	31
Job losses	15	28
Cancelled/ postponed recruitment	8	15
Forced to increase marketing activity	8	15

Source: Biggar Economics Survey

Other impacts mentioned by lower proportions of respondents included:

- forced to diversify (9%);
- cost increases (9%); and
- forced to cut prices (7%).

Only a third of respondents (37%) mentioned that they had taken specific measures to counteract the harmful impacts of FMD before they started working with SEB. These measures tended to include cost cutting, renegotiating payments on loans or extending borrowing/credit; marketing work involving contacting customers to remind/ reassure them that the business was still open; and business planning.

5.4 Accessing SEB Support

Businesses heard about the SEB support from a wide range of sources:

- word of mouth from local businesses or people (33%);
- being contacted by SEB, or contacting SEB themselves (33%);
- local media (11%);
- accountant/ bank manager (11%);
- Scottish Borders Council (6%); and

- other (6%).

This reflects the scale of impact that FMD was having on the local economy and the fact that most people were aware of any assistance that was available. The FMD support programme therefore did not require the level of marketing that other SE products might require, and indeed there was no time to time to market the support in a systematic manner. Most businesses eligible for support under the programme should have heard about it at some stage, although some comments indicate that some late applicants missed out, or received lower levels of support, due to the fund being almost exhausted.

The procedure for accessing support under this initiative was considered to be relatively efficient in almost all cases. The administrative procedures required were believed to be very simple (49% of respondents) or quite simple (42%), with only one in ten of businesses finding them a burden. SEB advisers were considered very helpful in explaining the administrative requirements and in assisting applicants to complete forms.

Respondents also commended the SEB for the speed at which it turned around applications and issued financial support. A quarter (25%) estimated that they received the support within a fortnight of completing administrative procedures with an SEB advisor, while half (52%) waited up to a month, and the remaining quarter (23%) received support within two months.

5.5 Recovery Planning

An important aspect of the FMD support programme was the development of a recovery plan by the assisted business with an SEB adviser before financial support was granted. In 78% of cases a recovery plan was produced, however in the remaining 22% a plan did not exist, or the interviewee was unsure as to whether one had been produced. Where a recovery plan existed, it was produced before any financial support was received in 88% of cases.

Specific actions to be taken with financial support received should have been highlighted in recovery plans. The most common action areas mentioned in recovery plans were:

- new or increased marketing/ advertising (40% of plans);
- capital investment (29%);
- diversification (20%);
- financial planning (11%);
- make loan repayments (9%);
- pay off creditors (9%);
- training (9%).

Other actions identified included: conducting market research; business planning; website development; and paying wages.

Only a third of respondents (32%) with recovery plans stated that they had referred to them regularly since their development. The reasons given by the 68% who had not referred to their recovery plans since development included:

- the plan was designed specifically to get the business through the FMD crisis, and therefore was not applicable beyond this period;
- the plan was viewed as a required part of the application for financial support, but not as a management tool.

Among those who had developed a recovery plan, two thirds (64%) considered that their business acumen had improved as a result of planning and taking action to get them through the FMD crisis. The other third (36%) did not consider that their business skills had been augmented as a result of these experiences.

Almost all (91%) of those with recovery plans stated that they had used the financial support received for the actions outlined in their recovery plan. On deeper probing it became apparent that in many cases while some of the financial support went on identified actions, much went on general revenue expenditure to maintain operations and keep the business going.

In general, grants were more directly linked to specific actions in the minds of the interviewees, while loans when not used for specific capital investment, tended to go into the maintaining cashflow.

5.6 Impact of Actions Taken with SEB Support

Interviewees were asked about the actions that they had taken with the support received, and the kind of impact that taking these actions had had on their businesses. Table 5.8 reports that respondents mentioned 141 actions taken in total, with the most common specific actions taken being:

- capital investment (by 44% of businesses);
- increased marketing/ advertising (38%); and
- diversification (18%).

Significant proportions of businesses used the money for day-to-day operating purposes:

- ease cashflow problems (35%);
- make loan repayments (22%);
- pay creditors (20%); and
- pay wages/ keep staff (16%).

Other businesses undertook business and financial planning (13% and 11% respectively) which they would not have done in most cases in the absence of FMD.

Table 5.8: Actions Taken by Businesses with SEB Support

Action	Number	% of businesses
Capital investment	24	44
Increased marketing/ advertising	21	38
Ease cashflow problems	19	35
Make loan repayments	12	22
Pay creditors	11	20
Diversification	10	18
Pay wages/ keep staff	9	16
Business planning	7	13
Financial planning	6	11
Training	5	9
Website development	4	7
Market research	3	6
New product development	3	6
Other	7	

Source: Biggar Economics Survey

Over three fifths of respondents (63%) stated that these actions taken had had a significant positive impact on their business, while a third (32%) said that they had had a small positive impact. In only 4% of cases had the actions taken not had an impact on the business, and there was one business that believed the recommended actions had impacted negatively on her business mainly because they were inappropriate and time was wasted in implementing them.

5.7 Additionality

A key check in an evaluation of a support programme such as this is additionality, which is the extent to which the activities supported by programme funding were additional to what would have happened in the absence of the programme. Survey findings provided in Table 5.9 suggest that:

- 39% of actions enabled were completely additional (they would not have occurred without the support);
- 50% of actions supported were additional to some extent (they would have been taken but to a lesser extent; or not in 2001 at the time of FMD; or both);
- 11% of actions were not additional, representing deadweight (they would have occurred when they did regardless of SEB support).

Respondents found it very difficult to estimate to what extent and when they might have taken actions in the absence of SEB support. Half of those that did estimate, reported that the action would have been delayed by a year, a third

estimated by two years, and the remainder would only be taking the action in the third year after FMD.

Table 5.9: Extent to which actions would have been undertaken by businesses in the absence of SEB support

Extent	Number of Actions Taken	% of Actions Taken
To the same extent, not delayed	16	11
To a smaller extent, not delayed	16	11
To the same extent, delayed	18	13
To a smaller extent, delayed	36	26
Not at all	55	39
Total	141	100

Source: Biggar Economics Survey

Depending on the type of action taken, levels of additionality differed. Not surprisingly the general operational actions such as paying wages, creditors and interest on loans, and easing cashflow problems, were far more likely to have been taken anyway in the absence of SEB support. Far higher levels of additionality were achieved by SEB support on actions such as: capital investment; increased marketing; diversification, market research and new product development; training; and business and financial planning.

The quantitative analysis in the next section provides further details of additionality in relation to jobs saved and turnover in 2001.

5.8 Diversification

The FMD crisis illustrated the extent to which large numbers of businesses in the Borders were vulnerable to a serious external event due to being overly reliant on one key sector/market. As a result, advice on possible ways to diversify where appropriate was seen as quite an important constituent of the FMD response initiative.

Two fifths (41%) of interviewees had diversified their business to some extent as a result of the SEB support received. This usually involved developing a new but related product which could be marketed to a different kind of customer or a different geographical market. The most common examples of this were businesses which had relied almost entirely upon the farming sector for their turnover who adapted their product or service to attract a wider range of customer. Similarly, a few businesses such as hotels and pubs that had been relying upon tourists for most of their income, diversified to target the local market by hosting events and functions.

5.9 Monitoring

Following SEB support, effective monitoring of supported businesses through tracking progress against their recovery plans at three monthly intervals did not occur, although it was part of the programme design. Less than half of

respondents (48%) were contacted by SEB after they had received support, but in most cases this contact did not specifically involve a discussion of progress against recovery plan objectives. Discussions tended to relate to other matters (for example whether the business was account managed) or was a general call to “see how things were going”.

However, given the extent to which staffing resources were fully utilised on existing projects, and that no additional business advisers were employed in response to FMD, SEB’s staff response was in addition to their existing workloads.

5.10 Satisfaction

There was a high approval rating for the SEB advisers who worked with the businesses on their recovery plans and applications. Overall, advice received from SEB advisers was deemed to be:

- very effective in 66% of cases;
- quite effective in 24% of cases; and
- not very, or not at all effective in 10% of cases.

This reflects the high levels of satisfaction among respondents for, the help received from SEB staff in explaining the administrative requirements of the programme and in assisting applicants to fill in the forms.

The advice received on recovery planning was deemed to have been: very significant (among 29% of interviewees); quite significant (33%); and not significant (37%). This reflects the fact that many businesses did not feel the need for advice on how to recover from the FMD crisis on the grounds that:

- they had already undertaken their own planning; or
- their business was so specialised that external advice was not appropriate.

Respondents were asked how significant each of the other constituents of SEB support had been in terms of their impact upon the business, and all of the financial support packages scored much higher than the recovery planning advice (Table 5.10). Loans are considered very significant in every case, having more of an impact than grants and loan interest/ capital relief, both of which nevertheless had significant impacts. Because loans tended to be to a higher value (over £8,000 on average) compared to the grants and loan interest/ capital relief measures (slightly over £4,000 on average), this may explain the higher significance rating.

Table 5.10: Relative significance of each component of SEB support on Interviewed Businesses

Type of Support	Very Significant (%)	Quite Significant (%)	Not Significant (%)
Recovery Plan	30	33	38
Grant	81	15	4
Loan Interest/ Capital Relief	78	0	22
Loan	100	0	0
Business Consultancy ¹	n/a	n/a	n/a

¹ Sample too small to draw conclusions from

Source: Biggar Economics Survey

Interviewees were extremely grateful for the support that they had received from SEB in what was a difficult time for most of them. This was not only for the financial support and recovery planning advice where needed, but also for the moral support, and the feeling that there was someone there supporting them. Three quarters of respondents could not suggest a way in which SEB could have improved their response to FMD.

Among the quarter of respondents who suggested that the response could have been improved, the following comments were noted:

- The response was too slow (6 instances);
- Not enough money was provided (2 instances), particularly compared to what the farmers got (2 instances);
- Late applicants missed out (2 instances);
- Paperwork was difficult and time-consuming (2 instances);
- Shouldn't have had to do certain things with the money (2 instances); and
- More people should have been informed about it (2 instances).

6 ECONOMIC IMPACT

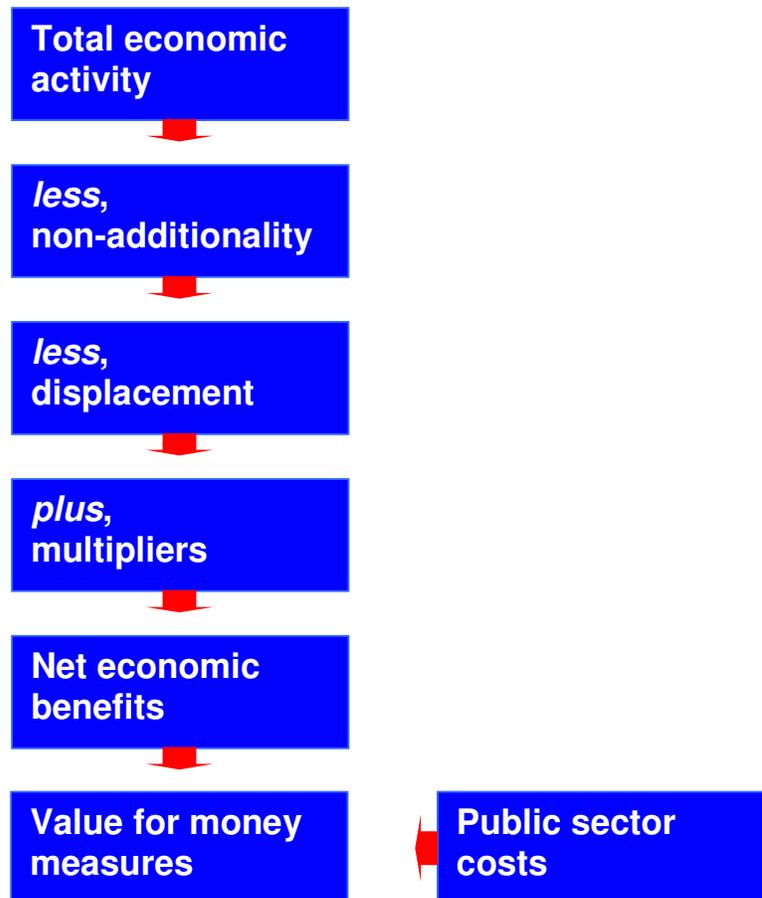
6.1 Introduction

This section summarises the economic impact of the FMD response programme on assisted businesses in the year of FMD, 2001, and between then and 2003. The economic impact is estimated in terms of GDP and employment saved/created as well as the value for money of the public sector intervention.

6.2 Methodology

The methodology used in calculating the economic impact of the FMD response programme is laid out in Figure 6.1.

Figure 6.1 – Economic Impact Methodology



The starting point for calculating economic impact is the total economic activity associated with the businesses, that is, the total employment and turnover.

The methodology then takes account of:

- additionality – the extent to which the public sector investment led to economic benefits that would not have occurred anyway;
- displacement – the extent to which the economic activity stimulated by the public sector has been at the expense of competitors elsewhere in the economy; and
- multipliers – the wider impacts of the additional activity on the economy, as a result of bought in supplies and services (the supplier multiplier) and the spending of wages in the local economy (the income multiplier).

Finally, the net economic benefits are compared with the public sector costs to assess value for money.

6.3 Proportion of Companies Reporting Impact

6.3.1 Business Saved

Almost a third (31%) of interviewed businesses stated that they had been in danger of going out of business during the FMD crisis, and that SEB support had contributed to sustaining them. On closer probing it was clear that the vast majority of interviewed businesses would have survived without the SEB support.

In three cases (5.5%) support was specifically linked to sustaining the business when it would have otherwise folded. The businesses were operating in business services and tourism sectors and employed 5 fte equivalents. Based on the total population this equates to SEB support potentially saving 11 firms during the FMD crisis.

It should also be noted that many firms were receiving other assistance at the time including rates rebate from Scottish Borders Council, which would have also have contributed to survival.

6.3.2 Turnover, Profit and Employment

Approximately a third of companies reported that SEB support had had a quantifiable impact on turnover and profit (33% and 30%, respectively) in the year of FMD, 2001 (Table 6.1). Since that year, the SEB support was believed to have had an impact on turnover and profit in three fifths of cases (63% and 61%, respectively). In the year of FMD the impact was in preventing turnover and profit from falling as far as they might have done without SEB support, and since FMD it was in boosting the recovery of turnover and profit to levels higher than would have been achieved in the absence of SEB support.

A third of businesses (32%) reported that SEB support had contributed towards enabling jobs to be saved during the year of FMD, while since 2001, the SEB support could be attributable in a quarter of businesses (24%) to jobs being created. A smaller proportion (9%) reported that SEB support had enabled jobs to be saved in the years following FMD.

Table 6.1: Companies Reporting Impacts

	Turnover	Profit	Jobs Saved	Jobs Created
In 2001	33%	30%	32%	0%
Since 2001	63%	61%	9%	24%

Source: Biggar Economics Survey

In order to quantify the impact of SEB support on assisted businesses, interviewees were asked to estimate what proportion of turnover and jobs saved/created was directly attributable to the SEB support. Far lower proportions of interviewees identifying profit benefits were able to provide answers to this question so that profit impact calculations could not be meaningfully conducted.

The employment economic impact calculations, therefore, consider the jobs saved in 2001, and the jobs created since the end of 2001. GDP impacts are estimated for these two periods as well.

6.4 Economic Impact in 2001

6.4.1 GDP Impacts in 2001

Table 6.2 summarises the gross turnover impacts in assisted firms in 2001 (the year of FMD), based on the survey of firms. Twenty-one percent of firms were able to quantify a turnover impact in 2001 (these 54 businesses include 12 that would have otherwise gone out of business). The gross turnover impact of the assistance was £3.6m in 2001.

Table 6.2: Gross Turnover Impacts (in 2001)

Total Firms Assisted	245
Firms with Turnover Impacts (2001)	54
<i>% of firms assisted</i>	<i>21%</i>
Average t/o impact (£)	66,910
Total t/o impact (£)	3,612,559

The business interviews included a discussion of whether the businesses would have taken the actions that led to the turnover benefits, if no assistance had been received from the FMD Response Programme. Where the actions would have been undertaken anyway, these benefits are considered to be non-additional since the public sector intervention made no difference to firms' actions. The average level of additionality for the 2001 turnover impact was 86% (i.e. few of the actions that led to turnover benefits in 2001 would have been undertaken without the FMD Response Programme).

The turnover impact, after taking account of additionality was £3.1m in the Borders economy in 2001.

The average level of displacement (estimated by assisted firms where there was some additional turnover impact) from non-assisted firms in the Borders economy

was 63% (i.e. 63% of the turnover benefits were at the expense of non-assisted firms).

The turnover impact, after taking account of additionality and displacement was £1.2m in the Borders economy in 2001.

The supplier multipliers were also based on the business interviews. The average supplier multiplier for the Borders was 1.10. A standard income multiplier of 1.1 was used.

The net turnover impact in the Borders in 2001 (after taking account of additionality, displacement and multipliers) was £1.4m.

6.4.2 Employment Impacts in 2001

Table 6.3 summarises gross employment impacts in assisted firms in 2001, based on the survey. As with the 2001 turnover impacts, twenty-one percent of firms were able to quantify an employment impact in 2001 (these were jobs *saved*). The gross employment impact in 2001 was 200.5 full time equivalent jobs (ftes).

Table 6.3: Gross Employment Impacts (in 2001)

Total Firms Assisted	245
Firms with Employment Impacts (2001)	54
<i>% of firms assisted</i>	<i>21%</i>
Average impact (ftes)	3.7
Total impact (ftes)	200.5

As with turnover impact, the gross employment impacts were adjusted to take account of additionality, displacement and multipliers.

The average level of additionality was 68% while the average level of displacement from other Borders businesses was 28%. The average supplier multiplier was 1.16 and the standard income multiplier of 1.1 was used.

The net employment impact in 2001 (after taking account of additionality, displacement and multipliers) was 124.6 ftes.

6.5 Economic Impact since 2001

The main aim of the FMD Response Programme was to intervene to save businesses during the peak of FMD in 2001. However, the evaluation has found that many of the actions taken by businesses led to longer term economic impacts. This section identifies those impacts that have occurred since the intervention in 2001.

6.5.1 GDP Impacts since 2001

Table 6.4 summarises the turnover impacts in assisted firms in 2003. Forty three percent of businesses could quantify a turnover benefit in 2003. The gross turnover impact of the programme in 2003 was £5.9m.

Table 6.4: Gross Turnover Impacts (since 2001)

Total Firms Assisted	245
Firms with Turnover Impacts (2003)	108
<i>% of firms assisted</i>	<i>43%</i>
Average t/o impact (£)	54,468
Total t/o impact (£)	5,881,481

As with the 2001 impacts, additionality, displacement and multipliers were taken into account.

The average level of additionality was 75% while the average level of displacement from other Borders businesses was 47%. The average supplier multiplier was 1.18 and the standard income multiplier of 1.1 was used.

The net turnover impact in 2003 (after taking account of additionality, displacement and multipliers) was £2.7m.

6.5.2 Employment Impacts since 2001

Table 6.5 summarises gross employment impacts in assisted firms in 2003. Eighteen percent of companies were able to quantify employment impacts in 2003. The gross employment impact of the programme in 2003 was 87.7 ftes.

Table 6.5: Gross Employment Impacts (since 2001)

Total Firms Assisted	245
Firms with Employment Impacts (2003)	46
<i>% of firms assisted</i>	<i>18%</i>
Average impact (ftes)	1.9
Total impact (ftes)	87.7

The average level of additionality was 75% while the average level of displacement from other Borders businesses was 29%. The average supplier multiplier was 1.11 and the standard income multiplier of 1.1 was used.

The net employment impact in 2003 (after taking account of additionality, displacement and multipliers) was 56.7 ftes.

6.6 Summary of Economic Impacts

Table 6.6 summarises the net impacts of the FMD Response Programme (that is, the impacts that can be attributed to the programme, taking account of additionality, displacement and multipliers).

The net economic impact of the FMD Response Programme on the Borders economy in 2001 was calculated as:

- £1.4 million; and

- 124.6 ftes saved.

The net economic impact of the FMD Response Programme on the Borders economy since 2001 was calculated as:

- £2.7 million; and
- 56.7 ftes created.

The total employment impact of the FMD Response Programme was 183.3 ftes (taking account both of jobs saved in 2001 and jobs created by 2003).

Table 6.6: Summary of Net Impacts in the Borders Economy

	2001	2003
GDP (£m)	1.4	2.7
Employment (ftes)	124.6	56.7

6.7 Value for Money

As noted earlier in this report, the total cost of FMD Response Programme was £1,758,053. The **cost per net job** (including both jobs saved in 2001 and jobs created since) is estimated as **£9,695**.

7 CONCLUSIONS AND RECOMMENDATIONS

This section presents the conclusions of the study and makes recommendations based on these for the design of programmes which might be developed by SEB to address similar situations of crisis in the local economy.

7.1 Conclusions

7.1.1 The impact of FMD on the Borders economy

The impact of FMD in 2001 was devastating, with turnover among businesses assisted by SEB falling on average by 44%, employment by 8%, and an estimated 15% of businesses ceasing to trade. It had taken to the end of 2003 for most businesses to return to their pre-FMD turnover and employment levels. Tourism and agriculture businesses, and those which relied on the agriculture sector for large parts of their income, were particularly hard hit by FMD.

7.1.2 The FMD Response Programme

The FMD response programme's objectives were to help businesses adversely affected by FMD to survive the year of 2001 and build towards longer term objectives identified with them in a recovery plan.

The SEB FMD response programme delivered £1.8 million of support in the form of grants, loans, loan interest/ capital relief and expert consultancy grants to 245 Borders businesses during 2001. One quarter of businesses received £3,000 or less and a third received £3 – 6,000, while a fifth received more than £12,000.

The level and type of support awarded was decided following a meeting between an SEB adviser and the business at which its needs were discussed, and a recovery plan drawn up. Businesses were to be monitored at three-monthly intervals to assess progress against their recovery plans.

The profile of assisted businesses was as follows:

- half were in the tourism (29%) or agriculture (21%) sectors;
- over two fifths (42%) had only one or two workers, and two thirds (68%) had five or less workers; and
- over a third of assisted firms (37%) had an annual turnover of £100,000 or less, and over four fifths (84%) had a turnover of £500,000 or less.

7.1.3 Survey of Assisted Businesses

Face-to-face and telephone surveys were completed with over a fifth of assisted businesses (55 firms, or 22%). This level of interviews, and the fact that the profile of interviewed firms broadly matched that of all assisted businesses in terms of sector and type of organisation, means that findings from the survey can be aggregated up and applied to the full group of assisted businesses with confidence.

7.1.4 Qualitative Impact of the FMD Response Programme

Support received through the programme was used for a range of purposes which ranged from general operations (e.g. easing cashflow problems) to recovering from FMD (e.g. increased marketing). The most common actions taken included:

- capital investment (by 44% of businesses);
- ease cashflow problems (35%);
- increased marketing/ advertising (38%);
- make loan repayments (22%);
- pay creditors (20%); and
- pay wages/ keep staff (16%).

In 94% of cases, respondents stated that actions taken with SEB support had had a positive impact on their business. Two thirds of these said the impact had been 'significant' rather than 'slight'.

Two fifths of these actions would never have been taken without SEB support, and half would have been taken, but to a smaller extent and/ or at a later date. Only a tenth of actions would have been taken anyway at the time without SEB support.

Two fifths of businesses had diversified to some extent as a result of SEB support. This usually involved developing a new but related product which could be marketed at a different kind of customer or a different geographical market.

7.1.5 Quantitative Impact of the FMD Response Programme

It is estimated that up to 5% of assisted businesses would not have survived without SEB support. In addition, quantifiable impacts at assisted businesses could be attributed to SEB support:

- at a third of businesses on turnover and profit in 2001;
- at three fifths of businesses on turnover and profit during 2002-03;
- in saving jobs at a third of businesses in 2001; and
- in creating jobs in a quarter of businesses during 2002-03.

The net economic impact of the FMD Response Programme on the Borders economy in 2001 was calculated as:

- £1.4 million; and
- 124.6 ftes saved.

The net economic impact of the FMD Response Programme on the Borders economy in 2003 was calculated as:

- £2.7 million; and
- 56.7 ftes created.

The total employment impact of the FMD Response Programme was 183.3 ftes (taking account both of jobs saved in 2001 and jobs created by 2003).

7.1.6 Value for Money

The total cost of the FMD Response Programme was £1,758,053, meaning that the cost per net job (including both jobs saved in 2001 and jobs created since) is estimated as £9,695. This represents good value for money for SEB.

7.1.7 Approach and Delivery

Over 90% found the administrative procedures for accessing support simple, and financial support was delivered within two months of applying for it in all cases, with no business complaining about having to wait unduly. The advice received from SEB advisers during the application process was rated as effective in 90% of cases.

Only four fifths of businesses recalled having recovery plans devised for them, and only a third of these had referred to them regularly since their development. This was principally because the plan was designed specifically to get the business through the FMD crisis and was therefore viewed as less applicable beyond that period, although other businesses viewed the plan merely as a part of administration.

7.2 Recommendations

Overall, SEB staff did very well in designing and operating a support programme at such short notice. The impacts, value for money and level of additionality achieved by the programme are satisfactory, and assisted businesses were on the whole delighted with the support received and the work of the SEB advisers.

The parts of the programme which did not work quite as the programme design envisaged were the recovery planning and monitoring stages. However, the speed at which applications had to be processed, and the extent to which staff resources were stretched, made this difficult.

On a future programme it would be important to ensure that recovery plans were completed in every case and businesses monitored on an ongoing basis to ensure that actions identified in recovery plans were taken with the support provided. A more rigorous recovery planning process would also better inform SEB staff of the needs of businesses, which could then feed back into the design of the programme, possibly enabling support to be better targeted, and therefore enabling the programme to achieve better value for money.

APPENDIX A: SURVEY QUESTIONNAIRE

EVALUATION OF SE BORDERS FMD RESPONSE PROGRAMME QUESTIONNAIRE FOR INTERVIEWS WITH ASSISTED FIRMS

CONFIDENTIAL

SECTION A: BACKGROUND

Business Name	
Telephone Number	
Town	
Interviewee's name	
Position in company	
Interviewer	
Date of interview	
Telephone/ Face to Face (T/F)	

NB: Before interview fill in sections A2, A3, & D1 from database

A1 Description of business.

--

A2 Sector (from database).	Circle one
Agriculture/Forestry/Fishing	AFF
Biotechnology/Healthcare	BH
Business Services	BS
Chemicals	CHEM
Construction	CON
Energy	ENE
Engineering	ENG
Educational Services	ES
Food & Drink	FD
Financial Services	FS
Information Industry (Electronics)	IIE
Multi-media	MM
Mining/Quarrying	MQ
Other Manufacturing	OM
Other Services	OS
Personal/Domestic Services	PDS
Recycling/Sustainability	RS
Retail/Wholesale	RW
Social Enterprises	SocEn
Textiles	TEX
Tourism	TOU

A3 Type (from database).	Circle one
Association	AS
Charity	CHA
Friendly Society	FR
Individual	IN
Limited Company	LTD
Partnership	PAR
PLC	PLC
Public Sector	PU
Sole Trader	ST

A4 Annual Turnover (Financial Year)	2003 (current)	2001 (year of FMD)	2000 (pre FMD)
£			

A5 Employment (Financial Year)	2003 (current)	2001 (year of FMD)	2000 (pre FMD)
FTE			

Section B – Impact of FMD on Business

B1 What kind of impact was FMD having on your business when it occurred in early 2001?

	Tick one	
Significant negative impact		a
Slight negative impact		b
No impact		c
Positive impact		d
Significant positive impact		e

B1a If no impact or positive impact, explain why.

B2 How was FMD impacting negatively on your business?

	Tick all that apply	
Go out of business		a
Reduced sales		b
Lost customers		c
Reduced profits		d
Cashflow problems		e
Cancelled/ postponed investment		f
Cancelled/ postponed recruitment		g
Job losses		h
Price cuts		i
Cost increases		j
Increased marketing		k
Downsizing (changed premises/ scale etc)		l
Diversification (specify)		m
Other 1		n
Other 2		o
Other 3		p

B3 Before receiving SEB assistance, what measures did you take to counteract the impacts from FMD?

1.
2.
3.
None

B4 How did you first hear about the SEB FMD support programme?

	Tick one	
Scottish Enterprise Borders		a
Business Gateway		b
Scottish Borders Council		c
Scottish Borders Tourist Board		e
Scottish Agricultural College		f
Another business		g
Other word of mouth (who)		h
Advertisements		i
Local Media		j
Other (specify)		k

Section C – Recovery Plan

C1 Was a recovery plan developed as part of the SEB support programme?

	Tick one	
Yes		a
No		b GO TO D1
Not sure		c GO TO D1

C2 Was the recovery plan developed before you received any financial support?

	Tick one	
Yes		a
No		b
Not sure		c

C3 What actions to be taken were outlined in your recovery plan?

	Tick as many that apply	
Make loan repayments		a
Pay wages/ keep staff		b
Pay creditors		c
More marketing/ advertising		d
Capital investment		e
Training		f
Develop new product		g
Diversify		h
Market research		i
Expert support (specify)		j
Business planning		k
Financial planning		l
Recruit staff		m
Other 1		n
Other 2		o
Other 3		p

C4 Have you referred regularly to your recovery plan since its development?

	Tick one	
Yes		a
No		b

C4a Why, or why not?

Section D – Financial Support

D1 What financial support did you receive from SEB? (*Confirm database info with interviewee*).

	Circle as many as apply	Value (£)
Grant	G	
Loan Interest/ Capital Relief	I	
Loan	L	
Business Consultancy	C	

D2 How was the level and type of support decided?

D3 How soon after your initial meeting with an SEB adviser did you receive the financial support?

	Tick one	
Within One – Two weeks		a
Within One month		b
Within Two months		c
Within Three months		d
More than three months		e

D4 How simple were the administrative procedures for accessing support?

	Tick One	
Very simple		a
Quite simple		b
Not very simple		c
Not at all simple		d

D5 Was the financial support received used for the actions outlined in the recovery plan?

	Tick one	
Yes		a GO TO E1
No		b
N/a (didn't have a recovery plan)		c

D5a If no or n/a, what was the financial support used for?

1.
2.
3.

Section E - Organisational and Performance Benefits

E1 What impact did these actions taken (with SEB money) have on your business?

Action	Tick in one column				
	Significant negative impact	Small negative impact	No impact	Small positive impact	Significant positive impact
	a	b	c	d	e
1 Make loan repayments					
2 Pay wages/ keep staff					
3 Pay creditors					
4 More marketing/ advertising					
5 Capital investment					
6 Training					
7 Develop new product					
8 Diversify					
9 Market research					
10 Access expert support					
11 Business planning					
12 Financial planning					
13 Recruit staff					
14 Ease cashflow problems					
15 Other 1					
16 Other 2					
17 Other 3					

E2 To what extent and when would you have undertaken these actions if you had not received SEB support?

Action	Tick in one column				
		Not Delayed		Delayed	
	Not at all	To a smaller extent	To the same extent	To a smaller extent	To the same extent
	a	b	c	d	e
1 Make loan repayments					
2 Pay wages/ keep staff					
3 Pay creditors					
4 More marketing/ advertising					
5 Capital investment					
6 Training					
7 Develop new product					
8 Diversify					
9 Market research					
10 Access expert support					
11 Business planning					
12 Financial planning					
13 Recruit staff					
14 Ease cashflow problems					
15 Other 1					
16 Other 2					
17 Other 3					

E2a If to a smaller extent, roughly how much smaller?	E2b If delayed, by roughly how many months?
--	--

E3 Did the support received enable you to diversify your business in any way?

	Tick one
Yes	
No	

a
b

E3a If yes, how did you diversify, and what impact did this have?

E4 Has having to plan and take action to get through the FMD crisis improved your business acumen?

	Tick One	
Yes		a
No		b
Not sure		c

E4a Comments.

Section F - Quantitative impacts

F1 Did the support received from SEB lead to any of the following?

	In 2001		In 2002 – 03		
	Yes	No	Yes	No	
a) business saved					
b) turnover benefits					F2
c) profitability benefits					F6
d) jobs saved					F7
e) jobs created					F8

No 'Yes' Fields: GO TO G1

If Turnover Benefits:

F2 What proportion of turnover was attributable to the support received from SEB?

	£	% Attributable
Turnover for 2001 (from A4)		
Turnover for 2003 (from A4)		

F2a Comment on the reasons for these estimates.

F3 What proportion of your turnover is generated in the following geographic markets?

	%	
Scottish Borders		a
Scotland (excluding Borders)		b
UK (excluding Scotland)		c
Abroad		d

F4 a) What proportion of turnover would have been taken by competitors if you had not received SEB support?

	%
--	---

If greater than zero:

b) Of this, what proportion would have been taken by competitors in:

the Borders		%
Scotland, including the Borders		%

F5 a) What proportion of turnover is accounted for by bought in goods and services (non-employee costs)?

	%
--	---

b) What proportion of this is sourced in:

the Borders?		%
Scotland, including the Borders?		%
the UK, outside Scotland?		%

If Profitability Benefits:

F6 What proportion of profit was attributable to the support received from SEB?

	£	% Attributable
Profit for 2001		
Profit for 2003		

F6a Comment on the reasons for these estimates.

--

If Employment Benefits:

F7 How many jobs saved were attributable to SEB support?

	Number	% Attributable
Jobs saved in 2001		
Jobs saved in 2002 - 03		

F8 How many jobs created were attributable to SEB support?

	Number	% Attributable
Jobs created in 2001		
Jobs created in 2002 - 03		

F9 Comment on the reasons for these estimates.

--

If Any Quantitative Benefits:

F10 How significant were the separate components of SEB support to these impacts?

	Very significant	Quite significant	Not significant
	a	b	c
1 Recovery Plan			
2 Grant			
3 Loan Interest/ Capital Relief			
4 Loan			
5 Business Consultancy			

Section G – Other

G1 Did a member of SEB contact you later to check on progress?

	Tick one	
Yes		a
No		b

G1a If yes, how frequently?

G2 Overall, how effective was the advice received from SEB?

	Tick One	
Very effective		a
Quite effective		b
Not very effective		c
Not at all effective		d

G3 Could SEB's FMD response programme have been improved in any way?

G4 Do you have anything else to say in relation to your experiences on the programme?