Evaluation Methodology

GLAECONOMICS

LONDON & PARTNERS

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London & Partners is the business growth and destination agency for London. We are a social enterprise, combining purpose with commercial rigour. We are funded by grants, partners and our portfolio of venture businesses. Our mission is to create economic growth that is resilient, sustainable and inclusive.

Cover photo:
The Iconic Battersea Power Station as it overlooks the River Thames and the Pimlico neighbourhood on the other side of the river. From the 1930s to 1980s, Battersea Power Station was a working Power Station. At its peak, it was producing a fifth of London's power, supplying electricity to some of London's most recognisable landmarks, such as the Houses of Parliament and Buckingham Palace. The power station itself and its surroundings is now being turned into a whole new neighbourhood in London, housing a community of homes, shops, cafes, offices, leisure and cultural venues.
The bonus bit: In 1977, Battersea Power Station appeared on the front cover of Pink Floyd's album, Animals.
Source: batterseapowerstation.co.uk

Foreword

Ongoing monitoring and evaluation of public policies and programmes is essential for improving policy design and delivery and for public accountability. The activities of promotional agencies should be no exception - international organisations such as the United Nation Conference on Trade and Development (UNCTAD) and the Organisation for Economic Co-operation and Development (OECD) have long recognised the importance of proper evaluation of these activities. Recently, the evaluation of performance of investment agencies has also attracted scientific interest, as a pan-European study by London School of Economics researchers found that "Regional IPAs contribute to increasing the probability of receiving FDI [Foreign Direct Investment] and boost the amount of total foreign investment received as well as the jobs directly created by the investment."[1]The importance of evaluation has also been recognised by London & Partners since it was first established. Over the years London & Partners has invested considerable effort in developing and refining robust evaluation tools and methodologies to capture its performance and its impact on London's economy.

This report includes the work undertaken by London & Partners (with support from GLA Economics) over the years to review and update performance evaluation approaches across the full range of its activities, including business-focussed and consumer-focussed activities. It builds and improves on the approaches and methodologies described in the previous GLA Economics Working Paper 61 (2014). Specifically, this version of the report is an update of the London & Partners Evaluation Methodology 2018 and it reflects the current focus of London & Partners as an organisation. Some changes from the previous version are minor, reflecting ongoing work to maintain best-practice evaluation.

The approaches set out in the report address issues such as additionality, decay, displacement and optimism bias, thereby aiming to estimate the incremental contribution of London & Partners' activities compared to what would have happened anyway. It has been an aim to present the methodology in a way which is intuitive to understand so that a wider range of stakeholders can hold the agency to account.

On the business side, the report sets out alignment of the evaluation approach for Business Tourism activities to the approach taken for FDI. It also aligns the evaluation approaches for London & Partners' newer programmes, including the Mayor's International Business Programme and the Business Growth Programme.

On the consumer side (covering visitors) the report presents an updated methodology for activities on social media, and a simplified yet better specified approach to the methodology for Major Events.

In the context of an updated and improved methodology there remain a number of opportunities for further development of the evaluation of London & Partners' activities.

The relevant activities are typically still ongoing. Therefore, the context is one of interim evaluation, which requires a number of forward-looking assumptions to be made (e.g. on the persistency of impacts) and which excludes some important categories of long-term impacts (e.g. the relationship between FDI and productivity).

For pragmatic reasons, across most activities the approach to establish counterfactuals continues to rely on carefully constructed beneficiary surveys as opposed to using a more robust comparator/control group approach. The main reason for this is data availability, which for example now prevents London & Partners from applying the more sophisticated approach for establishing a counterfactual for leisure tourism activities that was set out in the 2018 version of the report.

Notwithstanding these challenges, looking for further opportunities to expand the use of quasi-experimental evaluation approaches (supported where possible by availability of "new data") should

[1] http://www.lse.ac.uk/iga/assets/documents/research-and-publications/FDI-inflows-in-Europe-does-investment-promotion-work.pdf

remain part of the future research agenda for London & Partners. More broadly, GLA economics remains committed to support London & Partners colleagues in their effort to continually improve their evaluation approach.

For the time being we believe that the methodology set out in this report continues to ensure that sound performance and impact evaluation can inform London & Partners and all its key stakeholders (the Mayor of London, the Greater London Assembly, business funders and partners) on the effectiveness, efficiency and value for money of London's promotional activities.

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Section 1

Executive summary

1. Executive Summary

This report sets out how London & Partners measures the additional economic impact we have on London, so that our stakeholders can hold us to account. This chapter summarises measurement across our main activities.

As the business growth and destination agency for London we support high-growth businesses to scale which means that we attract foreign direct investment and enable London-based businesses to export or overcome barriers to growth. The economic impact results from inward investment clients creating jobs in London, export revenue generated by the MIBP cohort companies as well as the growth generated by the cohort companies on the Business Growth Programme. These three areas are described in further detail below:

1. Foreign Direct Investment (FDI)

   London & Partners attracts foreign direct investment (FDI) from scale ups in high growth sectors that are most likely to create high quality jobs with a strong growth path. Our evaluation methodology aims to capture the additional economic impact of FDI created by London & Partners' interventions. Simply put, how much of the value generated is because of us, and how much would have happened anyway?

   Our economic impact measurement for FDI is based on new jobs created and expected, that is, the number of people the businesses expect to employ during their first three years in London. This is converted to GVA by using a figure for the average GVA per job, which is sourced from the ONS and calculated by GLA Economics. The average GVA per job data is specific to each sector.

   The resulting GVA estimate is then reduced to reflect investors' over-optimism and to account for displacement of jobs in other London businesses. Finally, the additional economic impact is assessed by applying an average percentage factor. This factor is based on previous investors' statements of London & Partner's influence on their decision to invest in London. These stages are designed to make sure we do not overestimate our impact.

   There are no changes to the way we measure economic impact of FDI compared to the previous methodology paper.

2. Business Export - The Mayor's International Business Programme

   The Mayor's International Business Programme (MIBP) aims to increase exports by small and medium sized enterprises (SMEs). The economic impact measurement is based on actual and expected increases in export revenue as a result of participation in the Mayor's International Business Programme, by London & Partners, where cohort-members can access trade missions and introductions to corporates This export revenue increase is converted to GVA by using GVA to revenue ratios derived from the Annual Business Survey[2].

   The resulting GVA estimate is then discounted to reflect investors' over-optimism, persistence of new exports and additionality of the services offered by London & Partners.

   New in this edition of the methodology paper is alignment of the way we measure economic impact for The Mayor's International Business Programme and the Business Growth Programme (see next section). The main alignment is how we estimate over-optimism.

[2] https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/methodologies/annualbusinesssurveyabs

3. Business Growth - the Business Growth Programme

The Business Growth Programme (BGP) helps businesses in London to overcome barriers to growth by providing a tailored growth plan, events & workshops, access to experts and opportunities to collaborate with large corporates.

The methodology aims to capture the additional economic impact of the programme on London. Economic impact is measured using GVA. GVA is calculated based on the change in actual and expected revenue. **The methodology remains unchanged.**

Our destination remit means it is our role to develop London as a destination and attract visitors and events. This means we will work with the visitor economy to make sure London has a vibrant city centre and the offer appeals to future audiences. We also need to ensure London is positioned as a world-class destination, attracting visitors from across the UK and around the world. We do this in partnership achieving the scale needed to make an impact. The economic impact results from business tourism (where we bring meetings, conferences, exhibitions, incentives and launch parties) to London as well as sporting/cultural events choosing to locate to London. These two areas are described in further detail below:

4. Business Tourism

London & Partners is home to the city's official convention bureau and promotes the capital as a leading destination for conferences and corporate events. Our support includes free and impartial advice on planning meetings, conferences, events, exhibitions, incentives and launch parties in London.

Our measurement methodology aims to capture the additional economic impact of London & Partners' influence on business tourism events choosing to locate in London. The measurement of additional economic impact is based on event category, actual or expected size, duration and contestability. These inputs are inserted into an economic model that combines the data with historic spend data from business events.

Compared to previous publications of London & Partners' methodology, the approach to contestability of business tourism events is now aligned with the approach taken for foreign direct investment projects.

5. Sporting/Cultural Events

London & Partners acts as a central point of leadership and expertise to promote the capital as the world's most exciting destination for major sports and cultural events. The organisation leads on strategic planning, bid development, marketing, brand activation, and destination marketing of London as a major event city.

The methodology aims to capture the additional economic impact of London & Partners' influence on major sporting and cultural events choosing to locate in London. The economic impact measurement is based on event category and actual or expected size which are used in an economic model that combines the data with historic spend data from sporting/cultural events.

Compared to previous publications of London & Partners' methodology, there are now fewer event categories and more details on how an event is classified into these categories.

London & Partners has a remit to grow London's global reputation to support economic growth and high-growth businesses in our priority markets and sectors. London's brand is reinforced using a consistent set of messages that connect and resonate with our audiences, improving audience perceptions of London over time. We use these messages to influence our audiences across a variety of channels, including our own channels and using London's advocates and brand ambassadors.

Whilst it at the time of writing is not a priority activity to attract an international leisure tourism audience, we have documented our methodology to evaluate the impact of marketing campaign activity by measuring engagement and perception from a leisure tourism audience. The methodology is described in further detail below:

6. Leisure Tourism

Marketing activity is targeted at potential visitors to change their perceptions of London and to encourage them to make trips to London they would not otherwise have made. Young audiences are for example relevant as they are most likely to visit repeatedly and have a higher lifetime value. Marketing channels include visitlondon.com, social media channels, third party websites, and partner and influencer channels.

Leisure tourism marketing can be evaluated based on audience engagement and short-term perception change. An “engagement” is for example when a person likes or shares the content London & Partners could create on social media. A change in perception is when an audience has been influenced by the marketing activity message and as a result their perceptions of the city change. As part of this methodology we may investigate options to capture additional GVA to London’s economy as a result of any leisure tourism marketing we may choose to undertake.

The core methodology of test and control remains unchanged. Using pixels on third-party websites and platforms is no longer pursued due to limitations to sampling.

Section 2

Introduction

2. Introduction

London & Partners is the business growth and destination agency for London. We support high-growth businesses to scale, we develop London as a destination and attract visitors and events, we grow London's global reputation to support economic growth and we create partnerships and profit-making ventures to scale our impact. We do this by connecting people and organisations using our unique networks, channels and knowledge of London.

London & Partners' mission is to create economic growth that is resilient, sustainable and inclusive.

Since we were founded in 2011 the organisation has created or supported more than 71 thousand jobs.

Our approach to measurement reflects this goal. Where we can, we aim to measure additional economic impacts taking care to subtract from those calculations factors which aren't influenced by us.

In this context, this paper outlines the methodology applied by London & Partners to evaluate the economic impact on London of the organisation's activities. We have tried hard to do this in a way which is intuitive to understand so that a wider range of stakeholders can hold us to account. Although some concepts are inherently technical in nature, we consider an important measure of our success in this document to be that this methodology is understandable and accessible.

What this paper covers

In this document we set out the evaluation methodology for the organisation's activities:

Supporting hight growth businesses to scale:

- Foreign Direct Investment
- Business Export - The Mayor's International Business Programme
- Business Growth - -Business Growth Programme

Develop London as a destination and attract visitors and events:

- Business Tourism
- Sporting/Cultural Events

Grow London's global reputation to support economic growth:

- If we chose to undertake marketing campaigns targeting leisure tourism we have a documented methodology

Why do we do evaluation?

The purpose of evaluation at London & Partners is to understand the organisation's corporate performance and how it contributes to economic growth in London. We do this so that we can make better decisions, and so that our stakeholders can hold us to account against our targets.

The focus is on contribution to economic growth, which is based on immediately measurable outcomes such as the number of businesses and events that London & Partners have supported in choosing to come to London.

When last reviewed by Deloitte in 2014, this methodology was considered to be best in class[3]. We have since revised and improved it with the support from GLA Economics. This edition builds on the 2018 revision.

Recognising our limits

Our methodology has been developed in line with the guidance from the HM Treasury Green Book, Magenta Book[4] and the BIS Impact Evaluation Framework[5]. It is now being evolved to capture all our activity across trade and growth. While this evaluation approach adheres to best practice and government guidelines it must be noted that the process of economic estimation is not an exact science. This means that all final GVA estimates are high quality, carefully thought through estimates rather than actual values. As part of ongoing process, London & Partners will continue to commit its evaluation practice to internal and external peer review to ensure constant improvement to best measure the economic value of our business activities.

How we approach evaluation

We use gross value added (GVA) as our way of measuring economic impact. GVA is most easily described as the sum of the (1) cost of employment and (2) business profits, added together. It is a widely used way of calculating value added to an economy, because it, broadly speaking, measures how much a country or region has produced, after all directly attributable costs of inputs and raw materials used have been subtracted. It gives us a way of understanding economic output that is similar to how we might use 'profit' to measure value generated in an individual company.

Our evaluation of all B2B activities is based on inputs including project completion data and client surveys, put into a model which takes the leading academic research and baseline government statistics and calculations for its assumptions. We need to get both of these things right – the ingredients and the sausage machine both need to be high quality to get the right product at the end.

Ideally, evaluations should be based on revealed data, such as actual transactions between businesses, instead of surveys. However, given the complexity of obtaining such data, survey evaluation is a more feasible and practical solution. We are confident that this approach works, and that we have taken account of limitations in our model properly.

The focus of the evaluation is primarily on immediate or short-term impacts rather than long term benefits of policy decisions. London & Partners also only measures the additional impacts on London which occur because of the organisation's efforts and does not claim the total impacts on London.

This means that our measurement should be considered to be conservative. For example, long-term impacts, such as increases in total factor productivity, clustering and networking effects, may well exist as a result of our work. However, we do not currently measure them.

These benefits would be more suited to a detailed academic study. It must be noted, that while we are not currently modelling longer-term impacts, as further research becomes available this may be an area of evaluation we try and develop.

One important way we make sure we are not over-calculating our impact is by counting future impacts as being less valuable than impacts now. We do that using a measure called a Social Time Preference Rate. This discounts any effect that happens more than one year into the future, for example the value of jobs that are expected to stay for three years. The Social Time Preference Rate captures the preference for value now rather than later and recognises that future consumption will have a lower impact due to an expected increase in per capita wealth[6]. This should feel intuitive. If you were offered a tax rebate for £100 today or in three years, most people would prefer to have the money today. The

[3] Deloitte (2014): Benchmarking the effectiveness of London's promotional system
[4] https://www.gov.uk/government/publications/the-magenta-book
[5] https://www.gov.uk/government/collections/monitoring-and-evaluation
[6] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf

economic theory is similar. We also discount future impacts by factors that account for potential over-optimism by the businesses when they estimate how they will perform.

We do not calculate the multiplier effects which come from the supply chains supporting the companies we attract to London and from additional spend by employees from those companies. This is mainly because UK Government guidance to evaluation does not clearly recommend its use on a more microeconomic level (ibid.). Also, including multiplier effects would enlarge the estimated value of our work, and London & Partners' have an ambition to take a conservative approach.

Section 3

Reader Guide

3. Reader Guide

To understand how to best use this document, a short reader guide is provided here.

Each chapter is structured in the following way:

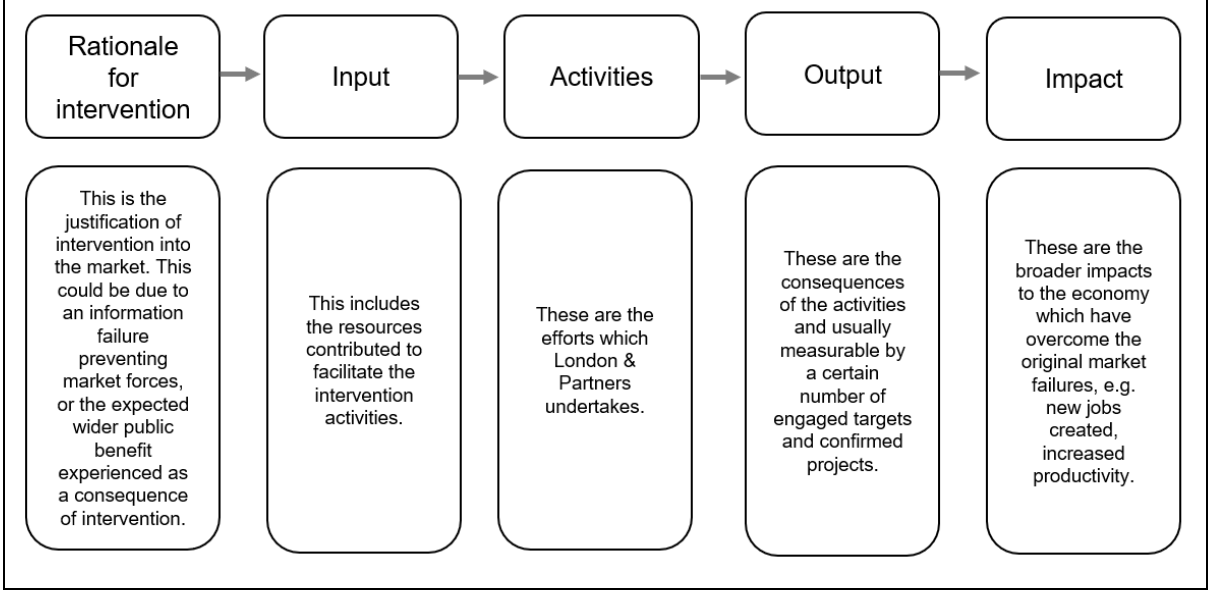
- *Background*
  This section explains what London & Partners is doing in this area.

- *Rationale for intervention*
  This section explains why London & Partners is intervening in this area.

- *Evaluation methodology*
  This is the main part of each section and explains how London & Partners measures its impact in this business area. This section will contain any definitions, description of the data collection approach and an outline of specific measures and modelling used to calculate additional GVA.

Each chapter includes a logic model that follows the generic example in Figure 1. The logic model is inspired by the ERDF Summative Assessment Guidance[7] and the GCS Evaluation Framework[8].

Figure 1. Generic logic model



[7]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/705888/ESIF-GN-1-033_ERDF_Summative_Assessment_Guidance_v1.pdf
[8] https://3x7ip91ron4ju9ehf2unqrm1-wpengine.netdna-ssl.com/wp-content/uploads/2020/03/Evaluation-Framework-2.0.pdf

Section 4

Foreign Direct Investment

4. Foreign Direct Investment

4.1. Background

London & Partners supports high-growth businesses to scale which includes attracting foreign direct investment (FDI) and helps foreign-owned businesses expand in London. Since its inception in 2011, London & Partners has helped more than 2100 companies to invest in London. In both the UK and overseas offices, the team focuses on generating project leads through a range of activities. This includes identifying potential investors through business and financial media networks, industry networking and events, referrals from the Department of International Trade and other commercial partners.

Alongside this the team is constantly working to build London's reputation as a place for business with prospective investors. Business Development Managers at London & Partners work with firms in target sectors, which are selected based on the Mayor of London's strategic priorities and economic development strategy. Services are bespoke depending on each client's needs with the aim of helping clients understand how London can play a role in their global operations. Some of the services provided include introductions to potential clients, understanding and navigating business culture differences and professional support.

London & Partners also plays an essential role in introducing investors to local companies who provide professional services in tax, legal, employment, immigration or commercial property advice. Businesses who have already decided to locate in London, without the influence of London & Partners' activities, are offered a service that focuses on bringing them to London sooner and encouraging them to invest on a larger scale.

In addition to services offered to new inward investors, London & Partners also provides similar services to foreign-owned businesses planning to expand their existing London operations where London is in competition for expansion with another site.

4.2. Rationale for intervention

Foreign owned businesses expanding abroad create new jobs in the host economies[9]. They may also bring with them new technology, know-how and access to international production networks etc[10]. Public intervention by London & Partners' is justified based on the following market failures and is shown in the logic model diagram showing the progression from activities to outputs and impact.

Information failure

Firms expanding overseas require information on market opportunities, that is; access to customers, the business environment, and the availability of talent. Arguably, information asymmetries and the lack of complete information are often barriers preventing new inward investments, particularly for companies at the early stage. Private companies do not have an interest in promoting London as they cannot fully internalise the benefits; the market tends to under-provide the range of information needed for a firm to invest or expand.

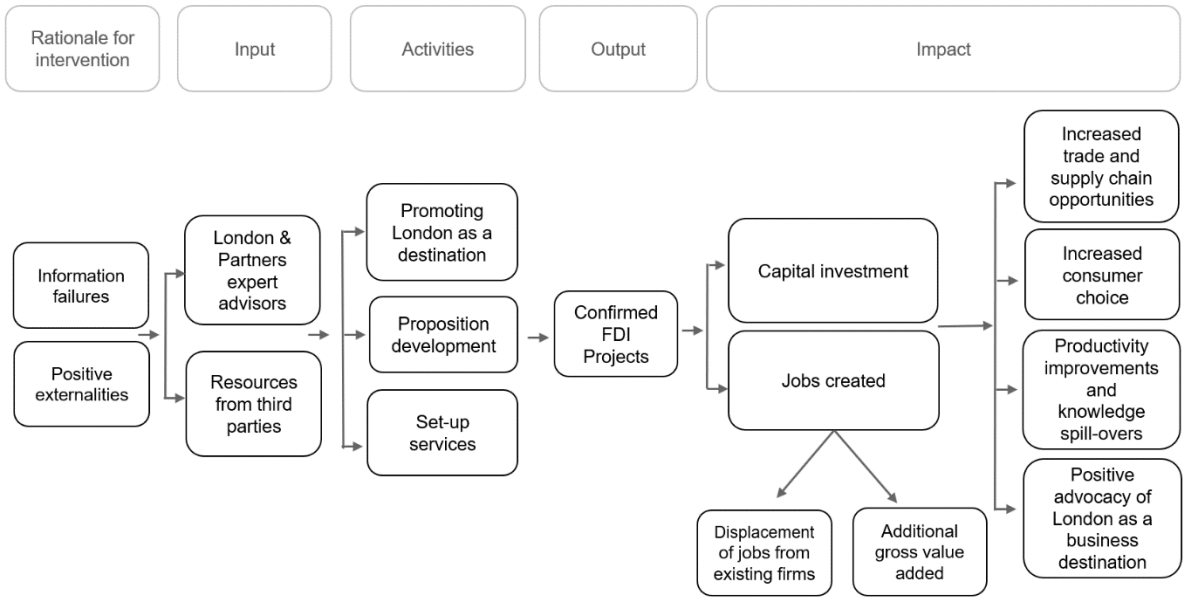
Positive externalities

High-quality FDIs benefit local economies via knowledge spill-overs to local firms. The acquisition of knowledge tends to increase local productivity and improve local economic outputs. Increased competition may lower prices and increase product variation to the benefit of consumers. It is in the public interest to ensure that investments from high quality foreign businesses are sustained and promoted.

[9] https://elibrary.worldbank.org/doi/pdf/10.1596/12132
[10] https://unctad.org/en/pages/PublicationArchive.aspx?publicationid=328

The logic model diagram in Figure 2 illustrates how correction of the market failures can lead to positive impacts on London.

Figure 2. Logic model for FDI



4.3. Evaluation methodology

The recommendations from the HM Treasury Green Book[11], Magenta Book[12] and the BIS Impact Evaluation Framework[13][14] have been used as a foundation to measure additional GVA from FDI promotional activity.

London & Partners measures economic impacts in terms of short-term additional economic activity by way of Gross Value added (GVA), job creation, and inward capital expenditure. The GVA impact of FDI is based on estimated impacts to date and forecast effects on job creation reported in a survey among beneficiary businesses. This data is used in combination with findings from leading academic research and calculations derived from government baseline statistics. GVA is, in simplistic terms, the sum of the cost of employment and business profits. Long-term impacts in terms of increases in total factor productivity, clustering and network effects and increased consumer choice are not counted. Evaluation of these impacts would be more suited to a detailed academic study. The evaluation methodology can therefore be considered a conservative assessment of economic impact.

That said, it is challenging to establish a robust counterfactual situation, i.e. a situation where you can see the world as it would have been, had London & Partners not provided its services. This is addressed by asking the businesses if they think they would have invested, had London & Partners not worked with them and by focusing our support on businesses defined as “contestable”. Self-reported data is

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

12 https://www.gov.uk/government/publications/the-magenta-book

13 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/681741/17.3253_Innovate_UK_Evaluation_Framework_RatherNiceDesign_V2_FINAL_WEB.pdf

14 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/32112/11-979-survey-questions-for-impact-evaluations-beneficiaries-self-assessment.pdf

inherently less reliable than observed, objective data. Hence, where feasible, London & Partners uses several years of data to make the numbers more robust. Contestability is defined in the next section.

4.3.1. Contestability

The organisation measures GVA for "contestable projects" and "non-contestable projects" differently. Projects are contestable if the foreign owned company:

1) is not considering investing anywhere before London & Partners engages with it; OR

2) is considering London against other locations for a new operation or for an expansion; OR

3) is considering London but faces significant and identifiable barriers that could stop investment and has not already secured office space or hired permanent employees. A barrier is "significant" if the company confirms that they have already tried to overcome the barrier, but now without success, and now it may stop their investment. Table 1 shows potential barriers and how London & Partners addresses them.

Table 1. FDI barriers and how London & Partners addresses them

Barrier	How it is addressed
Regulatory questions	Introducing clients to London & Partners' extensive network in government and industry to directly address regulatory questions
Inability to find the right ecosystem to set up in	Applying local knowledge and London & Partners' extensive network to present relevant ecosystems in London's diverse economy to the client
Client confirms Brexit uncertainty could stop their investment into London	Providing bespoke and expert advice and data to inform

Projects are categorised as contestable and non-contestable to ensure a focus on potential investments where London & Partners can play a more important role in influencing the investor's decision. However, the organisation still plays a role in influencing the timing and scale of non-contestable projects, for example, bringing forward investment plans. For this reason, and based on empirical evidence, London & Partners only measures additional GVA from non-contestable projects when clients confirm in the completion form that the sales team had an influence on the timing and scale of the investment.

4.3.2. Data collection

All FDI clients are asked to complete a form after they have set up their business in London. A company is deemed to have set up their business in London at slightly differing times depending on each business's needs. However, a project completion at a minimum requires; the registration of a UK subsidiary in Companies House[15], a budget in place, and the employment of at least one person within Greater London. The response rate for the completion form is effectively 100 percent as London & Partners only considers a company's project as 'complete' upon the collection of the final data required. This means that GVA is not claimed for businesses that didn't submit a completion form even if we supported them, although this is usually a small proportion.

Department for International Trade also generates foreign direct investment projects for London. Those projects are transferred to London & Partners as soon as the client earmarks London as the sole preferred location of choice. London & Partners does not claim GVA for these projects, unless our efforts make the company come to London earlier or create more jobs than originally planned. These projects are still important for London & Partners, e.g. for reputation.

Further to the data collected within the completion form, additional information is collected via an annual survey sample of businesses that have been in London for three years. This is used to confirm the size of the company and collect information on their competitive environment to estimate the displacement of local economic activity. See Appendix A for further details of the representativeness of the sample.

[15] https://www.gov.uk/government/organisations/companies-house

Companies that are not reached through the survey are checked in Companies House; see further details in the section on over-optimism below.

4.3.3. Calculation of additional GVA for contestable FDI projects

London & Partners estimates additional GVA to measure the economic impact on London resulting from its activities. The following factors drive the measured impact from London & Partners' FDI promotional activity:

- The scale of the investment, in terms of number of jobs expected
- The sector of the economy in which the investment is made.
- The persistence of the jobs created, which are likely to generate a stream of future economic benefits
- An over-optimism adjustment, based on extensive evidence that the number of jobs effectively generated in the first three years of an FDI operation tends to be lower than the forecasts provided by the businesses when arriving in London
- The estimated scale of displacement of existing London jobs by the inward investor;
- The estimated additionality of London & Partners' activities in terms of their influence on the number, scale and timing of the investment or growth project; and

Figure 3 illustrates the steps in the calculation of FDI additional GVA.

Figure 3. Illustration of steps in the FDI additional GVA calculation

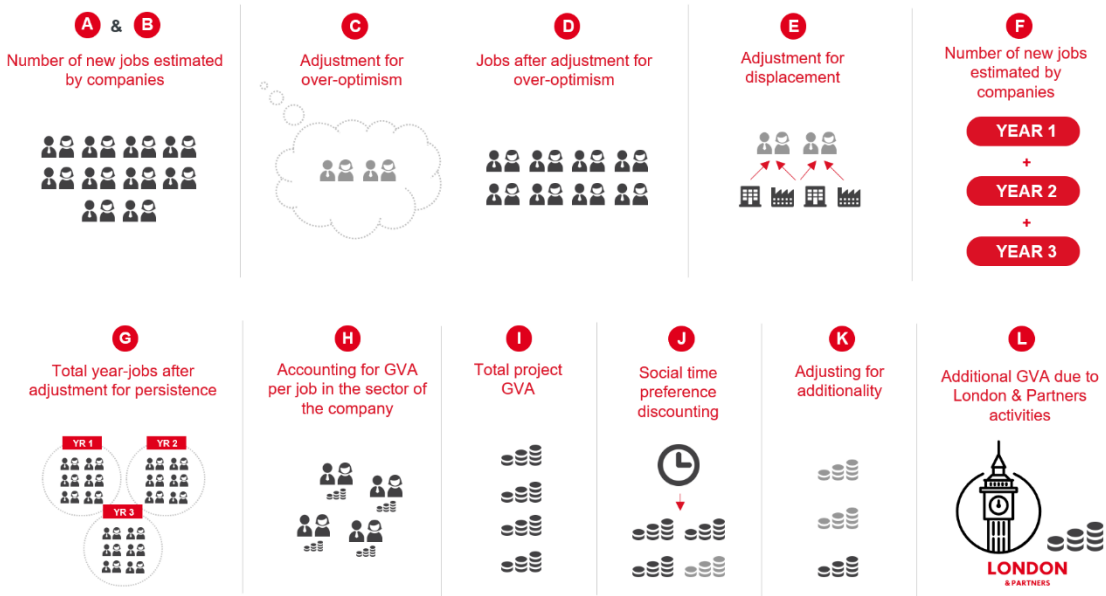


Table 2 describes each step with further details on the calculations and data sources.

Table 2. Summary of steps within the FDI economic impact model

Steps	Detail	Source/calculation
A	Number of London based jobs in year 1	Completion survey
B	Number of London based jobs in year 3	Completion survey
C	Average over-optimism bias	Surveys with companies arrived 3 years ago
D	**Average number of jobs per year**	**(A + B*C)/2**
E	Average displacement	Surveys with companies arrived 3 years ago
F	Persistence	Assumption based on literature review
G	**Total job-years**	**D*E*F**
H	GVA(b)[16] per job per year by sector	GLA calculations based on ONS data
I	**Total GVA**	**G*H**
J	Social Time Preference Rate	HM Treasury Green Book
K	Additionality	Completion surveys from companies arrived in the previous three years
L	**Additional, time discounted GVA**	**I * (1-J) * K**

Each of the above factors are described in the next sections.

[16] GVA(b) refers to "balanced GVA", which is the technical term for the method the ONS use to calculate GVA.

Number of jobs

The scale of investment is defined as the average number of jobs created in London by the investing company during the first three years after arrival. This is measured upon completion of the project by asking how many people the company expects to employ in one and three years after completion, respectively. A new job is likely to generate a stream of future economic benefits; hence the likely persistence must be considered. It is acknowledged that some jobs created will spill over to people living in areas surrounding London. ONS states that regional GVA is a workplace-based measure, and the extent to which this spill-over effect is taking place is thus not estimated[17]. A trend of expanding abroad without setting up a business office has emerged, not least since the coronavirus pandemic started. Jobs from businesses registered at residential addresses in London are also claimed. Those businesses are asked an extra question in the completion form to assess why a business address is not needed (e.g. that it doesn't fit with their operating model).

Over-optimism

In assessing future impacts, there is greater uncertainty and significant risk of beneficiaries being over-optimistic. However, there are no standard approaches to quantifying optimism bias in this circumstance. The HM Treasury Green Book [18] highlights that appraisals should make explicit adjustment for optimism bias and that adjustments should ideally be based on an organisation's own evidence base for historic levels of optimism bias.

The value of an investment is based on the expected size of the business during its first three years of operation. This information is sourced from the surveys completed by companies upon arrival. To account for any over-optimism in the businesses' forecasts, their estimates are multiplied by a factor of $Z_i = Y/X$, where Z is the over-optimism factor, i is the year the factor is calculated, Y is the average number of jobs at companies when they are re-contacted, and X is the average number of jobs at the same companies when they arrived. The factor is generated by interviewing businesses supported by London & Partners three years after they started operating in London and comparing their current employment size with their forecast when they arrived. The calculation of over-optimism is outlined in table 3.

Table 3. Steps to calculate over-optimism

Step	Detail	Source/calculation
X	Number of jobs estimated when company landed in London	Survey
Y	Actual number of jobs in company three years after arrival	Survey
Z_i	Over-optimism in year i	B/A
T	Rolling average of over-optimism	$(Z_i + Z_{i-1} + Z_{i-2} + Z_{i-3} + Z_{i-4})/5$

The factor used in 2021/22 is 61 percent. Hence, for every ten jobs expected by the investors, the model discounts four. I It is based on interviews with companies that started operating in London in 2013/14 (34), 2014/15 (42), 2015/16 (41), 2016/17 (40) and 2017/18, (41) in total 198 companies. The continued operations of companies that do not answer the survey is checked in Companies' House[19]. If it is still in operation, it is assumed that the current jobs number equals the number estimated three years earlier multiplied by the average share of jobs achieved relative to jobs predicted by businesses responding to the survey. If the company is no longer in operation, zero jobs is applied in the calculation of over-

17 https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/regionaleconomicactivitybygrossdomesticproductuk/1998to2018

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

19 https://www.gov.uk/government/organisations/companies-house

optimism (of course). For the factor estimate of 61 percent, 319 companies have been checked in Companies' House.

Displacement

Displacement measures the extent to which new inward investors have diverted sales from London-based businesses. Displacement is measured in line with the RDA Impact Evaluation Framework recommendations by gathering survey evidence on the location of competitors and customers. The higher the local client base and the percentage of local competitors, the higher the rate of displacement. The displacement survey questions are outlined in appendix B.

The displacement factor M is calculated as M = 100-L*K, where L is the percentage of sales in London and K is the percentage of competitors in London, both calculated as the average across all companies surveyed. Table 4 shows the calculation of displacement:

Table 4. Steps to calculate displacement

Step	Detail	Source
K	Percentage of sales to customers in London	Survey
L	Percentage of competitors in London	Survey
M_i	Displacement in year i	100-A*B
N	Rolling average of displacement	$(M_i + M_{i-1} + M_{i-2} + M_{i-3} + M_{i-4})/5$

The factor applied in 2021/22 is 79 percent, meaning that for every four jobs created by the investors, roughly one job is lost somewhere else in the economy as a result of increased competition. The factor is based on 198 companies re-contacted over the past five years.

Persistence effect

FDI businesses produce a stream of future economic benefits from on-going activity. The persistence of these benefits attached to new inward investments depends on the length of time for which the investor firm remains in London. Recommendations from Regeneris Consulting following a review of the business support evaluation literature[20] suggest a range of 3 – 5 years. Future benefits are in nominal terms, meaning that time value of money is not accounted for. London & Partners take a conservative position and assume persistence of three years.

GVA per sector job

For calculation of GVA per sector job, London & Partners uses an approach developed by Regeneris Consulting. This approach is to divide the Gross Value Added at basic prices (Regional Gross Value Added (balanced GVA method), ONS) by the total employment – average during the year (Annual Business Survey, ONS). Both figures are calculated at a London level. GVA is, in simplistic terms, the sum of the cost of employment and business profits, and this tends to vary widely across sectors.

There is not a perfect match between the sectors identified by London & Partners to define their FDI strategy, and the Standard Industrial Classification (SIC) codes used by the Office for National Statistics (ONS)[21] from 2007. For example, there is no "Fintech" sector in the SIC codes. In cases where there is no direct match to the SIC codes, a weighted average of sectors is applied. For several tech sectors, the weighted average is based on a sample of 10-25 businesses identified by third-party sources as belonging to these sectors, and their SIC code registration in Companies House[22]. Appendix C

[20] http://webarchive.nationalarchives.gov.uk/20090609050004/http://www.berr.gov.uk/files/file50735.pdf

[21] https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities/uksic2007

[22] https://beta.companieshouse.gov.uk/

summarises how the SIC codes are matched into sectors defined by London & Partners and the principles behind.

Social Time Preference Rate

Impacts that happen in the future are worth less than those happening at present time. Future impacts are therefore discounted with the Social Time Preference Rate (STPR), as described by the HM Treasury Green Book[23]. London & Partners take this into account by multiplying the estimated GVA with an average discount factor across the three years of impact. Calculation of the discount factor is described in table 5.

Table 5. Calculation of the average STPR discount factor	
Time horizon	**Discount rate**
Within 1 year	1
Between 1 and 2 years	1/1.035
Between 2 and 3 years	1/1.035^2
Average STPR discount factor	0.967

Additionality

Additionality refers to the net economic activity from foreign direct investment that London & Partners' promotion and support generates over and above what would happen anyway. To measure the extent to which firms would have moved to London in the absence of London & Partners' support and whether the organisation had any influence on speeding up the investment or increasing its size, the survey asked the question in table 6, with weighting of responses in the right-hand column.

Table 6. Additionality question	
Question: *What would you have done without the support from London & Partners?*	
Answer	Weight
Definitely NOT invested in London	100 %
Probably NOT invested in London	50 %
Probably invested in London anyway	20 %
Definitely invested in London anyway	0 %

Based on 179 business responses from financial years 2017/18, 2018/19 and 2019/20, additionality is estimated at 27.4 per cent for contestable projects. Hence, London & Partners drives a bit more than 27 percent of the decision to set up a business in the city for businesses that have not yet decided to come to London. The rolling average is based on three years of data, which is less than the five years data used for over-optimism and displacement, as described above. Three years is chosen here because it better reflects how London & Partners' expert FDI advisors currently influence business decisions. Table 7 shows the steps to calculate rolling average additionality.

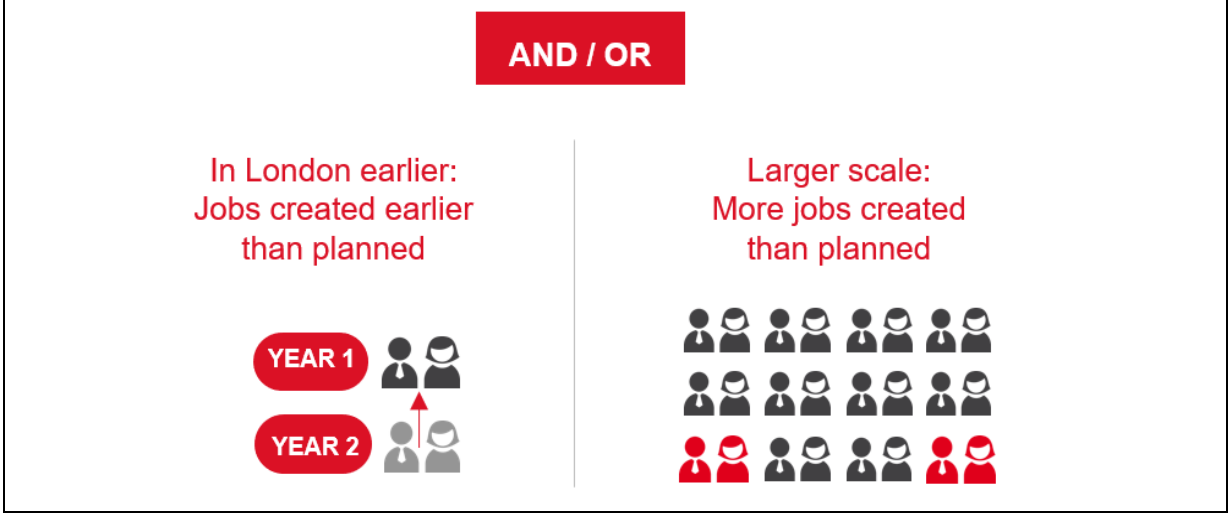
Table 7. Steps to calculate rolling average additionality		
Step	**Detail**	**Source/calculation**
Z_i	Additionality in year i	Survey
T	Rolling average of over-optimism	$(Z_i + Z_{i-1} + Z_{i-2})/3$

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

4.3.4. Calculation of additional GVA for non-contestable FDI projects

The calculation of additional GVA shown in Figure 3 and Table 2 applies to contestable projects. For non-contestable projects, London & Partners only attributes GVA to its efforts if it has influenced the company to arrive in London earlier (acceleration), or to invest in London at a larger scale in terms of number of jobs (see figure 4). For example, for a company that arrives in London ½ year earlier, GVA is divided by 6. The reason is that the calculation of contestable GVA assumes persistence of three years. Bringing the company to London ½ year earlier, has thus added 1/6 of the GVA that would have been claimed if it was a contestable project. The Social Time Preference Rate is not applied to GVA from jobs created earlier, as we assume a maximum of one year's acceleration.

Figure 4. Impacts claimed for non-contestable projects



The value of additional jobs created as a result of London & Partners support is calculated using the same recipe as for contestable projects, as outlined in chapter 3.3.3. These jobs are assumed to be created within the first year of operation.

Before 2018/19, companies in both contestable and non-contestable projects were asked the question in table 6. However, the question does not directly address any influence London & Partners had on the timing and scale of the investment. To improve estimation accuracy on additionality for non-contestable projects, these companies are now instead asked the question in table 8.

Table 8. New additionality question for non-contestable projects

Question: *Would you have invested earlier or at a greater scale without the support from London & Partners?*

Answer	Weight
Definitely NOT	Weight = 100 %
Probably NOT	Weight = 50 %
Probably	Weight = 20 %
Definitely	Weight = 0 %

18 responses to the question in table 18 were collected in 2019/20 with an average additionality of 54%. The average additionality based on 373 respondents from 2017/18 and 2018/19 across contestable and non-contestable projects was 20 %. A flat average between the 54% and 20% is applied in 2021/22, so 37%.

For a small proportion of our projects we may deliver both contestable GVA and then later accelerate the growth of these projects later. This is the case for foreign owned businesses that are already established in London and that we work with over the course of many years.

Section 5

Business Export (Mayor's International Business Programme)

5. Business Export

(Mayor's International Business Programme)

5.1. Background

The Mayor's International Business Programme aims to maximise London's economic competitiveness and prosperity through increased export by small and medium sized enterprises (SMEs).

The programme started in February 2016 and builds on the success of the predecessor initiative, The Mayor's Export Programme.

Support is provided through both one-to-one and one-to-many activities, with the programme engaging with beneficiary businesses over a minimum of one year. Support is provided both in London and overseas and includes:

- Diagnostic – this ensures that businesses are both eligible for the programme and are in a position to begin exporting;
- Business clinics and mentoring – these provide support to businesses in relation to, for example, tendering for international supply chain contracts, joining consortia opportunities and entering into partnerships or joint ventures;
- Trade missions – these are designed to be consistent with the needs of SMEs, the target sectors and identified overseas market opportunities. Participating SMEs are also provided with pre-mission briefings to prepare for the missions; and
- Overseas mentors – beneficiaries are connected to mentors in target markets. These mentors provide ongoing guidance and first-hand knowledge of overseas markets and issues in their particular geography.

SMEs are able to choose the support accessed from the range of activities provided.

The Mayor's International Business Programme is part-funded by the European Regional Development Fund programme (ERDF). Usually businesses are eligible if they at a minimum have; 10 employees, £1 million in revenue or funding, or 20 percent year on year growth. However, depending on the sector, these minimum requirements could be flexible, for example, if a life sciences company has raised £5 million but only has 4 employees, then they may be eligible. Another example may be the urban sector where two or more successful projects are already in place and this then qualifies the business.

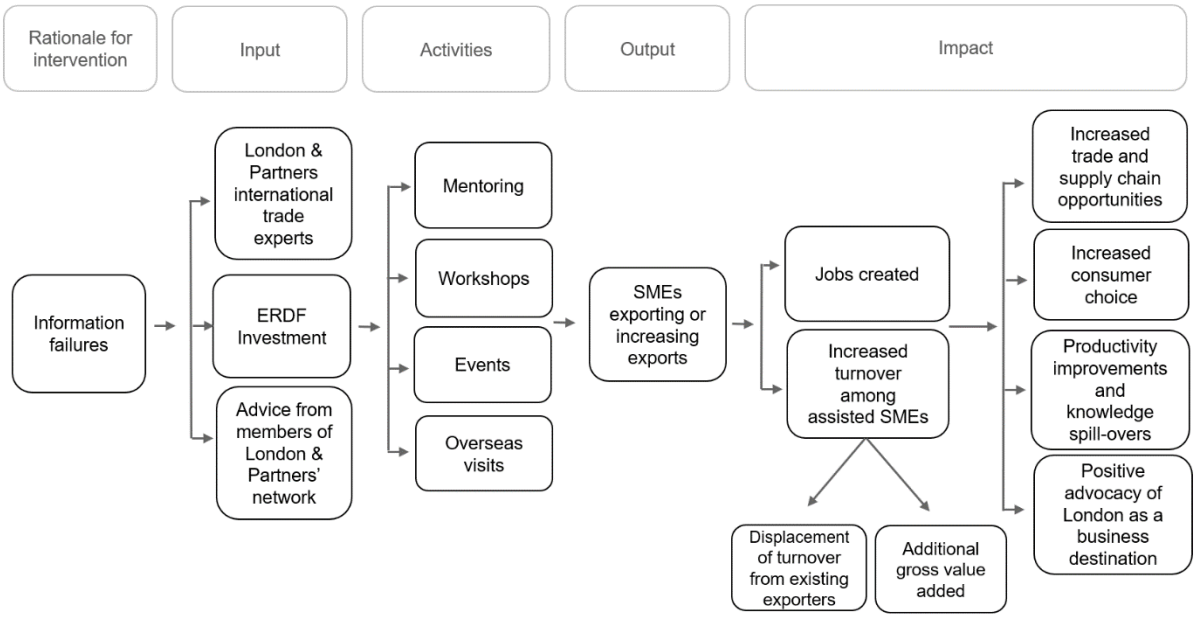
5.2. Rationale for intervention

Exports by local businesses injects money into the local economy, as well as it enables receiving economies to benefit from products they might not be able to produce themselves at the same quality or price. Public intervention by The Mayor's International Business Programme seeks to address the market failure of asymmetric information. London businesses do not have perfect knowledge of the overseas market for their products or of how to access these markets, particularly companies at the early stage. Conversely, potential overseas customers may have little knowledge of the products and services offered by London's small and medium-sized enterprises. These information issues result in less than optimal trade between London's businesses and international buyers.

In addition, international trade raises London's reputation as a business centre, which is a positive externality. This benefit is not fully internalised by individual businesses, and they will thus under-invest in international trade engagements.

The logic chain diagram in Figure 5 illustrates how correction of the market failures can lead to positive impacts on London.

Figure 5. Logic model for The Mayor's International Business Programme



5.3. Evaluation methodology

Beneficiary impacts are assessed through a completion survey which is sent to the beneficiaries when they graduate from the programme. The GVA calculation is based on reported export revenue increases.

The methodology to evaluate the Mayor's International Business Programme has been developed in collaboration with AMION Consulting.

5.3.1. Data collection

Beneficiary impacts are assessed through a completion survey which is sent to beneficiaries when they graduate from the programme. Only impacts evidenced with survey completions are counted. Hence, average impacts are not generalised to the full population of beneficiaries.

5.3.2. Calculation of additional GVA for Business Export

Beneficiary impacts are self-reported and therefore adjusted to account for uncertainty inherent to judgment and to include only the additional impact, which are due to the activities undertaken by London & Partners.

Figure 6 illustrates the steps in the calculation of GVA.

Figure 6. Illustration of steps in the GVA calculation

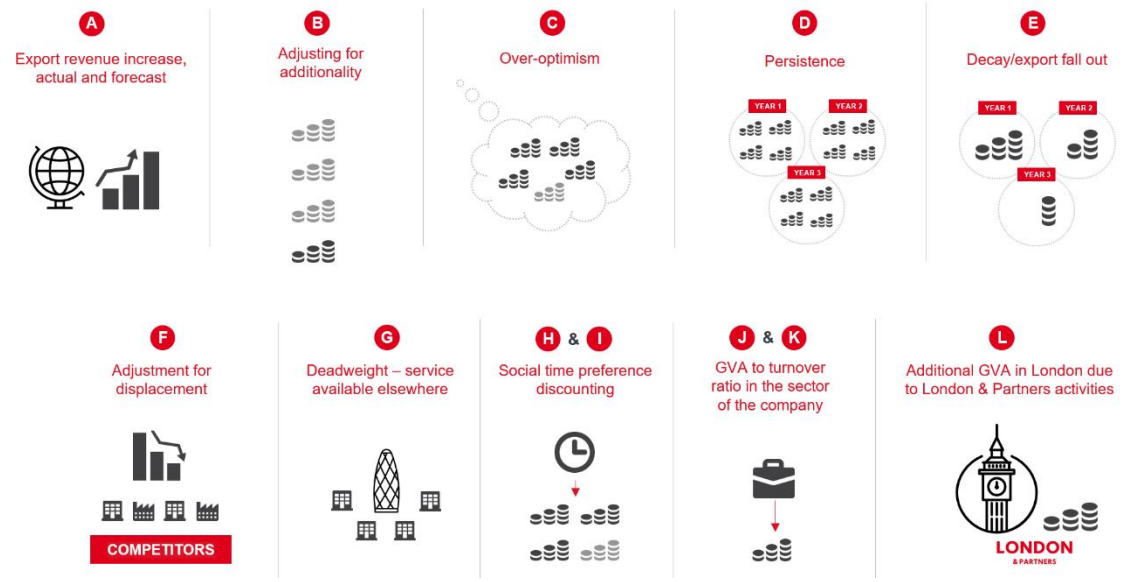


Table 9 describes each step with further details on the calculations and data sources.

Table 9. Summary of steps within the business export economic impact model		
Step	**Detail**	**Source/calculation**
A	Export revenue increase	Completion survey
B	Additionality	Completion survey
C	Over-optimism bias	London & Partners FDI research
D	Persistence	HCA Additionality Guide, 2014
E	Decay - Export fallout	Persistence in Exporting: Cumulative and Punctuated Learning Effects', ERC[24]
F	Displacement	Completion survey + previous evaluation data
G	Deadweight	Completion survey + previous evaluation data
H	Net additional revenue	= A * B * C * D * E * F * G
I	Social Time Preference Rate	HM Treasury Green Book
J	Time-adjusted net additional revenue	H adjusted by I
K	GVA to revenue ratio	Annual business survey, ONS
L	Net additional GVA	= H * (1-I) * (1-J)

The next sections describe the steps in the GVA calculation.

Revenue increases

Data on revenue impact is collected by asking businesses about their export revenue value before and after participating in the programme. They are also asked if they expect an increase in future export revenue and when they expect this increase to be achieved.

A revenue-based approach to assessing economic impact in terms of Gross Value Added (GVA) is applied rather than a jobs-based approach. This is because businesses may increase their exports without a proportionate increase in jobs numbers. For example, businesses may have been operating below 100% capacity prior to increasing exports and have therefore been able to increase production without increasing job numbers. Alternatively, businesses may have invested in new equipment to increase productivity rather than increasing workforce numbers.

Additionality

Businesses are asked to estimate what share of any increase in export revenue that has happened or is expected as a result of the programme. This figure is applied directly to any revenue increase reported

[24] Love, J. & Manez, J, 2016, 'Persistence in exporting: cumulative and punctuated learning effects', Enterprise Research Centre, https://www.enterpriseresearch.ac.uk/wp-content/uploads/2016/12/ERC-ResPap50-LoveManez.pdf

by that same business. Table 10 shows the survey question asked. When respondents choose a range, e.g. 1-10 %, the middle of the range is applied, e.g. 5.5 %.

Table 10. Additionality question to beneficiaries of the Mayor's International Business Programme for export revenue increase before/after participating in the programme

Question: *If there has been an increase in your export-only revenue, what share (as a percentage) would you estimate is a result of the Mayors International Business Programme?*

0%	1-10%	11-20%	21-30%	31-40%	41-50%	51-60%	61-70%	71-80%	81-90%	91-99%	100%	Don't know

For future export revenue increases, they are asked to estimate the amount that is expected to happen as a result of the programme.

Optimism bias

London & Partners analyses optimism bias in estimating future impacts from FDI projects (see chapter 3.3.3). The newest data shows that 61% of expected impacts are realised. This optimism bias estimation is used as a best proxy for assessing optimism bias of future expected growth by businesses in the Mayor's International Business Programme.

No optimism bias is assumed for assessing change in revenue to date, as it is assumed businesses would provide this information on an objective basis.

Persistence

Given the uncertainty over the future of international trade and the general concern about survey respondents being potentially overly optimistic, persistence of a maximum of three years for each company's revenue impacts has been assumed, unless the beneficiary indicated a shorter duration. The estimate of three years' persistence is based on guidance in the HCA Additionality Guide, 2014.[25]

Decay

Exports resulting from the support are reduced to the levels set in Table 11[26] over the duration over which export sales accrue. This accounts for, for example, increased competition in subsequent years.

Table 11. Decay in export sales over time

Year	**1**	**2**	**3**
Export sales (% of first year sales)	100%	87%	82%

[25] Housing & Communities Agency, 2014, Additionality Guide, 4th ed., https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/378177/additionality_guide_2014_full.pdf

[26] Love, J. & Mañez, J. 2016. Persistence in Exporting: Cumulative and Punctuated Learning Effects', ERC

Displacement

Displacement measures the extent to which export increases resulting from the support provided are at the expense of other exporters from London. The displacement question as shown in table 12.

Table 12. Displacement Question
If your business ceased operations, please estimate what proportion of your export-only revenue would be taken up by competitors based in London?

When the respondent answers with a percentage range, the middle point of that range is applied in the model.

The displacement factor is calculated as a 5-years moving average based on completion surveys from past years. Calculation of the factor is shown in table 13. The current factor is 91 %, based on research with 53 beneficiaries by Amion Consulting in 2018[27]. Thus, it is assumed that 9 % of any export created through participation in the Mayor's International Business Programme displaces export from other businesses in London.

Table 13. Steps to calculate the displacement factor		
Step	**Detail**	**Source**
A	Average percentage taken up by competitors in London	Survey
B_i	Displacement factor in year i	100-A
C	Rolling average of the displacement factor applied in model	$(B_i + B_{i-1} + B_{i-2} + B_{i-3} + B_{i-4})/5$

Deadweight

Deadweight measures the extent to which the same support would have been obtained without The Mayor's International Business Programme. To assess this, the question in table 13 is asked to beneficiaries. The weight given to each answer is shown in the right hand side of the table. The current factor applied is 66%, which is based on a sample of responses from 53 beneficiary businesses collected by Amion Consulting between 30th April and 25th June 2018 and 65 beneficiary businesses collected by London & Partners from 2018 to 2020. This means that 34% of the impact is discounted.

Table 14. Deadweight question	
Question: *If you hadn't received any support from the programme, do you think you would have been able to receive similar support from elsewhere?*	
Answer	**Weight**
No, not at all	0%
Yes, but to a lower standard	20%
Yes, but with a delay	50%
Yes, to the same standard and within the same timeframe	100%

The deadweight factor is calculated as a 5-years moving average based on completion surveys from past years. The calculation is shown in table 15.

[27] This was based on two other questions: 1) What percentage of your goods and services are sold to export markets? And 2) What percentage of your export market is served by competitors from Greater London? 91 % was calculated by subtracting the product of the averages of the two questions from 100 %.

Table 15. Steps to calculate the deadweight factor		
Step	**Detail**	**Source**
A	Average deadweight in year i	Survey
B_i	Deadweight factor in year i	100-A
C	Rolling average of the deadweight factor applied in model	$(B_i + B_{i-1} + B_{i-2} + B_{i-3} + B_{i-4})/5$

GVA to revenue ratio

Revenue impacts are converted to GVA using ratios derived by Amion Consulting from the ONS Annual Business Survey. This is weighted by the number of beneficiaries from the Mayor's International Business Programme by sector. Table 16 illustrates the calculation of the GVA to revenue ratio and appendix D sets out the Standard Industrial Classification (SIC) codes for the sectors used in the analysis.

Table 16. GVA to revenue ratio, percent			
Sector	**Number of graduated beneficiaries, March 2020**	**GVA to revenue ratio**	**Weighted ratio**
Life sciences	26	56 %	9 %
Technology	127	52 %	33 %
Urban	26	48 %	8 %
Creative	27	48 %	2 %
Weighted average			**51%**

The weighted average GVA to revenue ratio of 51% is thus used to convert the export revenue increases to GVA.

Social Time Preference Rate

Impacts that happen in the future are worth less than those happening at present time. Future impacts are therefore discounted with the Social Time Preference Rate (STPR), as described by the HM Treasury Green Book[28]. London & Partners take this into account by discounting future revenue increases according to the years when increases are expected.

28

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

Section 6

Business Growth Programme

6. Business Growth Programme

6.1. Background

London & Partners' Business Growth Programme offers business advice and support to businesses based in London with fewer than 250 employees and revenue of less than £40m looking to grow across London including the outer boroughs.

The programme helps companies to overcome barriers to growth and increased productivity. This is done by providing ongoing guidance and support in the form of a tailored growth plan, a dedicated account manager, events & workshops, access to experts via a mentoring programme and opportunities to collaborate with large corporates.

It is part-funded by the European Regional Development Fund programme (ERDF).

6.2. Rationale for intervention

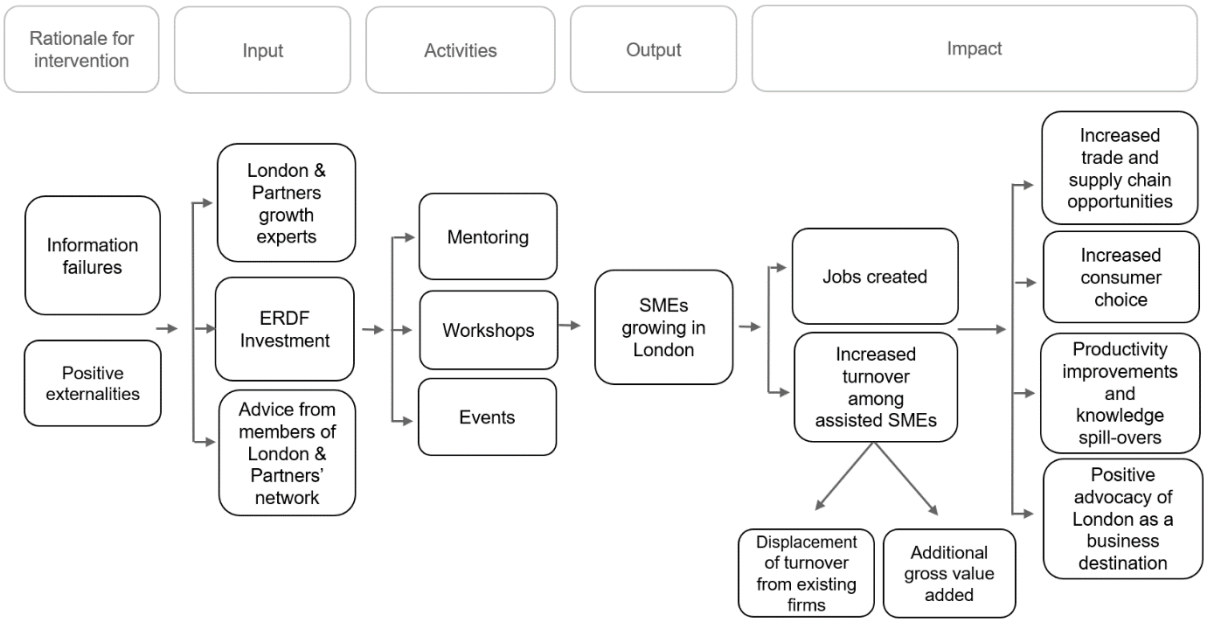
Innovation and entrepreneurship spur economic growth and productivity. Schumpeter linked entrepreneurship to economic growth in 1911[29] and 110 years later, entrepreneurship is still seen as important to the economy[30]. Entrepreneurship brings about new and improved products, services and and new wealth is created.

Public intervention by London & Partners via The Business Growth Programme seeks to address information and coordination market failures. Early-stage businesses do not have perfect knowledge of how to unlock their growth potential and of potential business partners. Also, the benefits of organizing e.g. networking events where they can meet business partners is not fully internalised. Hence, they will under-invest in engagement with other businesses and experts.

The logic chain diagram in Figure 7 illustrates how correction of the market failures can lead to positive impacts on London.

[29] Schumpeter, J. Theorie der wirtsschaftlichen Entwicklungen in Audretsch, D. B., Keilbach, M. C. & Lehmann, E. E. Oxford University Press 2006.
[30] https://www.investopedia.com/articles/personal-finance/101414/why-entrepreneurs-are-important-economy.asp

Figure 7. Logic model for The Mayor's International Business Programme



6.3. Evaluation methodology

A revenue-based approach to assessing economic impact in terms of Gross Value Added (GVA) is applied rather than a jobs-based approach. This is because businesses may increase their revenue without a proportionate increase in jobs numbers. This also keeps the evaluation methodology aligned with the methodology applied to the Mayor's International Business Programme.

The methodology to evaluate the London Growth Network has been developed in collaboration with Hatch Consulting.

6.3.1. Data Collection

Beneficiary impacts are assessed through a completion survey which is sent to beneficiaries when they graduate from the programme. As a conservative measure, only survey evidenced impacts are counted. Hence, average impacts are not generalised to the full population of beneficiaries.

6.3.2. Calculation of additional GVA for Business Growth

Beneficiary impacts are self-reported and therefore adjusted to account for uncertainty inherent to judgment and to include only the additional impact, which are due to the activities undertaken by London & Partners.

Figure 8 illustrates the steps in the calculation of GVA.

Figure 8: Illustration of steps in the GVA calculation

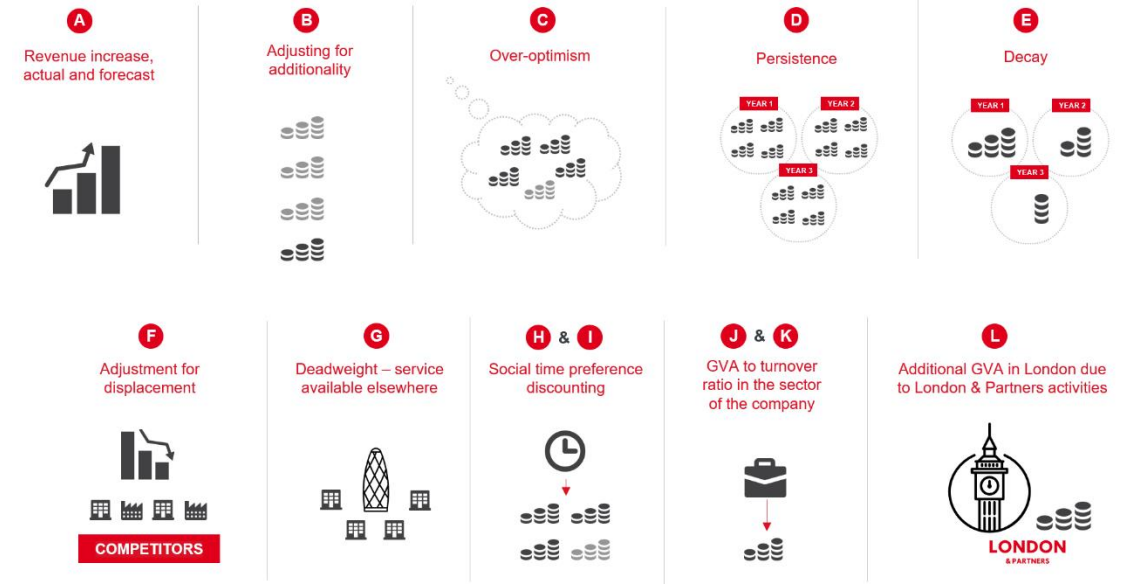


Table 17 describes each step with further details on the calculations and data sources.

Table 17. Summary of steps within the business growth economic impact model

Step	Detail	Source / Calculation
A	Revenue increase	Completion survey
B	Additionality	Completion survey
C	Over-optimism bias	London & Partners FDI research
D	Persistence	HCA Additionality Guide, 2014
E	Decay	Assumption of linear decay
F	Displacement	Completion survey
G	Deadweight	Completion survey
H	Net additional revenue	= A * B * C * D * E * F * G
I	Social Time Preference Rate	HM Treasury Green Book
J	Time-adjusted net additional revenue	H adjusted by I
K	GVA to revenue ratio	Annual business survey
L	Net Additional GVA	= J * K

Revenue increase

Data on revenue impact is collected by asking businesses about their sales value before and after participating in the programme. They are also asked if they expect an increase in revenue in the next year.

A revenue-based approach to assessing economic impact in terms of Gross Value Added (GVA) is applied rather than a jobs-based approach. This is because businesses may increase their revenue without a proportionate increase in jobs numbers. For example, businesses may have been operating below 100% capacity prior to their revenue increase and have therefore been able to increase production without increasing job numbers. Alternatively, businesses may have invested in new equipment to increase productivity rather than increasing workforce numbers.

Additionality

Businesses are asked to estimate what share of any increase in revenue that has happened or is expected as a result of the programme. This figure is applied to any revenue increase reported by that same business. Table 18 shows the survey question asked.

Table 18. Additionality question to beneficiaries of the London Growth Network for revenue increase within the current financial year

Question: *What proportion of this change was purely as a result of working with the Business Growth Programme?*

0%	1-10%	11-20%	21-30%	31-40%	41-50%	51-60%	61-70%	71-80%	81-90%	91-99%	100%	Don't know

For future expected revenue increases, beneficiary businesses are asked the question in table 19 to estimate the amount that is due to the programme.

Table 19. Additionality question to beneficiaries of the London Growth Network and the Mayor's International Business Programme for future revenue increase

Question: *Would the expected change in revenue be related to the support you received through the Business Growth Programme?*

Response	**Weight**
Yes	100 %
Partially	50 %
No	0 %
Don't know	0 %

Over-optimism bias

London & Partners analyses optimism bias to estimate future impacts from its Foreign Direct Investment projects (see chapter 3.3.3). The data shows that 61 % of expected impacts are realised. This optimism bias is used as a best proxy for assessing optimism bias of future expected growth by businesses in theBusiness Growth Programme.

No optimism bias is assumed for assessing change in revenue to date, as it is assumed businesses would provide this information on an objective basis.

Persistence

Impacts are assumed to persist for three years based on guidance in the HCA Additionality Guide, 2014.[31]

Decay

Impact that persists is assumed to decay linearly over three years. Hence, second year impacts are multiplied with a factor 0.67 and third-year impacts with a factor 0.33. This is more conservative than the decay assumed for the Mayor's International Business Programme, however any other assumption is unreasonable given a lack of scientific evidence.

Displacement

Displacement activity relates to when the growth of one firm may have inhibited growth in another firm in London. The question asked to business is shown in table 20.

Table 20. Displacement Question
If your business ceased operations, please estimate what proportion of your revenue would be taken up by competitors based in London?

When the respondent answers with a percentage range, the model will use the middle point of that range. The deadweight factor is calculated as a 5-years moving average based on completion surveys from past years. The displacement factor for 2021/22 is 64%. The calculation of this is described in table 21.

Table 21. Steps to calculate the displacement factor

Step	Detail	Source
A	Average percentage taken up by competitors in London	Survey
B_i	Displacement factor in year i	100-A
C	Rolling average of the displacement factor applied in model	$(B_i + B_{i-1} + B_{i-2} + B_{i-3} + B_{i-4})/5$

[31] Homes & Communities Agency, 2014, Additionality Guide, 4th ed., https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/378177/additionality_guide_2014_full.pdf

Deadweight

Deadweight measures the extent to which the same support would have been obtained without the London Growth Network. To assess this, the question in table 13 is asked to beneficiaries. Table 22 shows the question asked and the weights applied.

Table 22. Deadweight question	
Question: *What do you think would have happened had you not received support from the Business Growth programme?*	
Response Option	**Modelling Response**
We would have obtained the same support in the same timeframe with a different provider	100% deadweight
We would have obtained the support with a different provider, but at a later time	80% deadweight
We would have obtained the support with a different provider but they would have been of a lower quality	50% deadweight
We would not have obtained the support with a different provider	0% deadweight

The deadweight factor is 0.75 in 2021/22. It is calculated as a 5-years moving average based on completion surveys from past years.

The steps to calculate the deadweight factor are shown in table 23.

Table 23. Steps to calculate the deadweight factor		
Step	**Detail**	**Source**
A	Average deadweight in year i	Survey
B_i	Deadweight factor in year i	100-A
C	Rolling average of the deadweight factor applied in model	$(B_i + B_{i-1} + B_{i-2} + B_{i-3} + B_{i-4})/5$

Converting revenue to GVA

Net additional revenue is converted to GVA using ratios estimated by Hatch Regeneris and based on survey data from 69 beneficiaries. The ratio is estimated at 49 %, which is close to the estimate applied in the evaluation Mayor's International Business Programme (see section 4.3.2)

Social Time Preference Rate

Impacts that happen in the future are worth less than those happening at present time. Future impacts are therefore discounted with the Social Time Preference Rate (STPR), as described by the HM Treasury Green Book[32]. Future impacts are expected to stay for three years, as described in the section above, and these impacts are therefore multiplied by the average discount factor described in table 5.

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

Section 7

Business Tourism

7. Business Tourism

7.1. Background

London & Partners' destination remit means it is our role to develop London as a destination and attract visitors and events. This means we will work with the visitor economy to make sure London has a vibrant city centre and the offer appeals to future audiences. We also need to ensure London is positioned as a world-class destination, attracting visitors from across the UK and around the world. We do this in partnership achieving the scale needed to make an impact.

London & Partners is home to the city's official convention bureau and promotes the capital as a leading destination for conferences and corporate events. Activity here looks to improve the offer to major corporations and associations, to build on the comparative advantages of London and to improve London's standing as a destination for conferences.

London is one of the most competitive cities for business events globally, ranking top ten in the 2019 International Congress and Convention Association (ICCA) annual rankings, while the UK overall was the 5th most popular country. International competition for attracting business events is high and ever growing from both established destinations who are improving their product, and from new emerging destinations. London & Partners promotes the capital with a major focus on new and contestable international events that are at risk of being lost to other city destinations. Attracting business events is not only important for the immediate economic benefits, but for growing a city's reputation, for underpinning sectoral growth, and for helping to animate a destination. Hence the Business Tourism team at London & Partners undertakes many activities to remain at the forefront of global event destinations, and to maintain an active pipeline of future events; targeting both those that could not be won without the intervention and those with the highest forecast return on investment.

London & Partners offers a total event solution service for clients and event organisers, including free and impartial advice on planning meetings, conferences, events, exhibitions, incentives and launch parties in London. Services include:

- Advice about venues, housing, professional conference organisers (PCOs) and destination management companies (DMCs)
- Site inspection facilitation
- Production and support for bids from leading civil and corporate figures in London and the UK to secure large internationally mobile conventions
- Promotional tools to help increase delegate attendance, including video content and presentations
- Visitor information for delegates
- Customised accompanying partner programmes in London
- Oyster cards (pay-as-you-go travelcards) for groups of more than 50.

7.2. Rationale for intervention

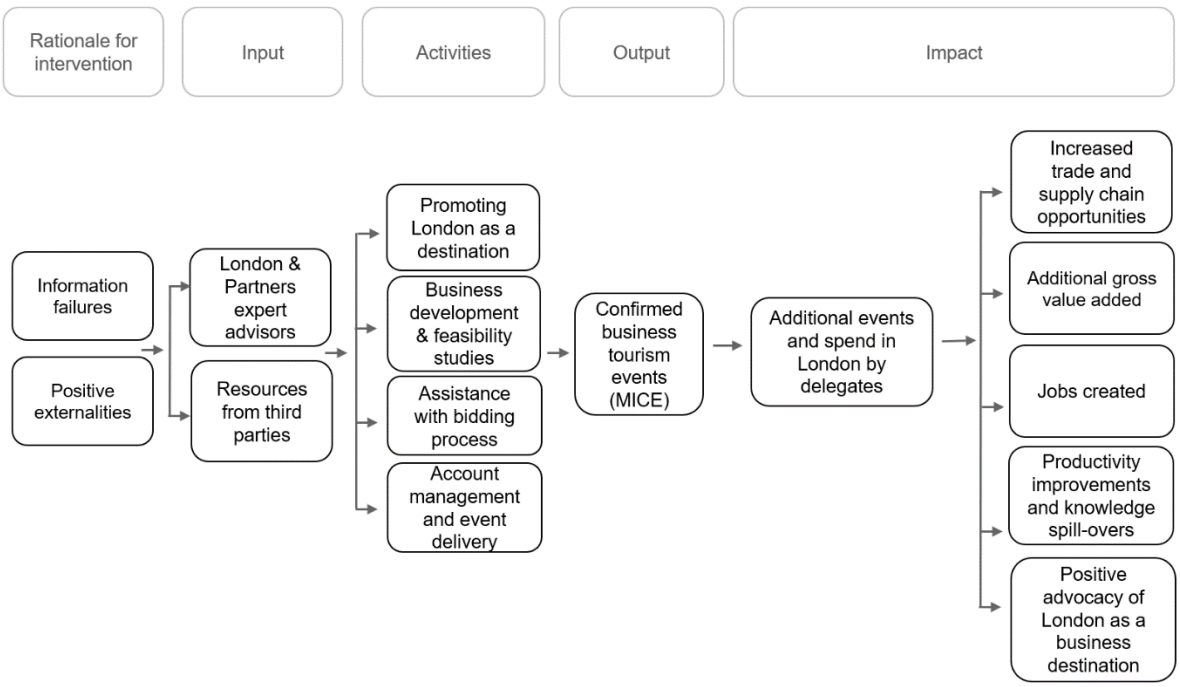
Business visitors spend money in the local economy, which creates jobs, and they bring with them ideas and provide collaboration opportunities. Hence, they are valuable for any local economy.
Public intervention by London & Partners in this area looks to correct information failures whereby conference or event organisers may not realise the full benefits of hosting events in London. In addition, there are information asymmetries: event organisers might have the concern that information provided by accommodation and venue providers is not independent. An impartial advisor can address this concern and remove barriers to booking events in London.

There are also positive externalities for London and its brand reputation, for example, through attendees being more inclined to return to London as leisure tourists, or through potential positive impacts on trade and inward investment brokered at conferences or events in London. In addition to

this, hosting events in London can generate considerable additional spending in London by organisers and attendees. London businesses may also obtain new knowledge when experts in their field visit the city. Although the level of these spill-over benefits can be difficult to evidence, these could lead to considerable additional economic activity in London.

The logic model in figure 9 illustrates how correction of the market failures within business tourism can lead to positive impacts on London.

Figure 9. Logic model for Business Tourism



7.3. Evaluation methodology

The methodology to evaluate economic impact from business tourism promotional activity has been developed by London & Partners and economists from the Greater London Authority, in collaboration with Regeneris Consulting. The methodology is conservative, as it only counts direct additional economic impact in terms of GVA retained in London's economy. Hence, economic multipliers are not used and the model does not count impacts in terms of knowledge spill-overs, improved reputation and subsequent leisure tourism.

7.3.1. Contestability

London & Partners measures additional GVA for contestable projects and non-contestable projects differently. Business Tourism Projects are contestable if the foreign owned company:

1) is not considering holding an event anywhere before London & Partners engages with it;

OR

2) is considering holding an event in other locations than London

OR

3) is considering London but faces significant and identifiable barriers that prevents them from holding the event in London, as described in table 24.

Table 24. Business Tourism barriers and how London & Partners addresses them	
Barrier	**How it is addressed**
Inability to find the right ecosystem in which to stage the event	Applying local knowledge and London & Partners' extensive network to present relevant ecosystems/sectors in London's diverse economy to the client
Inability to find a venue at the right price, in the right location, at the right time	Providing bespoke and expert advice and data to inform the client (referrals to partners, detailed venue searches)

Hence, non-contestable events are events that would be staged in London anyway and without involvement by London & Partners. The reason for categorising projects as contestable and non-contestable is that the efforts should be focussed on potential Business Events where London & Partners can play a more important role in influencing the Event Planner's decision. However, the organisation still plays a role in influencing the timing and scale of non-contestable projects, for example, bringing forward event plans or increasing attendee numbers.

Some event opportunities that we consider contestable are brought to our attention by our partners, often the big venues in London. One might therefore say London & Partners' role in securing the event is smaller. Yet, our partners only involve us when our contribution is important to secure the event, and it is thus reasonable to consider the event contestable.

Evidence for contestability and other input needed for GVA calculations is collected by email as part of our conversation with the event owners.

7.3.2. Calculation of additional GVA for Business Tourism

London & Partners supports different types of business events to come to London.

London & Partners apply a model originally developed by Regeneris/Hatch Consulting to calculate economic impact from business events. The model input is based on research from previous events.

Average expenditure, number of delegates, event duration and share of international versus national delegates drives economic impact in the model. To convert expenditure into GVA, Input-Output tables for the UK regions are used for the sectors of food and drinks, travel, accommodation and entertainment including attractions etc[33].

Cost-effective approach set out by London & Partners

Average additional GVA per delegate per day by event is drawn from the above-mentioned model, and enables a cost-effective approach to evaluation of business tourism events. The first step in this is to classify events by category. London & Partners' event classification is aligned with the standard classification adopted by other national tourism boards since 2006[34]. According to this taxonomy, events are classified as Corporate or Association; International or Domestic; and Single Day or Multi-day events.

Average additional GVA per delegate per night varies depending on the event category with international multi-day events generating more spend than domestic single day events.

Table 25 describes calculations and data sources for the cost-effective evaluation approach.

[33] This approach uses UK level national accounting data, along with data on the London economy.
[34] "Estimating the Local Expenditure Benefits of Conferences to a Local Area", an advisory note from the UK Tourist Boards. Used towards the delegates expenditure survey carried out in 2006.

Table 25. Summary of steps within the business tourism economic impact model		
Step	**Detail**	**Source/calculation**
A	Event category	Client feedback
B	**Average additional GVA per day per delegate**	**Economic impact model based on step A**
C	Event duration	Client feedback
D	Event size	Client feedback
E	Social Time Preference Rate factor	HM Treasury Green Book
F	**Additional GVA**	**B*C*D*E**

After defining the event category (steps A and B), the approach relies on data collected from the client on event duration and expected size (steps C and D). Some events, typically larger ones, are confirmed years before they take place. Events happening more than one year after the financial year in which the event is confirmed are therefore discounted with the Social Time Preference Rate (step E) as described in HM Treasury Green Book. Table 26 describes the modelling factors applied to adjust for the Social Time Preference Rate.

Table 33. Application of the Social Time Preference Rate to events	
Time event takes place	**Modelling factor**
The same financial year	No discounting
The following financial year	1/1.035 = 0.966
The financial year after the next	1/1.035^2 = 0.934
The financial year two years after the next	1/1.035^3 = 0.902
The financial year three years after the next	1/1.035^4 = 0.871
The financial year four years after the next	1/1.035^5 = 0.842

The average additional GVA figures from the economic impact model are adjusted based on IPS business tourist data.

As described in chapter 6.3.1, London & Partners only counts impacts from supported events that would not otherwise have happened in London. However, the organisation can also create impacts through non-contestable events, i.e. events where the event owner has already decided to place the event in London. This is possible by influencing the event owner to make it happen sooner or to make the event bigger than it would otherwise have been.

If the event owner as a result of support from London & Partners makes the event bigger than it would otherwise have been, the additional GVA impact on London resulting from the increase is attributed to London & Partners. Table 28 shows the calculation of the additional GVA.

Table 28. Calculation of the value of event size increase		
Step	**Detail**	**Source/calculation**
A	Total event GVA impact	Client feedback and GVA model
B	% increase of event as a result of London & Partners	Client feedback
C	**Additional GVA, size increase**	**A – A / (1 + B)**

If the event owner as a result of support from London & Partners makes the event happen sooner than it would otherwise have, the additional time-value GVA impact on London is attributed to London & Partners. Table 29 shows the calculation of the additional GVA.

Table 29. Calculation of the value of event held sooner		
Step	**Detail**	**Source/calculation**
A	Total event GVA impact	Client feedback and GVA model
B	Time event has been held sooner in years	Client feedback
C	Social Time Preference Rate	HM Treasury Green Book
D	**Additional GVA, time-value**	**((1 + C)^B - 1) * A**

Section 8

Major Sports/ Cultural Events

8. Major Sports/Cultural Events

8.1. Background

Major events remain a draw for visitors creating economic benefit, attracting investment and providing a high impact opportunity to tell London's story on the global stage. London & Partners' destination remit means it is our role to develop London as a destination and attract visitors and events.

London & Partners' Major Events Team secure contestable major events with a particular focus on sport and exports. The team works with the visitor economy to make sure London has a vibrant city centre and is positioned as a world-class destination It also supports decision makers post their decision to come to London to retain events and secure new business as well as ongoing account management of won events in line with city obligations.

The team works in partnership with the Mayor of London's office, national governing bodies, international sports federations, cultural institutions, rights owners and city stakeholders to win bids and attract new events that resonate globally. The team helps deliver these major mass-spectator sport and cultural events utilising cross-city expertise and leverage on owned online channels to access new audiences in core markets via user generated content and third-party endorsement.

8.2. Rationale for intervention

Event visitors spend money in the local economy, which creates jobs, and they may provide collaboration opportunities. Hence, they are valuable for any local economy.

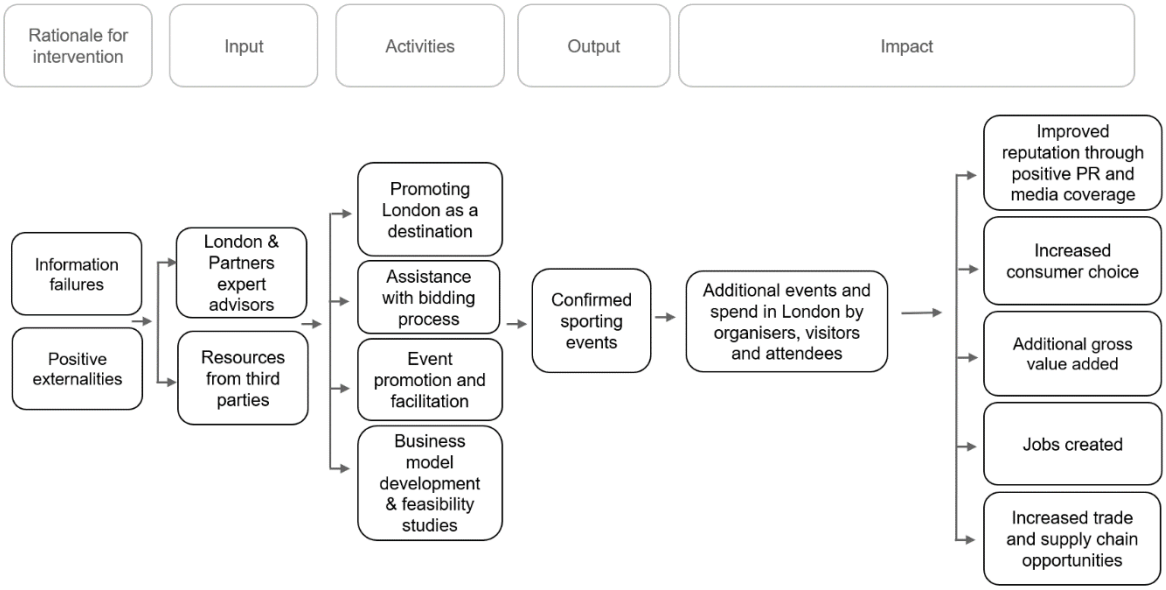
Public intervention by London & Partners in this area looks to correct information failures and information asymmetry. Information failure happens when event organisers may not realise the full benefits of hosting events in London. Information asymmetries happen when event organisers might have the concern that information provided by accommodation and venue providers is not independent. An impartial advisor can address this concern and remove barriers to booking events in London.

There are also positive externalities for London and its brand by hosting events, for example through spectators or global viewers being more inclined to visit, study, work and invest in London. Private businesses have little or no incentive to promote London's brand and to invest in destination marketing. This is because they cannot capture the full benefits. Without public sector intervention, the market would therefore lead to an under-investment in promoting London's brand.

Hosting events in London can also generate considerable additional spending in London by organisers and attendees. London citizens may be inspired to take up new sports or cultural activities, which may have the potential to increase the health and well-being of Londoners, and the events may provide volunteering and learning opportunities. Although the level of these externality benefits can be difficult to evidence, they could potentially be of considerable economic value to London.

The logic model in figure 10 illustrates how correction of the market failures within major sports and cultural events can lead to positive impacts on London.

Figure 10. Logic model for Major Sports/Cultural events



8.3. Evaluation methodology

The methodological approach to estimate the economic contribution of major sporting and cultural events is based on eventIMPACTS[35]. EventIMPACTS was developed by Sheffield Hallam University's Sport Industry Research Centre (SIRC) and was commissioned by a consortium of UK based organisations staging and promoting major public events nationally. It is based on spend by additional visitors coming to London as a result of the event.

Major events provide a vehicle to tell London's story to a wide range of audiences. In addition to the news coverage they generate, and wide-ranging conversation created across social media, most major events have linear and digital broadcast deals. Research by London & Partners and YouGov plc is ongoing to investigate if people who watch a London-based event from abroad (e.g. on TV or online), are more likely to visit the city later on. If this research shows a significant uplift in visits to London amongst those who follow London events from abroad compared to those who don't follow the events, the GVA added to London's economy by these extra visitors may be attributed to London & Partners.

The next section focuses on calculation of the more immediate additional GVA from events.

8.3.1. Calculation of GVA for Major Events

This chapter sets out both a generic and a cost-effective approach to GVA impact calculation for events. The methodology builds on eventIMPACTS. The Major Events team at London & Partners only works on attracting contestable events (see chapter 6.3.1 for the definition of contestability for events), so there is no distinction between contestable and non-contestable events in this section. In addition to the definition in chapter 6.3.1, most sporting events involve a formal, international bidding competition, which is clear evidence that the event is contestable.

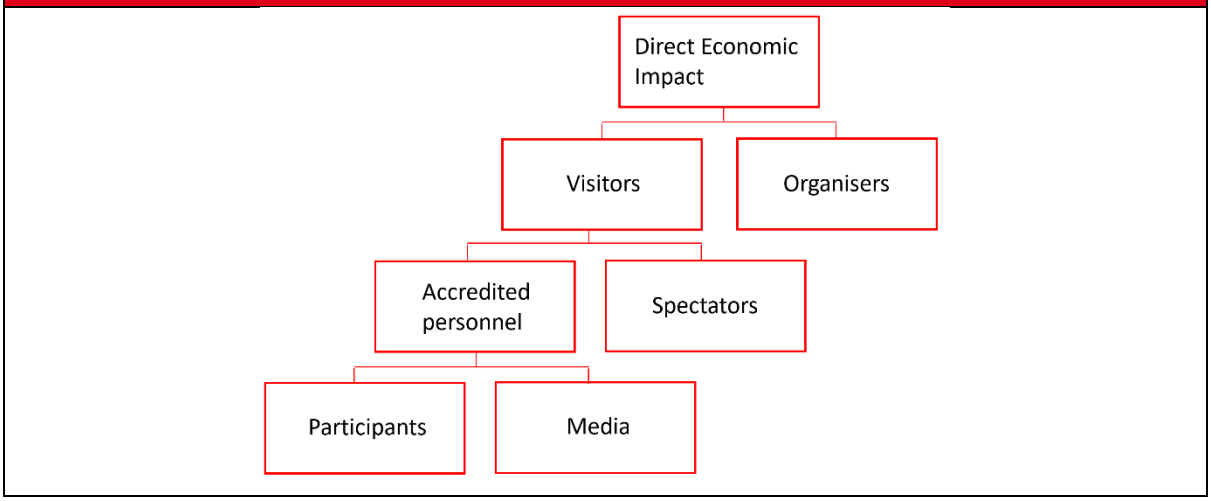
Generic approach to calculate GVA for Major Events

London & Partners applies the EventIMPACTS methodology directly when full event evaluation is undertaken. This methodology is briefly described here. As illustrated in figure 11, there are two

[35] Details of the eventIMPACTS methodology available at http://www.eventimpacts.com/economic

sources of an event's direct economic impact: visitors and organisers spend[36]. The visitor component can be disaggregated further into spectators and accredited personnel (i.e. delegates, media etc.).

Figure 11. Flow diagram outlining the components of economic impact from major events



Direct economic impact is estimated by accounting for spending in London by both (non-London) domestic and overseas visitors who visit the capital for the purpose of attending the specific event, this excludes spend from random visitors.

The figures are concerned with the amount of new money injected into London from external sources as a direct result of hosting major events.

Additional spend is finally converted into additional GVA by applying Input-Output tables for the UK regions for the sectors of food and drinks, travel, accommodation and entertainment including attractions etc[37].

Cost-effective approaches to calculate GVA for Major Events

Ideally, every event should be evaluated on its own. However, this would not provide a cost-effective approach to measuring GVA. Also, London & Partners count impacts of events supported in the financial year the events are confirmed, rather than when they take place. Hence, an ex-ante evaluation is needed. London & Partners have two approaches to cost-effective, ex-ante evaluation of Major Events: a) direct comparison to a previous, very similar event, and b) estimation based on average figures from a range of previous events from within the same event category. The first approach is preferred where possible.

Approach based on similar event

The first approach is based on a past, very similar event hosted within the last three years and where the evaluation study is available to London & Partners. The GVA estimation is done by multiplying the GVA per spectator per day from the past event with an estimate of the number of spectators and by the number of days the event will last. The number of spectators is typically estimated based on venue capacity. Box 1 lays out our definition of a "very similar" Major Event.

[36] "An Economic Assessment of London & Partners support for major events", Sport Industry Research Centre, Sheffield Hallam University, (2013).

[37] This approach has been developed by Hatch Consulting using the UK level national accounting data, along with data on the London economy.

Box 1: Definition of a "very similar" Major Event
An event is "very similar" if: 1. The sport is the same. 2. The rights holder is the same e.g. UEFA will be hosting several tournaments in London including the Euro2020 (to be hosted in 2021) and the Champions League Final in 2023. An example of the same sport but different rights holders would be ATP Tennis vs the Laver Cup. 3. The tournament format is the same e.g. a final of a series or a leg of a series if that is what has been hosted before. Even when the sport is the same, a different format or discipline will impact on audience and organiser spend. An example would be Track Cycling World Championships vs a World Tour Road Race. Both cycling events, both 'owned' by UCI but different in terms of venue, athlete numbers, audience size and duration.

In the absence of an economic impact evaluation of a very similar event, London & Partners applies another cost-effective approach, as set out in the next section.

Approach based on previous events from within the same event category

Events are divided into four categories: High profile sporting events, Lower profile sporting events, High profile cultural events and Esports events (see table 31). In this approach, the average GVA per spectator per day for each event category is multiplied by an estimate of the number of spectators and by the number of days the event will last.

Table 30 summarises the steps in London & Partners' cost-effective economic impact model. The model is updated yearly as new evidence becomes available. Model input from older events is adjusted for inflation and events older than ten years are discarded.

Step C, E, F and G are explained in more detail below the table.

Table 30. Summary of steps within the Major Events cost-effective economic impact model

Steps	Detail	Source/calculation
A	Number of daily spectators	Venue capacity and expert judgment
B	Number of days event lasts	Rights holder or hosting venue
C	GVA per spectator per day	Previous evaluations
D	**GVA impact**	**A * B * C**
E	Social Time Preference Rate Factor	HM Treasury Green Book
F	Additionality	Estimate based on number of stakeholders
G	Repeat events discount	Expert judgment
H	**Net additional, time adjusted GVA**	**D*E*F*G**

Step C: GVA per spectator per day

GVA per spectator per day is based on learnings from a sample of evaluation studies of past events. For each of these past events the GVA per spectator per day is calculated, and this is used to estimate an average figure by event category.

Table 31 shows the event taxonomy and typical events that would fall into each event category. There are four categories: High Profile Sporting Event, Lower Profile Sporting Event, High Profile Cultural Event and Esports[38], with High Profile Sporting Events being the most valuable. These categories have been decided upon after consultation with other UK and international destination management organisations[39]. A recurrent theme across the feedback from these organisations is a focus on classifying events as international vs. national.

Table 31. Major Event Categories			
Category	**Characteristics**	**Examples**	**Average GVA per spectator per day**
High profile sporting event	• High volume of international spectators • International Rights Holder • Likely to generate a global conversation and attract world wide coverage	NFL UEFA Champions League Final MLB CWC EUROS 2017 ATHLETICS ATP	£20.88
Lower profile sporting event	• Low volume of international spectators • National rights holder • Less likely to generate a global conversation and attract worldwide coverage	London Regatta Formula E Fan Zones FINA Diving SLS IPC Swimming	£12.77
High profile cultural event	• High volume of international spectators • International rights holder • Likely to generate a global conversation	ArtNight Lumiere London EuroPride	£2.32
Esports event	• Likely to generate a global conversation and attract worldwide coverage	EGX UKLC FACEIT Majors	£12.77

Some event characteristics are not objectively verifiable and need specification:

- The volume of international spectators at an event is defined as being “High” when the share of international spectators is expected to be above 14 % for sports events and 1.6% for cultural events. These thresholds are based on averages for the past events in the evaluation model at the time of writing.
- An event is defined as being “Likely to generate a global conversation and attract worldwide coverage” if it exceeds the threshold in one of the parameters in table 32.

Table 32. Event media parameters for sports events		
Expected TV audience	**Expected online tv audience**	**Social media followers**
4,000,000	**300,000**	**130,000**

A sporting event is classified as “High Profile” if the rights holder is international and we can justify through external evidence that the event will expectedly either exceed 14 % international spectators or exceed one of the three event media parameters in table 32.

[38] Esports is treated as “Lower profile sporting event” until evidence has been collected.
[39] We thank VisitScotland, Tourism Northern Ireland, Department for Economy, Science and Transport, Wales, Maryland’s Sports Commission and Auckland Tourism, Events and Economic Development.

Cultural events are classified as “High Profile if the rights holder is international and we can justify through external evidence that the event will expectedly either exceed 1.6 % international spectators or if it has more than 4,000 followers on social media.

These thresholds are based on currently available data from past events, and we may review them at a later stage.

Step E: Social Time Preference Rate

Impacts of future events are discounted by the Social Time Preference Rate of 3.5 %[40]. See table 33 for an overview of how events are discounted.

Table 33. Application of the Social Time Preference Rate to events

Time event takes place	Modelling factor
The same financial year	No discounting
The following financial year	1/1.035 = 0.966
The financial year after the next	1/1.035^2 = 0.934
The financial year two years after the next	1/1.035^3 = 0.902
The financial year three years after the next	1/1.035^4 = 0.871
The financial year four years after the next	1/1.035^5 = 0.842

GVA from an event that takes place the following financial year is not discounted as the event may be confirmed in March and take place in April.

Step F: Additionality

Additionality for this business area has been discussed during a round table with national counterparts, and two consultancies have been involved in brainstorming on the subject. There has not been any systematic analysis in the major events’ evaluation literature setting out the additionality from an organisation such as London & Partners when promoting and supporting major events.

London & Partners applies an additionality factor of 33 per cent to convert gross to net economic spend. The additionality of London & Partners’ contribution has been set at 33 per cent based on the three main players contributing in winning major events bids; namely, the Sport Governing Body (UK Sport Federation), the hosting venue and the City (London & Partners, the Mayor’s official promotional organisation for London). This is a simplifying assumption agreed with GLA Economics as additionality for our activity in this business area cannot be estimated via primary research. Additionality is set at 100 per cent in case of London & Partners owned events.

Step G: Repeat events discount

Repeat events, such as NFL games, that are initially strongly influenced to come to London by London & Partners, are discounted by 25 percent when they return in subsequent years, unless the event enters a new contract cycle. If there is reason to believe that London & Partners’ impact on repeat events is smaller, the discount will be larger. If one year there are three NFL games and the second year there are four, three will be discounted in the second year while the fourth will be claimed with its full impact.

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

Section 9

Leisure Tourism

9. Leisure Tourism

9.1. Background

London & Partners has a remit to grow London's global reputation to support economic growth and high-growth businesses in our priority markets and sectors. London's brand is reinforced using a consistent set of messages that connect and resonate with our audiences, improving audience perceptions of London over time. We use these messages to influence our audiences across a variety of channels, including our own channels and using London's advocates and brand ambassadors.

Whilst it at the time of writing is not a priority activity to attract an international leisure tourism audience, we have documented our methodology to evaluate the impact of marketing campaign activity by measuring engagement and perception from a leisure tourism audience.

Marketing activity could be targeted at young, first time visitors to change their perceptions of London and to encourage them to make trips to London they would not otherwise have made. Young audiences are relevant as they are most likely to visit repeatedly and have a higher lifetime value. Marketing channels include visitlondon.com, social media channels, third party websites, and partner and influencer channels.

9.2. Rationale for intervention

Leisure tourists spend money in the local economy, which creates jobs. They may also return to the city later either as students, as business visitors or as investors.

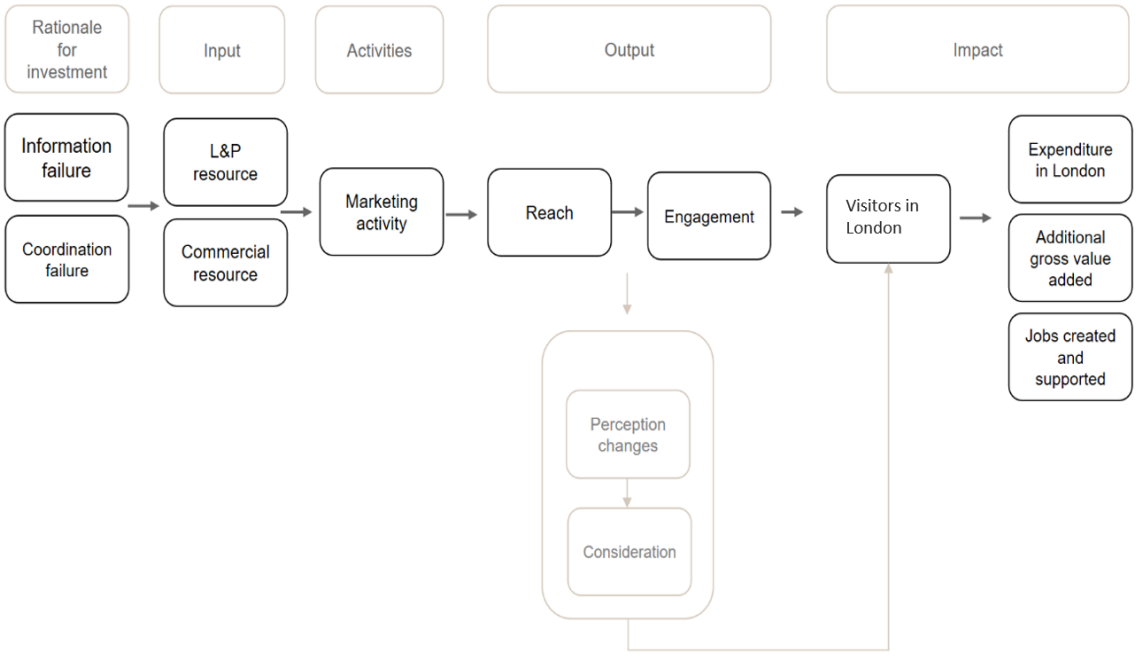
Public intervention by London & Partners in this area seeks to address coordination and information failures. Hotels and attractions have little or no incentive to promote London's brand and/or to invest in a destination marketing strategy. This is because visitor expenditure is spread across a range of organisations, meaning the organisations may not internalise the full benefits of destination marketing.

This coordination failure results in an under-investment of the market in promoting London's brand. At the same time, information failures mean that our audiences are not fully aware of the city's benefits, which might prevent a portion of them from considering London as a destination.

Evaluation activity conducted at London & Partners aims to understand the portion of visitors influenced by London & Partners marketing activity.

The logic chain diagram in Figure 12 shows the progression from activities to outputs and impact.

Figure 12. Logic model for leisure tourism



9.3. Evaluation methodology

The methodology measures the number of people exposed to a leisure tourism marketing activity. When marketing is online, the measure for exposure is an 'engagement', which is a conservative approach to measuring the number of people who have seen the marketing content. We use the number of exposed people to estimate how much additional GVA the marketing activity generates for London. The next two sections set out how we measure engagements and additional GVA.

Measuring engagements

An engaged user is for online marketing defined as a user who interacts with marketing content (e.g. likes, shares, comments on a post, watches a video, etc). Engagements vary by channel and activity type. The definitions are described below. Users who do not engage are discounted. The assumption is they have not been engaged sufficiently to have been influenced. For all channels the methodology only measure engagements for audiences matching the profile of the target audiences using agreed target markets and age ranges as qualifiers. For example, for leisure visitors engagements are only captured for audiences aged 18-35 and from our target markets of UK, USA, &China,

Websites

Unique visitors who engage with a website are the population used to measure the reach of consumer marketing activity. The unique visitor number, which is used as the measure of the population, only takes into account engaged visits. An engaged visit is defined as a user who visits more than one page. Users who leave a website without engaging are discounted. The assumption is they have not been engaged sufficiently to have been influenced.

Social media channels

Data on engaged users on social media is collected via a variety of tools and platforms depending on the specific social media channel. There are challenges to collecting specific data for our target audiences on social media. The level of available data varies by social media platform (Facebook, Twitter, Pinterest etc.) and also by the type of activity, e.g. more detailed data is available for paid activity compared to organic (non-paid) activity. Few social media platforms provide detailed

engagement data segmented by both age and geolocation for organic activity which means we must use suitable proxies.

An example of how engagement is calculated for Facebook and Instagram is provided in table 34. This methodology can evolve and improve as more data, tools and different social media platforms emerge.

Table 34. Examples of definitions of social media engagement (Facebook and Instagram) – own, paid and earned

Activity type	Engagement
Organic	Exact number of engagements for our target audience is not always available as the social platforms offer differing levels of granularity of demographic data for Engagement measurements. Where there is the case and to ensure we are only measuring engagements for our target audience, we apply up to two proxies (audience age or audience country, or both). Age and country proxy are taken from the overall followers of the entire account and applied to the engagements for a specific post. It is highly likely that the engagement with a specific post by market and age is representative of the account overall followers.
Paid	Exact engaged target audience figures used from given channel data
Earned (influencer/partner marketing)	Engagement of target audience reached for a specific post is not always available. Where this is the case, we use the follower proxy as described below. Follower proxy: we apply the percentage of engaged followers for the influencer or partners' overall channel. The engagement rate of an influencer's followers is likely to be similar to the engagement rate for a specific post they distribute on our behalf.

Third party email

Open rates are used to measure engagement. We do not measure our own email databases on the assumption these users have already engaged with our channels to subscribe to the email distribution list and so their engagement is already counted as part of other channels.

Video views

We use the view as defined by the channel in which the view occurred. The definition of a video view differs according to the channel and is now always available. For example, YouTube does not publish a duration for video views as video view is defined by an algorithm. We discount any other interactions on a video (e.g. likes, comments and shares) on the assumption that these interactions are the result of the video view and thus would be a duplication

PR (newspapers and magazines)

There is no industry standard measure of an engagement for PR. The primary measures used by the industry are either reach/circulation or earned media value. We have therefore created a model to measure engagements in PR which allows us to compare the efficiency of PR with other channels. A PR engagement is defined using the model in Appendix G.

Outdoor marketing

Exposure to billboards and posters etc. can be estimated by asking people on the street or by applying mobility or traffic data, to the extent this is available.

Known limitations of measuring online engagement

Table 35 highlights some of the limitations of the evaluation model for engagements. These are not unique to the evaluation model but are well established challenges to effectively and consistently measure the impact of marketing activity across different channels. We will evolve the methodology annually to address these challenges as more data and measurement tools become available.

Table 35. Known limitations of measuring Engagement

Limitation	Description	Solution
Engagements are not unique	• We are aggregating engagements within the same channel i.e. highly engaged users engaging multiple times could inflate engagement rates of the total population. • We are aggregating engagements across channels. Some users will engage with content across multiple channels.	• Deduplicate engagements where possible • Potentially collect survey data to establish number of times a user engages with content across different channels. This can be used to discount aggregate engagement to approximate unique engagement.
All engagements are not equal	• More engaging content is likely to be more effective in influencing a person to choose London e.g. a person liking a picture on social media is likely to be less influential than a person viewing a video.	• Potentially undertake activity to investigate the different influences of different media and channels with a view to updating the model in future.

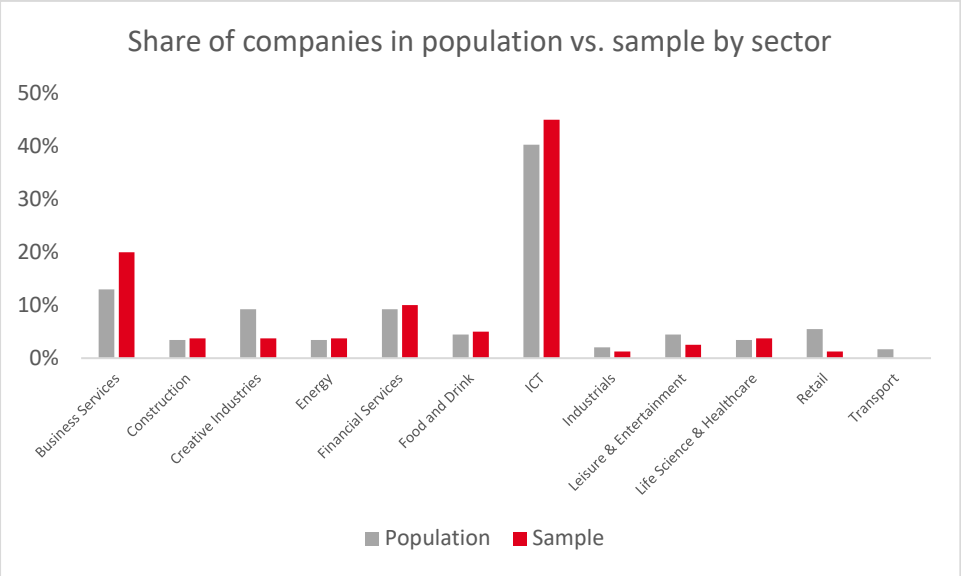
Measuring additional GVA

London & Partners' marketing activity aims to improve our audiences' perception of London and inspire them to visit. Visitors spend money which turns into company profits and employee salaries, the backbone of the measurement of London's economy, GVA (gross value added). To understand the extent to which those who have been exposed to our leisure tourism marketing activity have been more likely to visit London than those who haven't been exposed, we survey two groups:

1) Exposed Group: a representative group of our target audience that is shown our marketing activity. To enable measurement, marketing content is shown in an environment that simulates the actual marketing activity, and respondents are asked if they have seen the content before. Those who recognise the content are allocated to the 'exposed group'.
2) Control Group: Those who do not recognise the marketing content are allocated to the control group.

Questions to behaviour is then asked to both the exposed group and the control group. A behavioural change is any statistically significant difference in behaviour, for example visits to London, between the exposed group and the control group. Any behavioural difference in the sample is then applied to the total population of exposed people and combined with average spend figures e.g. from VisitBritain and converted to GVA based on ONS data.

APPENDIX A – Representativeness of FDI recontact survey



*The population is the businesses successfully attracted to London in the financial years 2015/16 and 2016/17.

This survey is used to understand e.g. business over-optimism when they estimate job creation.

APPENDIX B - Displacement questions for FDI

In the last financial year what percentage of your sales from your London operation were to customers based in London?

a) *Enter a percentage between 0 and 100% (go to Q6)*
b) *Not sure (go to Q5.1)*

5.1 Would you be able to provide your best estimate of the percentage of your sales which were to London customers?

a) *1-10%*
b) *11-20%*
c) *21-40%*
d) *40-60%*
e) *61-80%*
f) *81-100%*
g) *Don't Know*

6. In the last financial year what percentage of your competitors were based in London?

a) *Enter a percentage between 0 and 100% (go to Q7)*
b) *Not sure (go to Q6.1)*

6.1 Would you be able to provide your best estimate of the percentage of competitors which were based in London?

a) *1-10%*
b) *11-20%*
c) *21-40%*
d) *40-60%*
e) *61-80%*
f) *81-100%*
g) *Don't Know*

APPENDIX C - Sectors and SIC codes for FDI

The table below summarises how London & Partners defined priority sectors match to ONS SIC codes. The sectors are matched to calculate GVA per job by sector, which is based on ONS statistics. Some sectors provide a close match (e.g. Financial Services), while for others we take a sample approach. For example, InsurTech has evolved as a sector after the ONS SIC codes were defined in 2007. First, we therefore identified 24 businesses defined as InsurTech by a third-party website, such as www.techworld.com. Afterwards, we used companieshouse.gov.uk to look up the SIC code(s) these businesses are registered with. The GVA per job for the SIC codes the InsurTech are registered with was then weighted by the number of businesses registered with each SIC code. For example, nine businesses were registered with SIC code 66.22, "Activities of insurance agents and brokers", and GVA per job for this SIC code is weighted by 9/24 = 38 %. We only include ONS SIC sectors that at least two of the sample businesses are registered with. The full definition of InsurTech is available in the table below.

Definitions made by other organisations are applied where deemed relevant and reliable. This is the case for creative sectors that DCMS have defined[41].

If the resulting GVA per job for a sector seems unrealistic, an all industries average is used. This judgment is based on feedback from London & Partners business development managers and has been applied to the "Travel Trade" sector, as it has an unexpectedly high GVA per job number.

Sectors and SIC codes for FDI		
Sector	**SIC Codes used for GVA per job**	**Weight**
Accommodation	55: Accommodation	
AdTech	62.01: Computer programming activities 62.09: Other information technology and computer service activities 63.99: Other information service activities n.e.c. 73.1: Advertising 74.9: Other professional, scientific and technical activities n.e.c.	20 % 33 % 13 % 20 % 13 %
Advertising and marketing	70.21: Public relations and communication activities 73.11: Advertising agencies 73.12: Media representation	33 % 33 % 33 %
Architecture	71.11: Architectural activities	100 %
Artificial intelligence/machine learning	58.29 Other software publishing 62.01 Computer programming activities 62.02 Computer consultancy activities 62.09 Other information technology and computer service activities 63.99 Other information service activities n.e.c. 74.9 Other professional, scientific and technical activities n.e.c. 82.99 Other business support service activities n.e.c.	8% 35% 12% 19% 8% 8% 12%
Biopharma	72.1: Research and experimental development on natural sciences and engineering	100 %
Blockchain	62.01 Computer programming activities 62.09 Other information technology and computer service activities	39 % 28%

[41]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/534305/Focus_on_Employment_revised_040716.pdf

	64.99 Other financial service activities, except insurance and pension funding, n.e.c. 70.22 Business and other management consultancy activities 82.99 Other business support service activities n.e.c.	11% 11 % 11 %
Business services	M: Professional, scientific and technical activities N: Administrative and support service activities	50 % 50 %
Capital	64.3: Trusts, funds and similar financial entities	100 %
Crafts	32.12: Manufacture of jewellery and related articles	100 %
Cyber security	62.01: Computer programming activities 62.02: Computer consultancy activities 62.09: Other information technology and computer service activities	53 % 20 % 27 %
Data & analytics	62: Computer programming, consultancy and related activities	100 %
Design: product, graphic and fashion design	74.1: Specialised design activities	100 %
Diagnostics	72.1: Research and experimental development on natural sciences and engineering 86: Human health activities	50 % 50%
Digital and automation	27.9: Manufacture of other electrical equipment 62: Computer programming, consultancy and related activities 71.12: Engineering activities and related technical consultancy	33 % 33 % 33 %
Digital health	26.3: Manufacture of communication equipment 26.4: Manufacture of consumer electronics 26.5: Manufacture of instruments and appliances for measuring, testing and navigation; watches and clocks 58.29: Other software publishing 62.01: Computer programming activities 62.02: Computer consultancy activities 62.09: Other information technology and computer service activities 72.19: Other research and experimental development on natural sciences and engineering	13% 13% 13% 13% 13% 13% 13% 13%
E-commerce	47.91: Retail sale via mail order houses or via Internet	100 %
Education	85.4: Higher education	100 %

E-sports	Digital & computer services from Tech definition*	
EdTech	47.91: Retail sale via mail order houses or via Internet 62.01: Computer programming activities 85.59: Other education n.e.c. 85.6: Educational support activities	13% 31% 31% 25%
Energy	35.1: Electric power generation, transmission and distribution	100 %
Environmental goods and services	38: Waste collection, treatment and disposal activities; materials recovery 39: Remediation activities and other waste management services	50 % 50 %
E-sports	Digital & computer services from GLA's Tech definition*	100 %
EventTech	61: Telecommunications 62.01: Computer programming activities 62.02: Computer consultancy activities 62.09: Other information technology and computer service activities 73.1: Advertising 82.99: Other business support service activities n.e.c.	12% 35% 12% 12% 12% 18%
FashTech	47.91: Retail sale via mail order houses or via Internet 62.01: Computer programming activities 62.09: Other information technology and computer service activities 63.12: Web portals 63.99: Other information service activities n.e.c. 72.19: Other research and experimental development on natural sciences and engineering 74.1: Specialised design activities 82.99: Other business support service activities n.e.c.	10% 30% 10% 10% 10% 10% 10% 10%
Film, TV, video, radio and photography	59.11: Motion picture, video and television programme production activities 59.12: Motion picture, video and television programme post-production activities	14.3% 14.3% 14.3%

	59.13: Motion picture, video and television programme distribution activities 59.14: Motion picture projection activities 60.1: Radio broadcasting 60.2: Television programming and broadcasting activities 74.2: Photographic activities	14.3% 14.3% 14.3% 14.3%
Financial services	K: Financial and insurance activities	100 %
FinTech	K: Financial and insurance activities	50 %
	GLA's Tech definition*	50 %
Hardware	Computer & Electronic manufacturing (incl. peripherals) from GLA's Tech definition*	100 %
Healthcare	75: Veterinary activities 86: Human health activities	50 % 50 %
HR tech	78: Employment activities	50 %
	GLA's Tech definition*	50 %
Infrastructure	26.1: Manufacture of electronic components and boards 26.3: Manufacture of communication equipment 42: Civil engineering 61: Telecommunications 62.02: Computer consultancy activities 71.1: Architectural and engineering activities and related technical consultancy	17 % 17 % 17 % 17 % 17 % 17 %
InsurTech	62.01: Computer programming activities 62.09: Other information technology and computer service activities 63.11: Data processing, hosting and related activities 63.12: Web portals 66.22: Activities of insurance agents and brokers 82.99: Other business support service activities n.e.c.	17% 13% 8% 13% 38% 13%
LegalTech/LawTech	58.29: Other software publishing 62.01: Computer programming activities 62.09: Other information technology and computer service activities 84.23: Justice and judicial activities	13% 56% 25% 6%

MedTech	26.6: Manufacture of irradiation, electromedical and electrotherapeutic equipment 26.70/1: Manufacture of optical precision instruments 32.5: Manufacture of medical and dental instruments and supplies	50 %
	GLA's Tech definition*	50 %
Museums, galleries and libraries	91.01: Library and archive activities 91.02: Museum activities	50 % 50 %
Music, performing and visual arts	59.2: Sound recording and music publishing activities 85.52: Cultural education 90.01: Performing arts 90.02: Support activities to performing arts 90.03: Artistic creation 90.04: Operation of arts facilities	16.7% 16.7% 16.7% 16.7% 16.7% 16.7%
Online games	Digital & computer services from GLA's Tech definition*	
Publishing	58.11: Book publishing 58.12: Publishing of directories and mailing lists 58.13: Publishing of newspapers 58.14: Publishing of journals and periodicals 58.19: Other publishing activities 74.3: Translation and interpretation activities	16.7% 16.7% 16.7% 16.7% 16.7% 16.7%
Retail	47: Retail trade, except of motor vehicles and motorcycles	
RetailTech	47.91: Retail sale via mail order houses or via Internet 58.29: Other software publishing 62.01: Computer programming activities 62.09: Other information technology and computer service activities 63.1: Data processing, hosting and related activities; web portals 63.99: Other information service activities n.e.c. 70.22: Business and other management consultancy activities	4% 8% 38% 23% 8% 12% 8%

SAAS/software	58.29: Other software publishing 62.01: Computer programming activities 62.02: Computer consultancy activities 62.09: Other information technology and computer service activities 82.99: Other business support service activities n.e.c.	11% 32% 11% 32% 16%
Telecommunication	61: Telecommunications	100 %
Travel trade	All industries average	
TravelTech	55.1: Hotels and similar accommodation 62.01: Computer programming activities 62.02: Computer consultancy activities 62.09: Other information technology and computer service activities 63.99: Other information service activities n.e.c. 68.32: Management of real estate on a fee or contract basis 79.1: Travel agency and tour operator activities 79.9: Other reservation service and related activities	8% 38% 8% 8% 8% 8% 15% 8%
Urban services	71.1: Architectural and engineering activities and related technical consultancy	100 %
Virtual reality, augmented reality or mixed reality	26.4: Manufacture of consumer electronics 62.01: Computer programming activities 62.02: Computer consultancy activities 62.09: Other information technology and computer service activities	23% 38% 15% 23%
All industries[42]	All industries average	

[42]Used for all projects that do not fall into one of the other sectors

	*Tech definition by Greater London Authority (GLA)	
Computer & Electronic manufacturing (inc. peripherals)	**SIC (2007)**	**Description**
	26.1	Manufacture of electronic components and boards
	26.11	Manufacture of electronic components
	26.12	Manufacture of loaded electronic boards
	26.2	Manufacture of computers and peripheral equipment
	26.4	Manufacture of consumer electronics
	26.51/1	Manufacture of electronic instruments and appliances for measuring, testing, and navigation, except industrial process control equipment
	26.51/2	Manufacture of electronic industrial process control equipment
	26.8	Manufacture of magnetic and optical media
	33.13	Repair of electronic and optical equipment
	95.11	Repair of computers and peripheral equipment
Digital & Computer Services	58.2	Software publishing
	58.21	Publishing of computer games
	58.29	Other software publishing
	62	Computer programming, consultancy and related activities
	62.01	Computer programming activities
	62.01/1	Ready-made interactive leisure and entertainment software development
	62.01/2	Business and domestic software development
	62.02	Computer consultancy activities
	62.03	Computer facilities management activities
	62.09	Other information technology and computed service activities
	63.1	Data processing, hosting and related activities; web portals
	63.11	Data processing, hosting and related activities
	63.12	Web portals

**Healthcare service definition	
SIC (2007)	**Description**
75	Veterinary activities
86	Human health activities
86.1	Hospital activities
86.10/1	Hospital activities
86.10/2	Medical nursing home activities
86.2	Medical and dental practice activities
86.21	General medical practice activities
86.22	Specialist medical practice activities
86.23	Dental practice activities
86.9	Other human health activities

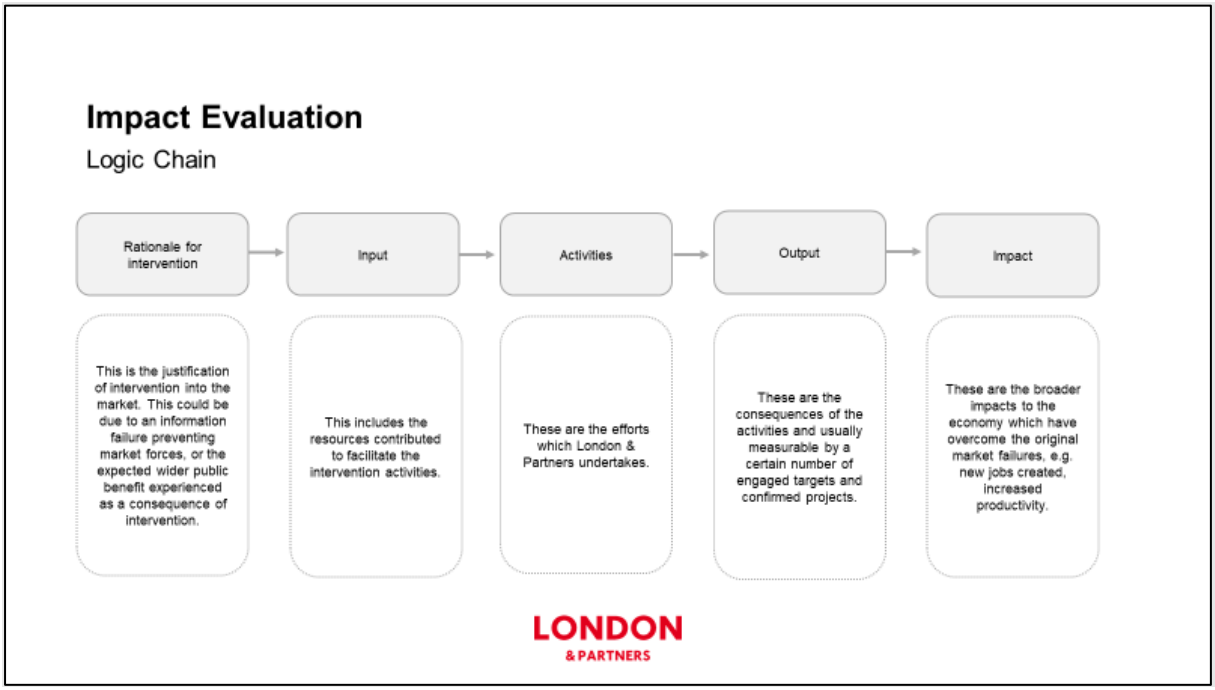
APPENDIX D – Sectors and SIC codes for the Mayor's International Business Programme

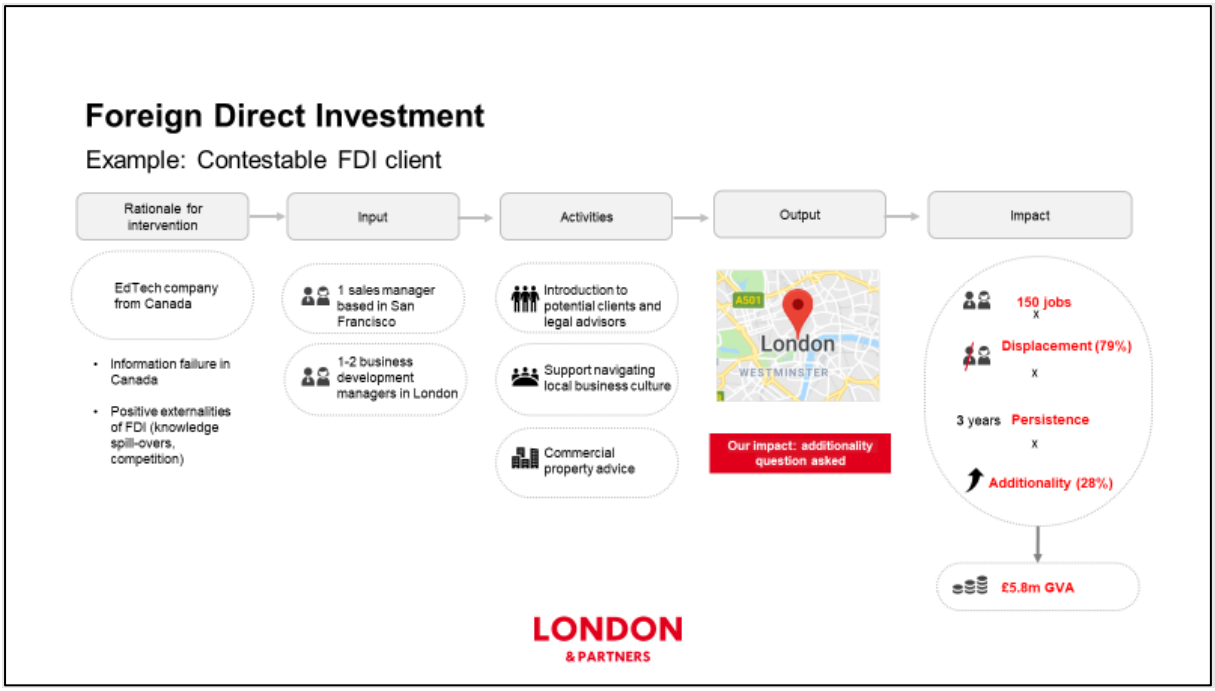
GVA to turnover ratio for the Mayor's International Business Programme sectors			
Life-sciences	**Revenue in London, 2016**	**GVA in London, 2016**	**GVA to revenue ratio**
C21: Manufacture of basic pharmaceutical products and pharmaceutical preparations	£339 million	£186 million	
C26: Manufacture of computer, electronic and optical products	£616 million	£347 million	
Total for sector	**£955 million**	**£533 million**	**56%**
Technology			
C26: Manufacture of computer, electronic and optical products	£616 million	£347 million	
C27: Manufacture of electrical equipment	£392 million	£157 million	
J: Information and communication	£101,047 million	£52,484 million	
Total for sector	**£102,055 million**	**£52,988 million**	**52%**
Urban			
C26: Manufacture of computer, electronic and optical products	£616 million	£347 million	
F: Construction	£42,964 million	£15,214 million	
J: Information and communication	£101,047 million	£52,484 million	
M71: Architectural and engineering activities: technical testing and analysis	£11,986 million	£7,744 million	
Total for sector	**£156,613 million**	**£75,789 million**	**48%**
Creative			
Creative definition from Department for Digital, Culture, Media & Sport (see table below)	£156,613 million	£75,789 million	
Total for sector	**£156,613 million**	**£75,789 million**	**48%**

Source: Annual Business Survey, Office for National Statistics, 2016.

Definition of the 'Creative' sector from Department for Digital, Culture, Media & Sport		
Group	**SIC (2007)**	**Description**
1. Advertising and marketing	70.21	Public relations and communication activities
	73.11	Advertising agencies
	73.12	Media representation
2. Architecture	71.11	Architectural activities
3. Crafts	32.12	Manufacture of jewellery and related articles
4. Design: product, graphic and fashion design	74.10	Specialised design activities
5. Film, TV, video, radio and photography	59.11	Motion picture, video and television programme production activities
	59.12	Motion picture, video and television programme post-production activities
	59.13	Motion picture, video and television programme distribution activities
	59.14	Motion picture projection activities
	60.10	Radio broadcasting
	60.20	Television programming and broadcasting activities
	74.20	Photographic activities
6. IT, software and computer services	58.21	Publishing of computer games
	58.29	Other software publishing
	62.01	Computer programming activities
	62.02	Computer consultancy activities
7. Publishing	58.11	Book publishing
	58.12	Publishing of directories and mailing lists
	58.13	Publishing of newspapers
	58.14	Publishing of journals and periodicals
	58.19	Other publishing activities
	74.30	Translation and interpretation activities
8. Museums, galleries and libraries	91.01	Library and archive activities
	91.02	Museum activities
9. Music, performing and visual arts	59.20	Sound recording and Music publishing activities
	85.52	Cultural education
	90.01	Performing arts
	90.02	Support activities to performing arts
	90.03	Artistic creation
	90.04	Operation of arts facilities

APPENDIX E – Logic chain examples





Business Tourism

Example: Business Conference

Rationale for intervention	Input	Activities	Output	Impact
Urban innovation conference • Information failure in the US (were considering Australia and Germany)	1 business development manager in London Specific support from L&P CEO	Using contacts in the US Meeting to convince to choose London Ensuring what we promised is delivered	 Our impact: additionality for contestable projects	2,500 business visitors X 5 days X £114 GVA/day/visitor* £1.4m GVA

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*Based on average spend for international corporate multi-day events

International Trade

Example: MIBP company

Rationale for intervention	Input	Activities	Output	Impact
Company with £1m existing turnover • Information failure in company, not knowing export markets well and customers in export markets not knowing London's offer • Positive externality when London companies position London as a business centre	Business development manager in London Support from L&P Chair on trade missions	Company export eligibility Organising trade missions Connecting to mentors in target markets	 Our impact: turnover increase as a result of the programme, to the extent they couldn't have received the same support elsewhere	Turnover increase: Year 1: £0.5m Year 2: £0.5m x Decay (13% in year 2) x Displacement (9%) x Additionality (65%) £288k GVA

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