The Inward Investment Programme Evaluation

Executive Summary

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North East Combined Authority

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Social and economic research

Executive Summary

This report presents the findings of the impact evaluation of the North East Combined Authority's (NECA) Inward Investment Programme. The evaluation assesses programme design, delivery, performance and emerging outcomes, and contribution to its objective, to attract new investment, stimulate economic growth and support job creation across the NE.

In assessing programme outcomes, the evaluation reports gross economic figures, reflecting the robustness of evidence that could be gathered within the scope and timeframe of the study. While net impacts provide a stronger basis for assessing value for money, estimating these requires sufficiently large samples and reliable counterfactual information. Given the relatively small number of supported firms, the limited number of responses, and the variable quality of responses to the questions that would have informed net estimates, any calculation of net impacts would have been highly speculative. The approach taken therefore reflects a proportional judgement, prioritising transparency and robustness, while recognising that future evaluations, supported by improved data availability and longitudinal tracking, would be better placed to assess net additional impacts.

The programme was approved in 2019 and builds on the original North of Tyne Combined Authority (NTCA) Inward Investment Fund. It has operated on a pan-regional basis since 2024, targeting priority sectors including advanced manufacturing, digital technology, life sciences, offshore energy and pharmaceuticals.

Process Review

Programme objectives were strategically sound but became less aligned with a changing economic and policy context

The programme was designed under pre-pandemic assumptions focused on attracting large-scale inward investors and creating jobs. Since inception, economic conditions have changed significantly, including hybrid working patterns, intensified competition for skilled labour, and sector-specific downturns, particularly in digital consulting. While stakeholders agreed the programme addressed a genuine market need, future inward investment interventions would benefit from more adaptable objectives, flexible grant thresholds, and delivery models capable of responding to evolving investment patterns and regional priorities.

Delivery capacity improved over time following early resourcing and system challenges

Early delivery was affected by recruitment delays for sector specialists and uneven resourcing across Investment Promotion Agencies (IPAs), alongside the establishment of new monitoring and assurance systems during the North of Tyne phase. The transition to a pan-regional NECA model broadened the programme's geographic scope, investment proposition and available sites, requiring significant coordination across partners. Although this initially introduced complexity, stakeholders reported improved clarity of roles, stronger collaboration and a more coherent regional operating model over time.

Sector-specialist promotion and partnership working strengthened the credibility of the regional offer

The use of sector specialists was consistently highlighted as a major strength of the programme. Stakeholders reported that specialist expertise improved the quality of investor engagement, enabled more targeted propositions, and enhanced the credibility of the region when competing for mobile investment.

Marketing and engagement activity was high quality, but incomplete lead-generation data limited performance insight

Marketing and engagement activity was widely regarded as professional and strategically aligned. Under the earlier North of Tyne footprint, investor engagement activity was more locally focused and sometimes operated in parallel. Transition to a single Combined Authority structure enabled clearer branding, shared messaging and improved coordination. However, inconsistent recording of lead sources, engagement activity and conversion rates limited the programme's ability to understand which approaches were most effective. Future programmes would benefit from a shared, sales-focused investor pipeline system to strengthen performance management and learning.

Application and due-diligence processes were robust but introduced friction for some investors

Application, appraisal and due-diligence processes were viewed as necessary and effective in protecting public value. However, stakeholders noted that administrative complexity and extended approval timelines could slow investor decision-making, particularly for SMEs and international firms unfamiliar with UK public funding. Clearer expectation-setting, proportional appraisal approaches and dedicated applicant support could improve accessibility while maintaining governance standards.

Monitoring and governance provided strong assurance but were not always proportionate to delivery stage

Governance arrangements provided strong assurance and financial control, giving confidence that public funds were managed appropriately. Delivery partners nevertheless described reporting requirements as data-heavy, particularly during early implementation. Although processes improved over time, future programmes could benefit from proportional reporting aligned to project scale and delivery stage.

Wider programme contributions were not fully captured by core monitoring metrics

Monitoring focused primarily on expenditure and job creation, meaning wider contributions, including skills development, innovation partnerships, ecosystem building and social value activity, were not systematically captured. Stakeholders emphasised that some of the programme's most significant benefits are indirect and longer-term, suggesting future evaluation frameworks should incorporate broader outcome measures from the outset.

Expenditure and Output Performance

As at Q4 2025, £2.83 million (35%) of the £8.19 million contracted grant funding had been drawn down. This represents 37% of the £7.57 million expenditure originally profiled to have been drawn down by this stage at grant approval. Against the overall programme budget, grant spending represents just under one-third of the total allocation (32%).

Spend performance reflects significant variation across the portfolio, with a small number of projects fully delivering and a larger group remaining well behind profile. Two projects (Verisure and Harlands) have fully drawn down funding and exceeded job targets, while several others remain in active delivery but have drawn down only a modest proportion of contracted funding. One project (Monstarlab) entered liquidation, accounting for a material share of programme underspend and contributing directly to under-delivery against financial and output targets.

In output terms, the programme has created 1,042 jobs to date in the North East, equivalent to 73% of contracted job targets, indicating under-delivery against original expectations but is expected to rise beyond the lifetime of the project. Performance varies markedly across projects and sectors, with a small number of large schemes accounting for a disproportionate share of jobs created. Job creation peaked in the early years of delivery, driven by a small number of large investments, before transitioning to slower, incremental recruitment from newer projects that remain in delivery. Stakeholder and business consultations suggest programme under-delivery primarily reflects:

- **Labour-market barriers** – widespread post-pandemic recruitment challenges and specialist-skills shortages.
- **Economic conditions** – reduced investor confidence, as a result of the post-pandemic inward investment climate and downturns in the digital consultancy sector.
- **Delivery timing** – phased recruitment models, extended due diligence periods and initial delays in contracting slowed delivery momentum.

Outcomes and Impact

A credible intervention addressing a long-standing competitive gap

The programme responded to a recognised structural gap in the North East's inward investment offer following the loss of previous regional funding mechanisms. Stakeholders consistently reported that the combination of grant support and enhanced IPA capacity enabled the region to compete more credibly for mobile investment, particularly in sectors where location decisions are finely balanced.

Moderate evidence of additionality and influence on investment decisions

Consultation evidence indicates medium additionality. Four of six funded businesses reported that they would have invested outside the North East without the grant, while others stated the funding accelerated or scaled their investment. Displacement within and leakage out of the North East are assessed to be low, reflecting the specialist, nationally and internationally oriented markets in which firms operate.

Gross economic impacts are significant and expected to grow

Based on verified job creation, the programme has generated an estimated £50.9 million in gross GVA[1] using a conservative one-year employment assumption. When accounting for job-years to date, gross GVA rises to £191.7 million in 2025 prices. These figures represent a credible range rather than a single point estimate and demonstrate a clear economic return, with further upside anticipated as live projects continue to recruit.

Job quality outcomes are mixed but compare favourably to regional benchmarks

Occupational analysis of data shared by funded businesses shows that 54% of roles fall within SOC1–3 occupations[2], exceeding the North East average but below the UK benchmark. A high share of customer service roles reflects the operational functions established by some firms. Wage data indicate that 40% of jobs pay above £40,000, with the remainder broadly aligned with regional median earnings. Overall, the programme has supported a blended profile of professional, mid-skill and service roles rather than exclusively high-end employment.

Early but modest contributions to cluster development

Employment and business counts in both advanced manufacturing and digital sectors declined over the evaluation period, limiting the scale of observable cluster change. However, the programme anchored several specialist firms, strengthened links with assets such as the National Innovation Centre for Data and Newcastle Helix, and supported early ecosystem activity. These represent incremental foundations rather than transformational cluster effects at this stage.

Supply-chain impacts are currently limited but show potential to strengthen

Quantitative evidence confirms low immediate local procurement, with most businesses reporting minimal North East supply-chain spend. However, qualitative evidence points to emerging ecosystem effects, including niche supplier engagement, induced spending through employment, and one case of additional investment outside the grant scope. Stakeholders expect spillover effects to strengthen over time as firms scale.

1 A net economic impact assessment was not undertaken because the evidence available was not sufficiently robust - see Section 4.3.
2 Includes SOC 1 - Managers, directors and senior officials, 2 Professional occupations, and
3 Associate professional occupations

Value for Money

Overall, the Inward Investment Programme demonstrates good emerging Value for Money.

- The programme was delivered **economically**, with robust appraisal, due diligence and proportionate administrative costs.
- Outputs have been delivered **efficiently** relative to spend, with a cost per gross job created to date of approximately £2,700, which compares favourably against the most relevant national benchmark of £24,608 per job reported in the national evaluation of the 2014–20 European Regional Development Fund programme
- 3 National Evaluation of English ERDF Programme 2014-20 – Unit Cost Analysis Paper. Although differences in programme type mean inward investment interventions typically achieve lower costs per job than business-support programmes the benchmark is based on.
- Effectiveness evidence indicates meaningful early economic outcomes, including job creation, inward investment and gross GVA, alongside consultation evidence of medium additionality, with the programme influencing both the location and timing of investment decisions.
- While equity impacts were not an explicit programme objective and benefits have been geographically concentrated, the programme has supported access to employment opportunities, early-career routes and social value activity.