



Evaluation of the Local Economic Development 2 measure

A Report for Invest NI

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Executive Summary

Executive Summary

Hatch was commissioned by Invest Northern Ireland (Invest NI) to undertake an independent evaluation of its Local Economic Development 2 (LED 2) Measure of the ERDF (European Regional Development Fund) Investment for Growth & Jobs Programme 2014-2020 (EUIGJ).

Context and Background

In total 41 LED 2 projects were approved by the Invest NI approvals process. The projects were procured out for delivery and implemented through the 11 Councils under the EUIGJ 2014-2020 programme, which received funding from the European Regional Development Fund (ERDF). The aim of the LED 2 measure was in practical terms *“to increase the capacity of micro and small enterprises (0-49 employees) to improve their competitiveness, grow, export and create jobs.”*

The EUIGJ programme had two overarching targets in pursuit of this aim:

Specific Objective	What does success look like
To increase the number of high growth SMEs	Contribute to the increase of the number of high growth SMEs in Northern Ireland from 695 in 2013 to between 1,300 and 1,500 in 2023.
To increase the number of employees in Micro & Small Enterprises	Contribute to the employment increase in Northern Ireland micro and small enterprises from 297,000 in 2013 to between 333,000 and 339,000 in 2023.

Objectives

The LED 2 measure was only one element of the EUIGJ programme, and its targets were focussed around creating jobs in SMEs and identifying high growth companies for Invest NI to engage with directly. The nature of the jobs target was affected by COVID19 and later stages of LED 2 supported projects with the intention of sustaining jobs as well as creating them. Across the 41 projects within the LED 2 Measure the three targets were:

- **Job creation** – to create 19,978 jobs in supported businesses.
- **Quality referrals to Invest NI** – to refer 968 businesses to Invest NI that meet its criteria as high growth potential businesses.
- **Sustaining Jobs** – to sustain 1,214 jobs in supported businesses.

Inputs and Activities

Inputs

Funding was allocated to Councils to deliver capability development projects through mentoring, workshops, skills development, etc. The ERDF budget funded 60% of eligible costs, with 40% match funding to be split equally between Invest NI and the local council(s) promoting each project.

TABLE 1: SUMMARY OF LED 2 PROJECT SPEND

Eligible costs (£m)	Committed (£m)				Spent (£m)			
	INI	ERDF	COUNCILS	TOTAL	INI	ERDF	COUNCILS	TOTAL
22.27	4.45	13.35	4.45	22.244	4.06	12.2	4.06	20.32

Source: Hatch analysis of Invest NI monitoring data

Of the 41 LED 2 projects, total eligible costs of £20.32m was spent by councils to support their projects, with a total £16.26m of total assistance paid to councils from ERDF and Invest NI.

Roles and responsibilities

Invest NI's role in the LED 2 Measure was to work in partnership with the 11 Councils to support them develop and implement local economic development projects. In this first instance, Invest NI was responsible for engaging with Councils to help them scope out and identify potential projects suitable for LED 2 support.

Invest NI

Invest NI also delivered ongoing engagement with Councils in the following areas:

- Appraisal of the LED 2 projects in line with Invest NI's existing processes.
- Project approval at the appropriate delegated authority level.
- Project monitoring and project PPE's
- Governance and compliance, including ERDF and De minimis checks.
- Stakeholder and partner engagement
- Referral and pipeline management
- Budget Management.

Councils

The business support activities provided under LED 2 were developed to respond to the bespoke needs of the council area and its business base. Once projects were approved councils would then:

- Procure (using support from CPD) a range of support from delivery agents.
- Ensure compliance with EU and Invest NI publicity requirements.
- Respond to monitoring and evaluation requirements

- Ensure that State Aid regulations were complied with for their projects
- Make claims based on vouched and approved expenditure.

Programme Outputs and Impacts

Performance against targets

Across NI, LED 2 was broadly aligned with its objectives around participation, with over 34,400 businesses receiving support of some kind. This was 98% of the 34,949 businesses targeted across all of the approved projects.

LED 2 failed to meet its job creation target of nearly 20,000 new jobs however, although this result was driven by varied performance between councils and project type. At 15,666 LED 2 achieved 78% of its job creation target. The quality referrals target was also not met, with 660 of 968 (68%) achieved through LED 2.

TABLE 2: OUTCOME TARGETS VS OUTCOMES ACHIEVED

Outcome	Target	Achieved	%
Create Jobs	19,978	15,666	78%
Sustain Jobs	1,214	1,821	150%
Generate quality referrals	968	660	68%

Source: Invest NI and Hatch analysis

Due to the impact of COVID-19, flexibility around these targets was offered to reflect the extreme challenges faced by many businesses which had not been anticipated at the outset of the EUIGJ programme. The jobs sustained target was one outcome of this flexibility and this was more easily achieved, and, relative to a target of 1,241, a total of 1,821 jobs were recorded as sustained (150%).

Value for Money & Additionality

There is patchy evidence from individual project evaluations with respect to overall value for money. However, the data that is available from those evaluations implies a return of investment of between 2.5 and 7.9.

A more recent beneficiary survey indicated a much lower level of actual additionality for job creation, albeit from a limited sample of businesses and some time after they received the support. This approach still yields a return on investment of 1.0 – 2.0.

Deadweight	Displacement		
	0%	33%	50%
20%	7.9	5.3	4.0
35%	6.4	4.3	3.2
50%	5.0	3.3	2.5
80%	2.0	1.3	1.0

This is in large part due to the very low expenditure per recorded job, and high levels of engagement with the support offered. With 98% of recruitment target being met, and 89% of mentoring hours provided despite the impact of COVID-19 the programme was managed efficiently and was largely effective in its aim of supporting small and micro businesses to develop and grow.

Process & Governance lessons learnt

PROGRAMME RATIONALE AND OBJECTIVES

- The major aim of the programme was to encourage and support business startups, growth, and survival and evidence of the need for the programme remained relevant throughout delivery.
- Insofar as the EUIGJ aimed to support and facilitate the rebalancing of the NI economy away from very small firms and the public sector, the programmes objectives remain relevant.
- The projects were valuable to local businesses and complementary to other business support activity available at the time, especially with the occurrence of COVID-19.
- While some stakeholders understood the focus on job creation, they did not always consider it the most relevant target for the nature of intervention.

DELIVERY MODEL

- Management and governance processes were considered to have been straightforward by the stakeholders involved. Roles and responsibilities were also clearly communicated and well understood.
- Additional training / communication for councils where there have been staff changes regarding the process and roles and responsibilities may have been beneficial.
- The service provided by the CPD team to support procurement activity was considered to be high quality. Department for Economy (DfE) and Invest NI's decision to insist on these processes was well justified as a means to protect against potential breaches of protocol.

PERFORMANCE AGAINST TARGETS

- Concerns were raised by some councils regarding the approach to reporting job creation and attribution of these jobs to LED 2 support.
- Quality referrals was less of an issue in principle, but there were issues noted in delivery of the target in practice. The long chain of communication between beneficiaries, delivery agents, councils and Invest NI likely affected the ability to generate true quality referrals.

LESSONS LEARNT

- The relationship between Invest NI Regional LED executives and the Councils' economic development teams was reported to be effective and helped to drive results for local businesses. Flexibility, especially in the context of COVID, was especially important.

- The one-to-one mentoring support was deemed effective, and typically beneficial to businesses that were often too busy focussing on day-to-day activity to consider how to grow or improve productivity themselves.
- Better communication between stakeholders around the referrals process could have created further benefit to councils, businesses and Invest NI. For example, some economic development teams would have welcomed updates on the progress of businesses that had been referred to encourage them to take up the full range of support on offer from Invest NI and enable the provision of additional support locally.
- Continued intervention to provide locally targeted, tailored support to smaller businesses would be welcomed by most councils.
- A number of the recommendations presented in the LED (2007 – 2013) evaluation have been implemented including:
 - The support offered to ensure State Aid compliance was comprehensive and the use of CPD to appoint delivery agents was successful in enabling compliance in practice.
 - Collaboration between councils was supported through LED 2, with all 11 of the councils involved in the NIBSUP 1 and 2 projects, and a further three multi-council projects were also funded by LED 2.
- A number of other recommendations, whilst implemented had varying degrees of impact, notably:
 - Some recommendations to support better monitoring and evaluation were not fully implemented or had little impact and the final evaluations were of varying quality between projects.
 - Additional outcome measures e.g. revenue growth were not captured across the board and only a few final evaluations dealt with the “‘additional’ business outcomes” as recommended.
 - Clarity was provided to councils on referrals to Invest NI and the training was provided on the protocol, however some councils reported losing sight of what happened to the businesses that were identified for Invest NI support.



1 | Introduction and background

Introduction

Hatch was commissioned by Invest Northern Ireland (Invest NI) to undertake an independent evaluation of its Local Economic Development 2 (LED 2) Measure of the ERDF (European Regional Development Fund) Investment for Growth & Jobs Programme 2014-2020 (EUIGJ).

LED 2 is available to Councils, applying either individually or collaboratively, to support activities that aim to create jobs within NI's micro and small enterprises. The programme aimed to encourage business growth and job creation through a range of business development and entrepreneurship support, primarily backed using ERDF funding.

The ERDF EUIGJ 2014-2020 Operational Programme was approved by the Northern Ireland (NI) Executive and submitted to the European Commission for consideration in July 2014. The Programme was adopted the European Commission in December 2014.

EUIGJ aims to boost economic growth and promote low carbon strategies. The Programme aims to develop the economy through “knowledge exploitation, innovation commercialisation, export growth, job creation and carbon energy saving initiatives”. Generally, the EUIGJ is co-financed at 60% ERDF and 40% match funding provided by the beneficiary. However, the LED Scheme was an exception to this, where 20% match funding is provided by Council and 20% Invest NI.

In total 41 LED 2 projects were approved and implemented through the 11 Councils under the EUIGJ 2014-2020. Of these 41 projects:

- 3 are collaborative projects across more than one Council:
 - Newry, Mourne & Down District Council, Digital Growth Programme – also covers Ards & North Down Borough Council
 - Lisburn & Castlereagh City Council, Grow Existing Markets and Explore New Markets Support Programme – also covers Newry, Mourne & Down District Council
 - Antrim & Newtownabbey Borough Council, Small Business Procurement Programme – also covers Mid & East Antrim Borough Council and Lisburn & Castlereagh City Council
- 3 are collaborative projects across all Councils: the Northern Ireland Business Start-up Programme 1 and 2, and the Digital Transformation project.
- 35 are single Council projects
- All 41 LED 2 funded projects are revenue-based projects. No capital grants were provided to beneficiary businesses.

Evaluation Terms of Reference

Under the Terms of Reference for the evaluation the following research questions were considered, these are grouped below by theme.

Rationale and objectives:

1. Set out the objectives of the LED 2 interventions and assess the extent to which they have met their stated objectives and all associated targets.
2. Review the validity of original rationale for the interventions, including the nature and scale of the market failures and/or equity issues that the intervention is seeking to correct; and to examine the degree of complementarity with other Invest NI interventions and the extent to which the intervention overlaps with or duplicates other publicly funded support?

Delivery model:

3. Assess the appropriateness of the interventions' delivery model and the effectiveness of the interventions' management and operating structures.
4. Compare the support offered by the interventions against equivalent services available to businesses in the UK, EU and other similar regions, identifying, where appropriate, potential service options for consideration going forward. To benchmark the management, performance and impact of the intervention against appropriate comparators.
5. Review progress against the action plan relating to the recommendations arising from the previous evaluation.

Performance against targets:

6. Thoroughly assess the inputs, outputs, outcomes and impacts associated with the interventions, to include a detailed assessment of the overall economic and wider impacts.
7. Identify the internal and external factors which have impacted upon the performance of the interventions either positively or negatively, within the period.

Value for Money (VfM):

8. Determine the Return on Investment associated with the interventions to date, clearly identifying actual and anticipated values.
9. Assess the economy, efficiency and effectiveness with which public funds have been used on the interventions.
10. Assess the extent to which the interventions represent good Value for Money (VFM) and appropriate use of public funds across the full spectrum of relevant VFM indicators.

Conclusions and recommendations:

11. Present a succinct set of conclusions from the evaluation, taking account of all of the evidence gathered during the assignment.
 12. Consider the merits of Invest NI continuing to fund the intervention including an assessment of whether the strategic context remains valid and if need and demand still exist taking into account other publicly (Invest NI and other) available services. These must take cognisance of the triple bottom line of DfE's 10X Vision; Innovation, Inclusivity and Sustainability.
 13. If this assessment is positive, to identify recommendations as appropriate in relation for example to the participant profile, strands of activity, delivery model, and the ongoing monitoring of the Service etc. with a view to enhancing the economy, efficiency and effectiveness of the Service. The recommendations should be numbered and concisely worded and be Specific, Measurable, Achievable, Relevant and Time-Bound (SMART) where possible/relevant.
-

Evaluation Methods

To respond to these questions a range of methods have been used including:

1. Document review
2. Analysis of monitoring data
3. Consultations with stakeholders
4. Beneficiary survey
5. Analysis of project final evaluations

The use of these methods to respond to the individual research questions has been summarised in the table below.

TABLE 3: SUMMARY OF METHODS AND RESEARCH QUESTIONS

Research Question	Document review	Monitoring Data (PPEs)	Consultations		Beneficiary Survey	Project final evaluations
			Invest NI	Councils		
1	LED 2 objectives	x		x	x	
2	Rationale	x		x	x	
3	Appropriateness of interventions			x	x	X
4	Compare to other regions	x		x	x	
5	Review action plan from LED1	x		x		
6	Inputs, outputs, outcomes and impacts		x	x	x	X
7	Internal and external factors			x	x	X
8	Return on investment		x		x	
9	Economy, efficiency and effectiveness			x	x	x
10	Value for money		x		x	x

Background and Context

LED 2 objectives and success measurements

LED 2 was developed as the successor programme to the original Local Economic Development (LED) Measure of the European Sustainable Competitiveness Programme (EUSCP), 2007 – 2013. The original LED Measure had a budget of £50m (£25m ERDF/£25m National Contribution) for projects relevant to local economic development in each of the 26 local Council areas in Northern Ireland, prior to the Review of Public Administration¹. This locally driven component aimed to complement wider regional initiatives supporting businesses in NI to become more competitive.

The EUIGJ programme

The EUIGJ Programme (2014-2020) was adopted by the European Commission in December 2014 and included the LED 2 Measure. One of the core development needs identified in the development of the EUIGJ was to continue to improve the growth of the SME sector and the Operational Programme highlighted the intention to:

“support an environment in which high growth companies can flourish and continue to grow, enabling NI to capitalise on the economic benefits that high growth companies can bring, both in terms of GVA and job creation”

The LED 2 Measure was adopted under Priority Axis 2 of the ERDF: Enhancing the Competitiveness of SMEs², to deliver against Thematic Objective 3: “Enhancing the competitiveness of small and medium-sized enterprises” and Investment Priority (3d): “Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes”. In practical terms the intention of the programme was:

“to increase the capacity of micro and small enterprises (0-49 employees) to improve their competitiveness, grow, export and create jobs.”

This led to two specific objectives under Priority Axis 2.

TABLE 4: PRIORITY AXIS 2 TARGETS

Specific Objective	What does success look like
To increase the number of high growth SMEs	Contribute to the increase of the number of high growth SMEs in Northern Ireland from 695 in 2013 to between 1,300 and 1,500 in 2023.
To increase the number of employees in Micro & Small Enterprises	Contribute to the employment increase in Northern Ireland micro and small enterprises from 297,000 in 2013 to between 333,000 and 339,000 in 2023.

¹ Following this review, the 11 council areas currently operating in Northern Ireland were formed. This process took place during the delivery period for the original LED measure.

² Small and medium Sized Enterprises: these are typically defined as businesses with 0 to 249 employees.

Invest NI, was identified as Intermediate Body, that would work with relevant bodies, including Fund Managers and Local Councils in Northern Ireland, to deliver the support identified under Priority Axis 2. This would include a significant focus on resolving market failures related to access to finance, supplemented by some grant funded assistance. The grant was split between ‘selective financial assistance’ (i.e. capital grant for SMEs) and funding for councils to deliver “business development and entrepreneurship support” under LED 2 (the subject of this evaluation) which was all revenue funding. The nature of the support conceived of in the Operational Programme was:

- Advice on business growth and exports
- Advice on supply chains and distribution
- Product Development
- Business Planning processes
- Improved business efficiency
- Marketing and Sales

Policy background

The European Regional Development Fund (ERDF) 2014-2020 aimed to “promote the EU’s harmonious, balanced and sustainable development³”. The budget for 2014-2020 was over €185 billion, and while this was available to all regions in EU countries, the level of aid was dependent on EU priorities and the type of region.

ERDF Key themes

This budget was concentrated on 4 key themes:

- innovation and research.
- information and communication technologies (ICT).
- support for small and medium-sized enterprises (SMEs).
- promoting a low-carbon economy.

Types of investment included in the ERDF:

- in SMEs to create and safeguard sustainable jobs.
- in all types of enterprise in the fields of innovation and research, the low-carbon economy, as well as ICT where SMEs are involved.
- in infrastructure providing basic services in energy, environment, transport, and ICT, but also in social, health and educational infrastructure.

³ <https://eur-lex.europa.eu/EN/legal-content/summary/european-regional-development-fund-2014-2020.html>

- working capital in SMEs where necessary as a temporary measure to provide an effective response to a public health crisis (following the outbreak of the COVID-19 pandemic), and
- in the development of endogenous potential.

A key focus of the ERDF Programme will be to create jobs, which are a tangible indicator of business growth and expansion.

The Northern Ireland Economic Strategy (2012)

The Northern Ireland Economic Strategy (NIES)⁴ set out to develop an economy in NI that was ‘characterised by a sustainable and growing private sector, where a greater number of firms compete in global markets and there is growing employment and prosperity for all’. This assessment acknowledged that the economy was quite dependent on the public sector, hence a stronger private sector would be required to provide more balance. Most pertinent to development of LED 2 was the strategic intent to:

“Encourage business growth and increase the potential of our local companies, including within the social and rural economies”.

Although this strategy prioritised certain sectors it also aspired to promote balanced ‘sub-regional growth’ i.e. not to rely solely on the largest local economies such as Belfast or Derry-Londonderry, which aligns well with the approach to delivery, which involves all 11 Councils within Northern Ireland.

A 10x Economy – Northern Ireland’s decade of innovation (2023)

The 10x vision outlines a transformative vision for the economy. It is a long term vision of a more innovative, inclusive and sustainable economy, where Northern Ireland is one of the top performing small advanced economies in the world. The 10x Vision is guided by the 10x objectives and grouped into three pillars of activity:

- **Innovation:** Vision to increase the proportion of individuals leaving NI HE institutions with first degrees and post-graduate qualifications in narrow STEM subjects, increase the number of innovation active firms within NI, increase the number of performing businesses, and increase total R&D expenditure, all by 2030.
- **Inclusive growth:** Vision to increase NI household disposable income above the average of small advanced economies while maintaining Northern Ireland’s spot as one of the top performing small advanced economies when it comes to income inequality, increase the proportion of the working age population with qualifications at level 3 and above, and close the employment gap between women and men; people with disabilities and those without, and most deprived area of NI and the least deprived area of NI.
- **Sustainability:** Encourage electricity consumption from renewable sources, double the size of NI’s low carbon and renewable energy economy, and ensure greenhouse gas emissions is significantly lower than the baseline.

⁴ Northern Ireland Economic Strategy: Priorities for sustainable growth and prosperity, The Northern Ireland Executive, 2012

The newly published and current programme for government (2024-2027)⁵ seeks to address four key challenges: productivity, good jobs, decarbonisation, and regional balance. The LED 2 programme would have continued to be relevant under these new priorities, especially with respect to regional balance where the objective is to “*build an economy where everyone has a fair chance, can participate equally, and has the best possible opportunity to succeed*”.

Evidence of need for SME support

The LED 2 measure was developed under Priority Axis 2 and several key arguments were presented as evidence of the need for SME support under ERDF.

The importance of SMEs

The SME sector has long been celebrated for its role in generating growth, smaller businesses having more capacity to grow more quickly, and often holding the capacity for innovation. This means the small firms of today make up the supply of large firms of the future.

Across Europe, as the vast majority of businesses are SMEs representing more than 99% of businesses and accounting for 66.5% of all European jobs⁶ in the lead up to the launch of the ERDF 2014-2020 programme. Consequently, the SME sector was estimated to have delivered more than half (57%) of private sector gross value added (GVA) in Europe during 2012. The importance of these type of businesses to European economies was therefore considered paramount for achieving prosperity across the region.

Northern Ireland SMEs

The NI economy was similarly dominated by SMEs and more than 99% of businesses in NI also had 0 to 249 employees⁷ but their contribution to GVA was estimated to be even more significant (82%). Although these businesses were also drivers of job creation they typically weren't seen as high growth and were reliant on internal markets, with a relatively few sales derived from exports. Within the broader SME category, NI was even more reliant on small and micro businesses (0 – 49 employees) than the EU.

Continued relevance

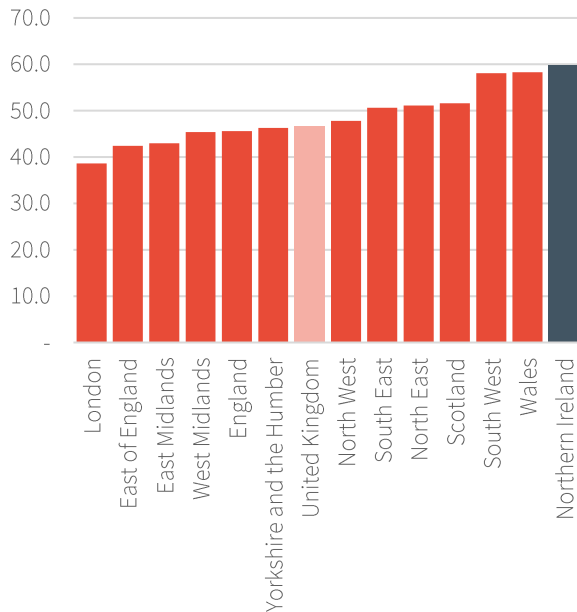
The NI economy remains highly dependent on small and micro businesses to the present day, with 60% of employment in businesses with fewer than 49 employees, in 2024, compared to a UK average of 47%. This is the highest proportion of the UK's nations and regions. The trend in the proportion NI businesses that are small and micro businesses has been largely downward from 2010 to 2024, but only by around a quarter of a percentage point from the highest (99.25%) to lowest point (99.05%) within that period.

⁵ Our Plan: Doing What Matters Most ([northernireland.gov.uk](https://www.northernireland.gov.uk))

⁶ 2012/2013 Annual Report on European SMEs

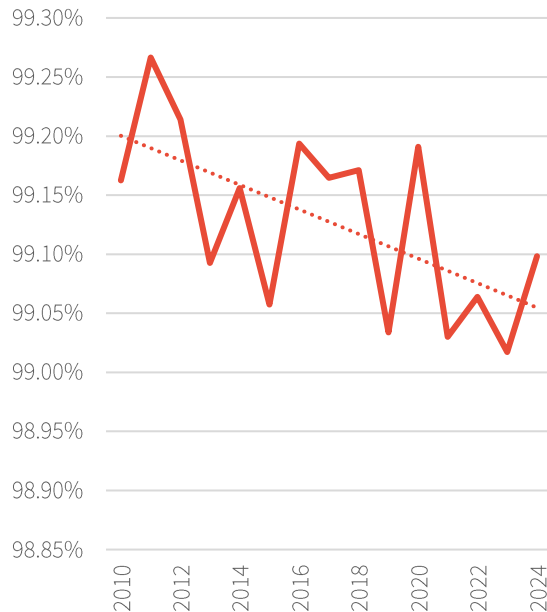
⁷ Department for Business Innovation and Skills, Business population statistics, 2013.

FIGURE 1: PERCENTAGE OF EMPLOYMENT IN SMALL AND MICRO BUSINESSES (0–49 EMPLOYEES), BY UK REGION/COUNTRY



Source: Business population estimates, ONS, 2024

FIGURE 2: PROPORTION OF SMALL AND MICRO SIZED BUSINESSES (0 - 49 EMPLOYEES) IN NI (2010 – 2024)



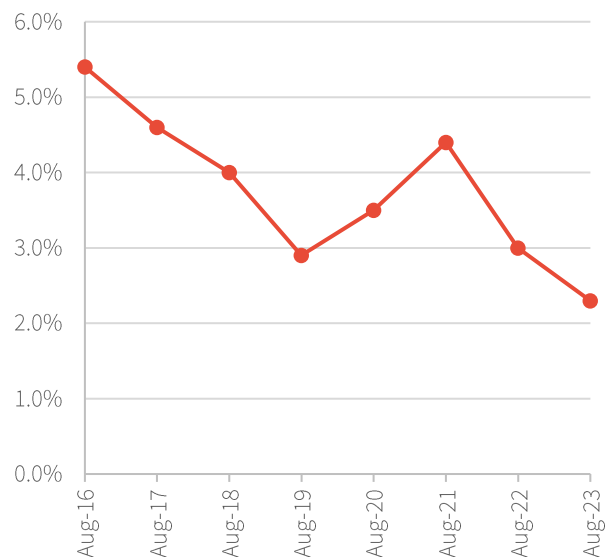
Source: Business population estimates, ONS, 2024

Unemployment and Economic Inactivity

A primary focus of the EUIGJ was to support private sector SME growth which would in turn drive growth in jobs. Over the period since the LED 2 measure was implemented, unemployment in Northern Ireland has seen a decline. At the time of the ERDF application, economists within the Department for Enterprise, Trade and Investment (now replaced by the Department for Economy) suggested that meeting the jobs growth targets for the EUIGJ (36,000 additional jobs in SMEs) would be challenging. Average annual growth in employment would have to run at 1.8%, which was double the employment growth forecasts available at the time.

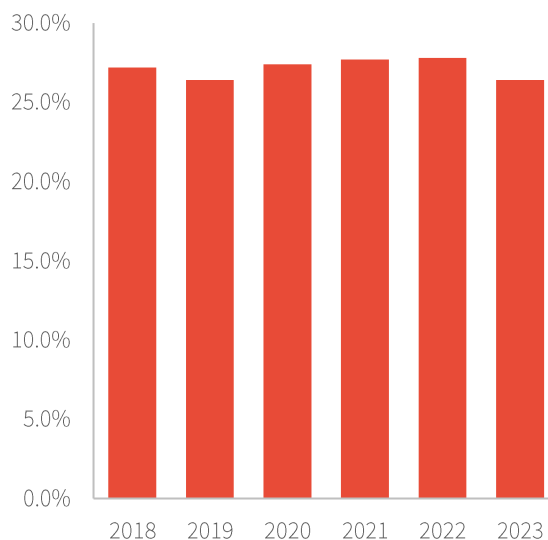
Growth in jobs may come from population growth i.e. increases in the size of the workforce, or from bringing unemployed or economically inactive people back into the labour market. In August 2023, the number of unemployed people in NI was estimated to be 21,000, 6,000 lower than the year before. The figure below shows Northern Ireland's unemployment rate from 2016 to 2023. In 2016, NI's unemployment rate was about 5.4% with a constant decline until 2020 when it increased to 3.5% and 4.4% in 2021, however, unemployment reached a low point of 2.3% as at 2023. The NI unemployment rate of 2.3% was 1.7 percentage points below the UK 2023 unemployment rate of 4%.

FIGURE 3: NI UNEMPLOYMENT RATE, 3 MONTHS TO AUGUST, 2016 – 2023



Source: NISRA, Labour market Report, 2023

FIGURE 4: LABOUR MARKET INACTIVITY IN NI, 3-MONTHS TO AUGUST, 2018-2023



Source: NISRA, Labour market Report, 2023

Northern Ireland has witnessed volatility in rates of economic activity over the past couple of years. In 2016, the economic inactivity rate was 25.7% but these rose following the onset of the COVID-19 pandemic before falling back again in 2023. Over the last 5 years, NI's economic inactivity rates have been consistently higher than the UK rates and in June-August 2023, the most common reason for economic inactivity among the working age population was 'long-term sick'. There were about 125,000 'long-term sick' accounting for 41% of the total economically inactive. Compared to the pre-pandemic figures of Dec-Feb 2020, there has been an increase in the number of 'long-term sick' (+26,000) and 'student' (+3,000), while 'family and home care' and 'retired' have decreased as reasons for economic inactivity (-10,000 and -4,000 respectively).

According to Business Register and Employment Survey (BRES) data, the number of private sector and public sector jobs have increased over time in Northern Ireland. Based on the BRES data, in 2022 there were 794,000 total employee jobs in Northern Ireland of which 587,200 were private sector jobs (72%). The public sector accounts for 28% of employee jobs in NI⁸ and saw a faster rate of increase in jobs than the private sector over the years 2017-2022. Although this appears to run contrary to the programme objective of job creation in private sector small businesses, the target level set out at the begin of the EUIGJ was to grow jobs in these type of firms from 297,000 (in 2013) to 333,000 to 339,000 (by 2023). The 2023 business population estimates show employment of 332,000 in small (0-49 employee) businesses in NI.

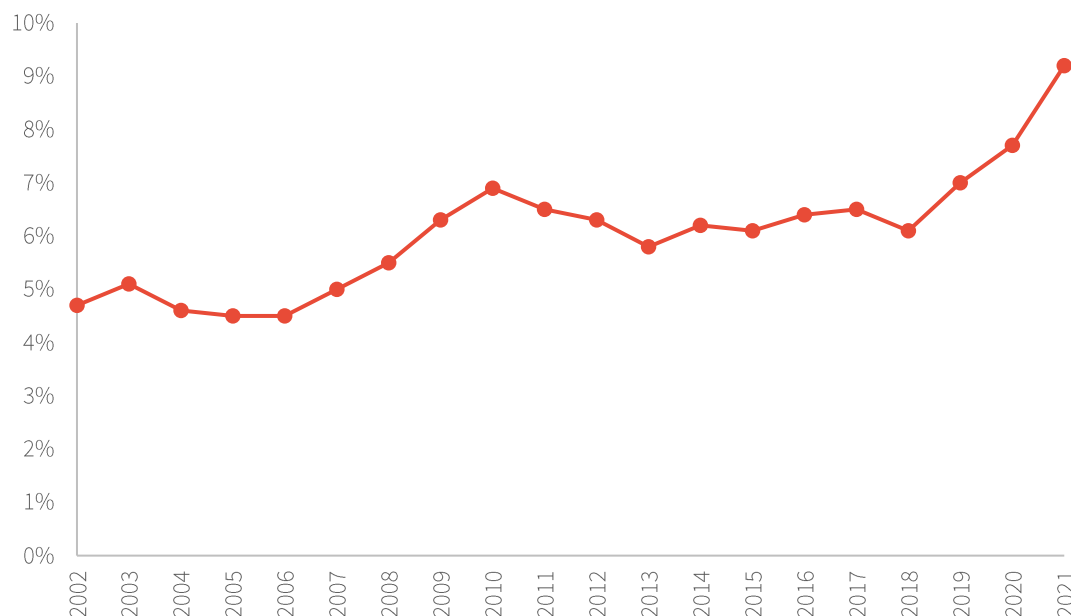
Total entrepreneurial activity

Aside from growth of existing businesses, the development of a more balanced NI economy will require greater levels of entrepreneurial activity. Northern Ireland has seen an increase in Total Early-stage

⁸ Business Register and Employment Survey 2022 | NISRA

Entrepreneurial Activity (TEA)⁹ over time. From 2018 onwards, there has been a persistent increase in entrepreneurial activity in NI. The 2023 TEA rate of 9.7% is a significant increase from the 2022 rate of 8.7%. Although TEA rates in NI are increasing, they are still slightly below the UK rates (10.7%), highlighting the need for programmes that will increase entrepreneurial activity in NI and increase the number of early-stage businesses.

FIGURE 5: TOTAL EARLY-STAGE ENTREPRENEURIAL ACTIVITY IN NI



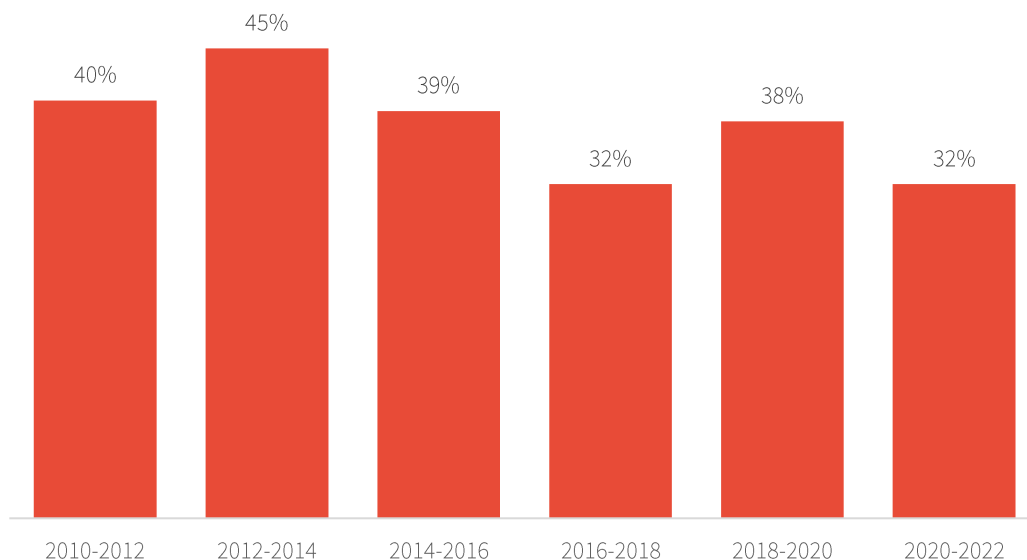
Source: Department for Economy, Global Entrepreneurship Monitor Northern Ireland report, 2023/24,

Innovation

The UK Innovation Survey provides a wide range of information related to innovation activity among enterprises, the chart below shows NI's percentage of innovation active businesses over time. The most recent report shows that the percentage of innovation active businesses in NI as at 2020-22 was just under one-third of businesses at 32% engaging in innovation. The rate of innovation in NI was lower than that of the UK overall (36%). A higher proportion of large businesses in NI were engaged in more innovative activities (45%) than small-medium sized businesses (32%)¹⁰. The main factors stated for driving innovation in NI were improving quality of goods or services, meeting regulatory requirements, and replacing outdated products or processes.

⁹ The TEA measure combines the proportion of survey respondents that fit the definition of either 'nascent entrepreneur' or 'new business owner-manager', individuals who have over the past 12 months done something to start a business they will own, or within 4 to 42 months from the business paying income to the owner, respectively.

¹⁰ Northern Ireland Innovation Survey | Northern Ireland Statistics and Research Agency

FIGURE 6: INNOVATION ACTIVITY IN NI

Source: Northern Ireland Statistics and Research Agency

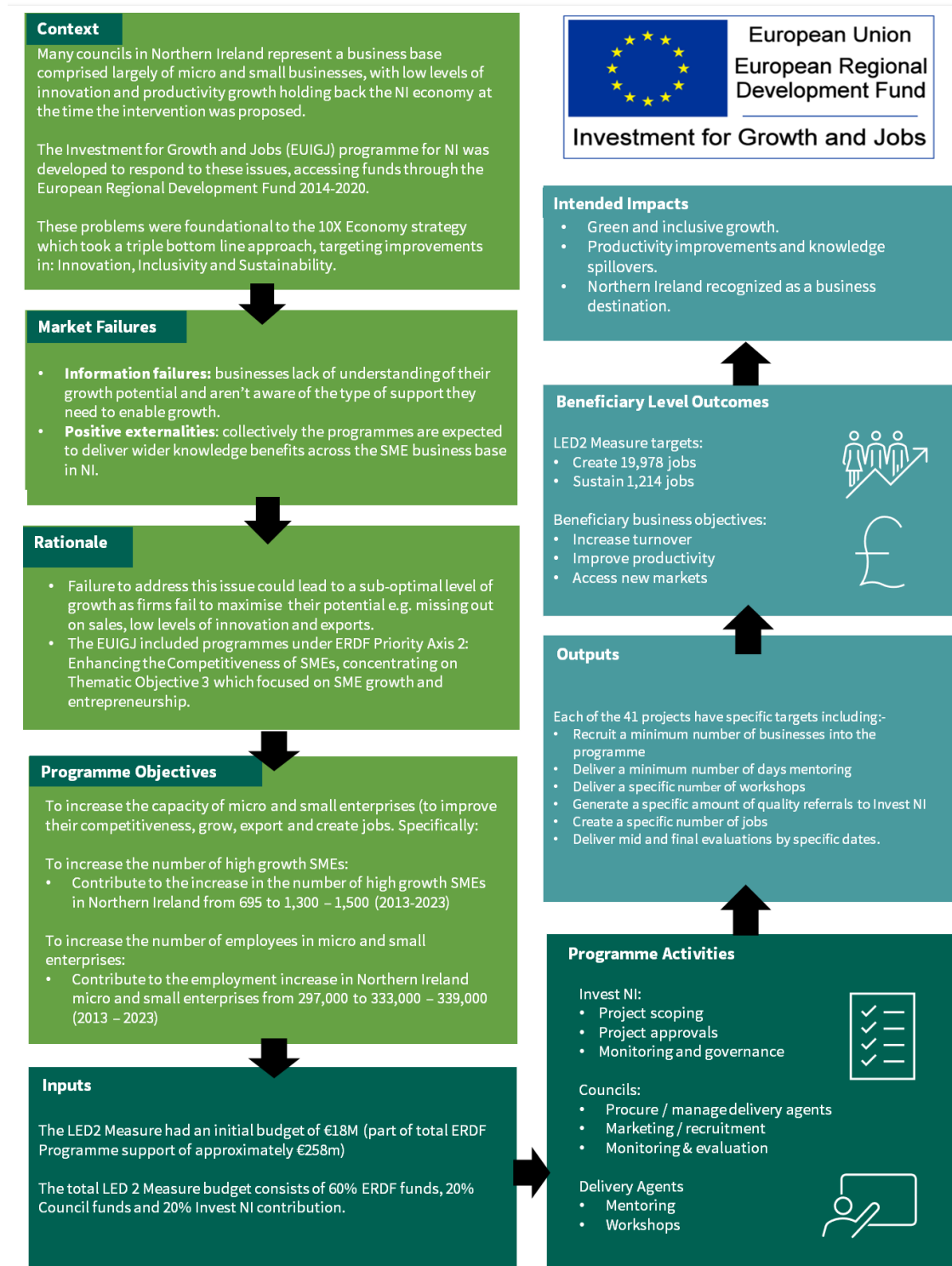
Covid-19 pandemic and the post Covid-19 impacts

Across most of the datasets above there are signs of the impact of the Covid-19 pandemic on the NI economy. There are clear spikes in the unemployment rate, and levels of economic inactivity rose in the years following the pandemic, only falling back to 2019 levels in 2023. The change in trajectory related to the total entrepreneurial activity rate of the NI economy may also be related to the after effects of Covid-19, with the loss of jobs and new ways of working potentially incentivising a large number of individuals to start their own business.

The LED 2 Logic Model

A logic model has been developed to inform the evaluation, mapping the inputs and activities against anticipated outputs, outcomes and impacts of the programme at an aggregate level. The evaluation report considers how well the design of the measure delivered against this proposed logic model and explores the enablers and barriers to delivery experienced during the life cycle of the LED 2 measure.

FIGURE 7: LED 2 LOGIC MODEL



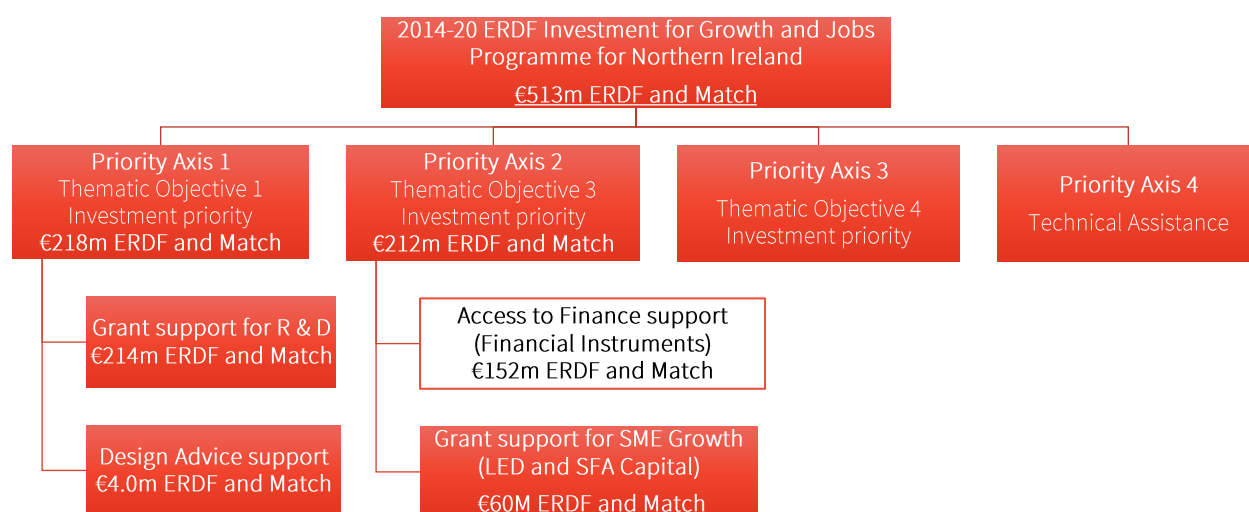
2 | Inputs and activities

Inputs and activities

Programme Budgets

The total ERDF budget for the Investment for Growth and Jobs programme for Northern Ireland stood at €513 million, including match funding. As described above, this was distributed across the four Priority Axes, with LED 2 falling under Priority Axis 2: ‘Enhancing the competitiveness of SMEs’. The total support under Priority Axis 2 covered almost half of the total EUIGJ budget (€212m), which was mainly targeted at support for SMEs to access finance (€152m). The remaining €60m was for selective financial assistance (i.e. capital grants to SMEs) and the business support under LED 2.

FIGURE 8: EUROPEAN REGIONAL DEVELOPMENT FUND - EUIGJ



LED 2 spending

The LED Measure did not provide direct grant assistance to businesses. The funding was allocated to the respective Councils to deliver capability development projects through mentoring, workshops, skills development, etc. The ERDF budget funded 60% of eligible costs, with 40% match funding to be split equally between Invest NI and the local council(s) promoting each project.

TABLE 5: SUMMARY OF LED 2 PROJECT SPEND

Eligible costs (£m)	Committed (£m)				Spent (£m)			
	INI	ERDF	COUNCILS	TOTAL	INI	ERDF	COUNCILS	TOTAL
22.27	4.45	13.35	4.45	22.244	4.06	12.2	4.06	20.32

Source: Hatch analysis of Invest NI monitoring data

Of the 41 LED 2 projects, total eligible costs of £22.27m were identified and committed. In total, 91% of the committed funding was drawn down by councils to support their projects, amounting to £20.32m. This ratio passes through to the total assistance provided to the councils from the ERDF and Invest NI funding, which accounts for 80% of spend. In total £16.26m of total assistance was actually paid to councils.

TABLE 6: TOTAL ASSISTANCE OFFERED AND PAID UNDER LED 2

Total Assistance Offered (£)	Total Assistance Paid (£)	%
17,843,227	16,256,161	91%

Source: Hatch analysis of Invest NI monitoring data

Spending by council area

A locally driven component to the support under ERDF was included to complement and enhance regional initiatives to strengthen and support business competitiveness and support was tailored to meet the needs of businesses within each Council area.

TABLE 7: SPENDING BY COUNCIL AREA

COUNCIL	Total Assistance Offered (£)	%	Total Assistance Paid (£)	%	Offered vs Drawn
Antrim & Newtownabbey	1,504,936	8%	1,354,187	8%	90%
Ards & North Down	274,760	2%	134,731	1%	49%
Armagh City, Banbridge & Craigavon	1,551,879	9%	1,265,048	8%	82%
Belfast City	1,913,480	11%	1,798,433	11%	94%
Causeway Coast & Glens	750,592	4%	723,024	4%	96%
Derry City & Strabane	1,084,080	6%	940,569	6%	87%
Fermanagh & Omagh	1,062,520	6%	996,911	6%	94%
Lisburn & Castlereagh	7,176,384	40%	6,702,303	41%	93%
Mid & East Antrim	795,552	4%	719,931	4%	90%
Mid Ulster	950,320	5%	903,040	6%	95%
Newry, Mourne & Down	778,724	4%	717,984	4%	92%
TOTAL	17,843,227	100%	16,256,161	100%	91%

Source: Invest NI

The largest budget was allocated to Lisburn & Castlereagh City Council (£7.18m) of which 93% of funding was paid (£6.7m). Although this consumed 40% of the total LED 2 budget and was 2.75 times the next largest budget (£1.9m) for Belfast City Council, this included the role of LCCC in managing the Northern Ireland Business Start Up programme (NIBSUP) on behalf of all 11 Councils. The NIBSUP operated in two phases with a combined budget allocation of £6.2m (£5.8m paid). By contrast, Ards & North Down received the smallest initial budget allocation, £274,760 of which only half (49%) was eventually drawn down. On average, excluding the NIBSUP, the 11 councils were each allocated a budget of £1.06m for LED 2 projects.

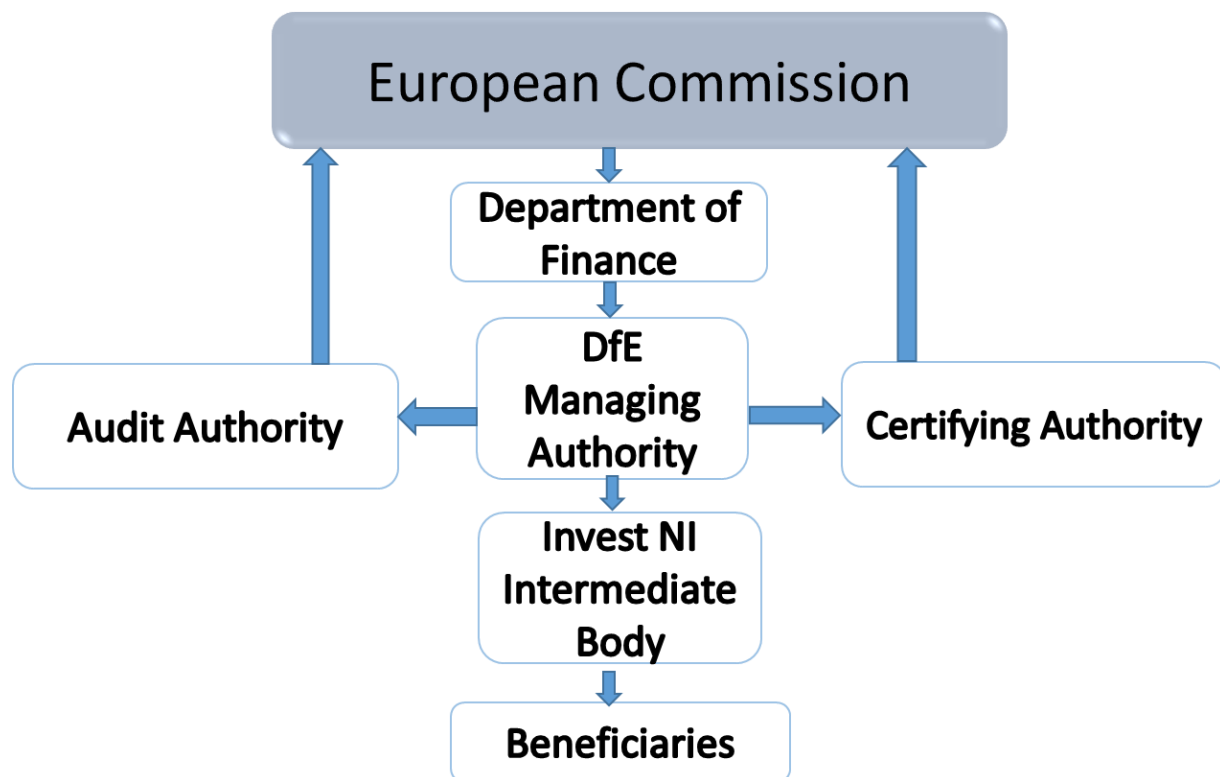
Activities

Operational management

Although the Department of Finance (DoF) applied for the ERDF on behalf of the Northern Ireland Executive, the Department for the Economy (DfE) is the designated Managing Authority for the ERDF Investment for Growth & Jobs Programme (EUIGJ) 2014-2020 in NI. Invest NI is an Intermediate Body under the EUIGJ and approximately 85% of the overall Programme funds for Northern Ireland were allocated to Invest NI activities (see organisational chart).

Invest NI's role in the LED 2 Measure is to work in partnership with the 11 Councils to support them develop and implement local economic development projects. In this first instance, Invest NI was responsible for engaging with Councils to help them scope out and identify potential projects suitable for LED 2 support.

FIGURE 9: LED 2 ORGANISATIONAL CHART



Source: Invest NI

In the context of LED 2 the beneficiaries are ultimately the small and micro businesses that received business and entrepreneurship support. However, these benefits were delivered in-kind, with the 11 Councils the direct beneficiaries of funding to procure business support. Consequently, these were responsible for procuring the services of delivery agents to engage with businesses directly.

Invest NI – Intermediate Body

Invest NI had a number of roles assigned to the delivery of LED 2 which are described in the Table below.

TABLE 8: INVEST NI ROLES AND RESPONSIBILITIES

Role	Activity
1 EU Partner and Delivery Manager	Management of Northern Ireland LED Programme for Invest NI. Includes management of the 41 Programmes, stakeholder engagement, Invest NI governance and compliance and budget management. This includes management of the LED executives LED work in the Regions, providing guidance and approvals of any amendments, issues and reporting standards, as well as overseeing the referral process and engagement with the LED Lead partners at a strategic level.
5 LED /Stakeholder Executives	LED Executives in the Region - Regional LED Executives worked in each of the 5 regions to ensure the Programmes were delivered and executed on the ground. This included working with businesses and the delivery agents of the LED Programmes and encouraging the pull through of businesses into Invest NI into the Regional offices. This role included stakeholder engagement on a local level, encouraging local economic partnerships.
1 Budget & Compliance Executive	Lead role in working with Councils to ensure that they operated in line with ERDF regulations, including publicity, documentation retention, State Aid and claiming eligible expenditure.

The LED Executives in the Invest NI Regional Offices had informal discussions with the Councils on potential programmes to ascertain if there was sufficient demand and scale for a programme and to help the Councils formulate their ideas. In some cases, Councils would provide scoping documents for Invest NI to review. Programmes also had to meet certain minimum criteria including a minimum of £250k eligible programme costs, a Cost Per Job average of £1000 (raising to £1,300 when 75% of ERDF allocation has been committed) and all projects were to be delivered through procured service delivery contracts with the Department of Finance's Construction & Procurement Delivery (CPD) team involved in the procurement of funded elements of the projects.

If the programme proposed did not provide a unique service (not already offered under another programme), did not identify a clear market gap or did not meet the objectives of LED 2 then the application was withdrawn after discussion with Council. To this end 10 potential programmes were turned down at application stage.

Invest NI also delivered ongoing engagement with Councils in the following areas:

- **Appraisal** - Invest NI was responsible for carrying out a full appraisal of the LED 2 projects in line with Invest NI's existing casework approval processes, taking account of Invest NI's key intervention principles. This allowed Invest NI to conclude on the value for money proposition and make a recommendation for support where appropriate.
- **Approval & Offer** – Project approval was sought by Invest NI at the appropriate delegated authority level. Once approval was obtained, a Letter of Offer was prepared which included any project specific conditions identified as part of the approval process. Invest NI was responsible for obtaining Council acceptance of their project funding, by ensuring that the detail of the Offer was fully understood.
- **Post-offer management including claims, monitoring & evaluation** – Invest NI was responsible for ensuring that the Council implemented the project in line with their Letter of Offer over the lifetime of the project. Monitoring of the project was ongoing by Council and Invest NI to ensure that progress was managed and recorded and that variations in project performance against targets and outcomes were notified and acted upon as necessary. Invest NI was responsible for the payment of claims submitted by Councils.
- **Budget Management** - Invest NI was responsible for ensuring that Councils maximised the budget allocation attributed to each project within specific timescales. The up-to-date monitoring information provided assurance to Invest NI that expenditure was eligible and in line with the project parameters.
- **Partnership working** – Invest NI has been working in partnership with the Councils in relation to future funding and programme development to align with 10X (now superseded by priorities of the Programme for Government 2024-2027) and to ensure an export focus.

Councils

The business support activities provided under LED 2 were developed to respond to the bespoke needs of the council area and its business base, with the intention of developing local solutions to local issues that were affecting local businesses. Following discussion with Invest NI LED executives, councils made applications for LED 2 funding for the projects they intended to bring forward. Once projects were approved councils would then:

- Procure (using support from CPD) a range of support from delivery agents.
- Ensure compliance with EU and Invest NI publicity requirements.
- Respond to monitoring and evaluation requirements e.g. submitting quarterly monitoring returns and commissioning final evaluation reports.
- Ensure that State Aid regulations were complied with for their projects (as part of its monitoring and compliance role Invest NI undertook random sampling of the State Aid declarations for participants).
- Making claims based on vouched and approved expenditure.

In some cases, the councils also took the lead on marketing and recruitment of businesses into the programme. Typically, this involved initial diagnostic consultations to determine whether particular support was relevant and the businesses were eligible. Some councils included this within the contract with their delivery agents.

During Covid-19 the role of councils' business support teams became very important as hubs of information for local business. This generalist support and advice was often a route for businesses struggling to adapt to the restrictions imposed during lockdown, to access LED 2 support. The nature of the LED 2 projects was adjusted in many cases as a result of flexibilities negotiated between the Council teams managing the projects and their Invest NI LED executives.

Delivery Agents

Once appointed by the councils, delivery agents were typically responsible for the activities that supported small businesses that were recruited onto the LED 2 supported projects. These were primarily:

- Diagnostic sessions
- Mentoring hours
- Workshops
- Business plans

3 | Outputs and outcomes

Outputs and outcomes

The primary impact sought by the LED 2 measure was growth in the economic performance of NI small businesses, targeting specifically growth in employment among these businesses as the primary outcome to be achieved. As described above, there were a range of activities funded by the measure to enable this growth. These activities were underpinned by target outputs for the businesses the funding was expected to support, and the way in which that support was delivered.

Outputs

In each of the 41 projects specific targets were set for delivery of activities:

- Recruit a minimum number of businesses into the programme
- Deliver a minimum number of days mentoring
- Deliver a specific number of workshops
- Deliver mid and final evaluations by specific dates.

Performance against targets

The table below shows the performance of the activities against the targets set by council area.

TABLE 9: OUTPUT TARGETS VS ACHIEVED OUTPUTS

Council	Participants			Mentoring			Workshops		
	Target	Achieved	%	Target	Achieved	%	Target	Achieved	%
Antrim & Newtownabbey	848	771	91%	3,135	2,404	77%	68	68	100%
Ards & North Down	330	192	58%	625	322	52%	24	24	100%
Armagh City, Banbridge & Craigavon	1,307	1,224	94%	4,019	3,774	94%	53	41	77%
Belfast City	1,893	1,869	99%	5,471	3,983	73%	79	84	106%
Causeway Coast & Glens	920	1,233	134%	2,390	2,395	100%	17	34	200%
Derry City & Strabane	1,490	1,275	86%	3,372	2,995	89%	35	90	257%
Fermanagh & Omagh	1,077	1,027	95%	3,266	3,100	95%	86	80	93%
Lisburn & Castlereagh	24,014	23,705	99%	2,569	2,338	91%	915	303	33%
Mid & East Antrim	1,110	1,090	98%	2,720	2,642	97%	15	17	113%
Mid Ulster	690	745	108%	2,980	2,992	100%	14	15	107%
Newry, Mourne & Down	1,270	1,285	101%	2,256	2,250	100%	44	44	100%
TOTAL	34,949	34,416	98%	32,803	29,194	89%	1,350	800	59%

Source: Invest NI and Hatch analysis

The performance against these was variable across councils but at a programme level while overall participation was broadly as expected specific activities were less well attended:

- In terms of the number of participants, NI wide, 98% of the target set was met with particular councils achieving significantly higher numbers of participants against the targets they set: Causeway Coast & Glens (134% of target), Mid Ulster (108% of target), and Newry, Mourne & Down (101% of target).
- This did not translate into equivalent performance for mentoring days, as only 89% of the target was met. Three councils, Causeway Coast & Glens, Mid Ulster, and Newry, Mourne & Down met 100% of their mentoring days target with another four delivering over 9-0% of the expected mentoring time.
- In total, only 59% of the workshops target was met, with varying performance across councils. Some Councils (e.g. Derry City & Strabane and Causeway Coast & Glens) achieved double their targets. Lisburn & Castlereagh, by contrast only able to meet 33% of its target.

Although the target number of businesses participated, around 90% of mentoring hours were achieved, which aligned with around 90% of target spending. Given the impact of COVID19 on the ability of delivery agents to perform face to face mentoring and workshops, as was initially specified for most activity, the shortfall in performance against target is not without justification. There was also a degree of scepticism raised among some councils around the value that small business owners tended to place on workshops. With these workshops taking a more generic format, there is a trade-off for firms between managing the time constraints of owners and the effectiveness of workshops in improving business performance.

Outcomes

The key targets are the number of jobs created and the number of quality referrals to Invest NI. Across the 41 projects within the LED 2 Measure the three targets are:

- **Job creation** – increasing the number of people employed in the businesses that are supported.
- **Quality referrals to Invest NI** – businesses referred to Invest NI that meet its criteria as high growth potential businesses.
- **Sustaining Jobs** – as a result of COVID-19 the decision was taken to provide flexibility for job creation targets as an output in some cases. The cumulative job creation forecast across all LED 2 projects suggested the averaged CPJ requirement could continue to be met.

Performance against targets

Across NI, LED 2 failed to meet its job creation target of nearly 20,000 new jobs. At 15,666 LED 2 achieved 78% of its job creation target. The quality referrals target was also not met, with 660 of 968 (68%) achieved through LED 2.

TABLE 10: OUTCOME TARGETS VS OUTCOMES ACHIEVED

Outcome	Target	Achieved	%
Create Jobs	19,978	15,666	78%
Sustain Jobs	1,214	1,821	150%
Generate quality referrals	968	660	68%

Source: Invest NI and Hatch analysis

The European Commission issued guidance around flexibility on the achievement of targets and indicators as a direct result of COVID-19 and the final outputs and outcomes were considered on that basis. DfE also confirmed that they would not be seeking to penalise any project which has failed to meet their targets if the shortfall could be attributed to the COVID-19 impact. Consequently, where it can be demonstrated that reasonable endeavours have been made to achieve these outcomes and the programme is delivered in line with the Letter of Offer no sanctions would be applied for missing targets. A jobs sustained target was one outcome of this flexibility and this was more easily achieved, and, relative to a target of 1,241, a total of 1,821 jobs were recorded as sustained (150%).

Project Type

We have categorised all 41 projects into 4 categories: Startup, Business procurement, Business growth, and Digital. The startup category consists of all programmes that fall under the theme of supporting startups and entrepreneurship across all councils (7 programmes).

The Business procurement category consists of all programmes that were aimed at supporting businesses with procurement skills (5 programmes). The business growth category consists of all programmes that were aimed at equipping businesses with the right knowledge and support to grow (20 programmes). The Digital category consists of all programmes aimed at improving business digital capability and skills (9 programmes).

- **Startup:** The projects aimed at supporting startups performed well in the number of participants target (99% of target) and the mentoring days target (93% of target). However, it performed poorly against the workshops target, achieving only 38%.

Regarding performance against output targets set, projects in the startup category performed relatively well in the jobs created target, achieving 86%. Projects in this category achieved 59% of the quality referrals target.

- **Business Procurement:** Projects aimed at supporting businesses with procurement skills fell short of their number of participants target, achieving 91% of the target set. They were also under target for the mentoring days, achieving 81% of the target set, and achieved the same percentage of the workshops target set.

Business Procurement projects fell very short on their quality referrals target, achieving only 34% of the target set, and the programmes achieved only 50% of the jobs created target that was set.

- **Business Growth:** Programmes in this category performed relatively well against targets set for activities. They were able to achieve 96% of the number of participants target, 91% of the

mentoring days target, and achieved higher than the workshops target that was set (149% of target).

Programmes in this category achieved 70% of the jobs created target and 85% of the quality referrals target.

- **Digital:** Programmes aimed at improving digital capability and skills performed relatively well against their activities target. They achieved a number of participants higher than the target that was set, achieved 92% of the mentoring days target and 99% of the workshops target.

In terms of the output performance against targets for the digital support programmes, they were able to achieve 70% of the jobs created target and 58% of the quality referrals target.

TABLE 11: PERFORMANCE OF LED 2 PROJECTS AGAINST OUTCOME TARGETS, BY CATEGORY OF SUPPORT

Theme	Participants			Mentoring days			Workshops		
	Target	Achieved	%	Target	Achieved	%	Target	Achieved	%
Startup	24,044	23,918	99%	3,800	3,536	93%	991	375	38%
Business Procurement	830	759	91%	2,779	2,257	81%	69	56	81%
Business growth	7,562	7,295	96%	18,456	16,876	91%	182	271	149%
Digital	2,333	2,391	102%	7,059	6,529	92%	100	99	99%
TOTAL	34,949	34,416	98%	32,803	29,194	89%	1,350	800	59%

TABLE 12: PERFORMANCE OF LED 2 PROJECTS AGAINST OUTCOME TARGETS, BY CATEGORY OF SUPPORT

Theme	Jobs Created			Quality referrals		
	Target	Achieved	%	Target	Achieved	%
Startup	11,015	9,512	86%	240	141	59%
Business Procurement	947	477	50%	80	27	34%
Business growth	5,501	3,875	70%	436	372	85%
Digital	2,334	1,626	70%	180	105	58%

4 | Consultation findings

Consultation findings

The evaluation method involved a range of stakeholder consultations to explore the research questions posed in the Terms of Reference and gain qualitative insight into the experiences of those delivering and overseeing the LED 2 measure.

Consultees

The following individuals were consulted as part of the evaluation process.

Invest NI staff:

- EU & Partner Delivery Manager - who managed the LED and key partner delivery manager
- EU Support Manager - has overall responsibility for the implementation and auditing of the ERDF Investment for Growth & Jobs Programme 2014-2020 (EUIGJ) (which LED comes under);
- Budget and Compliance Executive within Invest NI who had responsibility for the co-ordination and compliance of the LED 2 Measure.
- Invest NI LED/Stakeholder Executives who had responsibility for engaging with Councils in the development of LED projects, securing Invest NI approval and monitoring of subsequent offers.
- Regional Office Managers
- Executive Director, Regional Business

External Stakeholders:

Head of DfE Managing Authority Unit (G7) - had overall responsibility for the implementation and compliance of EU funded projects.

Council Contacts – a minimum of one person at each of the 11 Councils who had experience of LED 2 Measure through their involvement in the delivery and/or implementation of the LED Programmes.

Business Survey

A web-based survey was designed and distributed to beneficiaries of the different programs conducted by the councils. The survey consisted of questions ranging from the type of business support received to the experience of the support and the impact the support has had on the beneficiary's business.

Although the survey was kept concise in order to allow for higher response rates contact details were not provided by all councils for their beneficiary businesses, and the timing of the survey fieldwork (January 2025) was well beyond the point at which many businesses had received support. This, and the number of other business support programmes that may have been available to the same firms was raised by most councils as a constraint on its likely effectiveness. The risk of 'survey fatigue' and confusion as to which programme was being assessed were the key issues highlighted by council economic development teams.

In total responses were received from just six councils' beneficiaries, with 134 responses received in total.

The qualitative insights gained from these consultations and the survey are explored thematically below.

Programme rationale and objectives

Validity of the rationale

Support for SMEs

Council consultees and Invest NI LED executives were asked to explain the rationale for LED 2 in their own words. According to consultees, the programme was aimed at provision of support to encourage and business startups / new businesses, business growth and survival, increase business productivity, support digitisation / digital transformation, and export aspirations. This wide range of objectives was usually discussed in the context of a recognition of the preponderance of small and micro-businesses in many council areas.

Consultees described one of the challenges being faced by small businesses being the lack of time available to invest in making changes that might support growth. One consultee concluded that the support was significant for the business owners by: *“having someone work on the business while they were so focused on working in the business”*. This summary reflects the informational asymmetry market failure identified as central to the underlying rationale for the LED 2 measure.

Jobs growth targets

Consultees stated job creation and job growth as a major rationale for the programme. Issues such as unemployment were not seen as linked to the job creation targets under LED 2. Through the support provided to local businesses, the programme was aimed at addressing and supporting job creation as well as upskilling existing staff as a means to grow small and micro businesses, regardless of any wider labour market implications.

Complementarity with other Invest NI interventions

Both council and Invest NI feedback recognised that the LED programmes provided support for start-up and locally focused companies. LED support was complementary to other public sector interventions. For instance, a number of consultees identified that through the referrals process, firms received innovation vouchers from Invest NI following on from LED support.

This level of complementarity is backed up by the beneficiary survey, where four fifths (81%) of respondents stated that either they would not have accessed similar support without LED 2 or where unsure / couldn't answer the question. This implies that LED 2 was not noticeably overlapping with support offered elsewhere.

TABLE 13: WHAT WOULD YOU HAVE DONE IF YOU HAD NOT BEEN ABLE TO ACCESS THE PROGRAMME? DO YOU THINK YOU WOULD HAVE BEEN ABLE TO RECEIVE SIMILAR SUPPORT FROM A DIFFERENT PROVIDER?

Response	%
Would have accessed similar support with a different provider, of the same or better quality	11%
Would have accessed support with a different provider, of lower quality	1%
Would have accessed similar support at a later time	6%
Wouldn't have accessed any similar support	50%
Don't know / Not sure	31%

Delivery Model

Management and governance

Application process

Invest NI was responsible for deciding which programmes will be funded with the money, councils would then contract the programmes to delivery agents and fund the delivery agents.

According to council consultees, the application process was considered straightforward. Roles and responsibilities were communicated clearly and the route to resolve issues and address challenges, was well understood. Invest NI contacts were supportive and helpful. The only issues consultees noted with the application process was that it was superseded by how to achieve targets, particularly jobs.

Invest NI consultees agreed that roles and responsibilities were clear and reasonable. Although the administrative burden was considered heavy and time intensive for Invest NI due to the paperwork involved in making adjustments to letters of offer for example, due to the changes to projects to reflect the impact of Covid-19. There was clear and constant communication to council from the start and the councils that had the best understanding of the management and delivery of the programme were those with the same staff across the length of the programme.

Procurement of delivery agents

Invest NI was the intermediary body, for LED 2 and set out the requirements for the procurement process for councils to appoint delivery agents, including use of the Construction and Procurement Delivery (CPD) team. Generally, councils reported being pleased with the performance of both CPD and the delivery agents they appointed. Nevertheless, the use of CPD was a potential bottleneck in project delivery which held up at least one project while the team waited for CPD support to become available.

During the original LED programme some councils, while following their own procurement processes, were not compliant with the requirements of the European Commission. The additional administrative burden, from the use of CPD under LED 2, was appropriately justified to avoid delays or sanctions related to non-compliant procurement protocols.

Responding to the LED1 action plan

Very few consultees were previously involved with the LED1 programme. Invest NI consultees stated that LED1 and LED 2 were similar, with LED 2 building on the lessons learnt from LED1. The action plan

highlighted that while job creation was the main outcome for LED 2, other ‘result indicators’ would be worth measuring. The message, repeated by council consultees following LED 2, was that despite having to measure job creation in order to access the funding, businesses and economic development officers would tend to measure success with respect to intermediate targets such as turnover, new products or customers, or indeed the development of business plans.

It was reported that some of the projects delivered in LED 2 were built on directly on the successes of projects delivered in LED1. Moreover, the recommendation that further collaboration between the 11 councils to achieve better value for money appears to have been successfully implemented through the NIBSUP projects.

There was also clear evidence that the information provided to support councils in reporting against State Aid requirements and to support Invest NI referrals had been implemented by Invest NI for LED 2. Despite this the process for handling referrals, beyond the initial process for providing details of firms to Invest NI, was not entirely successful and this is discussed further below.

Performance against targets

Outputs

Realism of targets

Council consultees were of the view that the outputs were realistic. No consultee had any issues with the mentoring and workshops provided to beneficiary businesses. Councils recruited delivery agents which then provided mentorship and workshops to businesses who were approved through an application process. Mentoring and support provided to beneficiaries was based on the diagnostic of the business and then choosing mentors and topics that are in line with what the business operates in and what its needs are. According to consultees, COVID affected their ability to reach output targets as delivery had to be moved online, especially for more in-person intensive programmes. The process of shifting to online delivery took some time thereby negatively impacting the number of hours of support offered.

Outcomes

Realism of targets - jobs

Most councils indicated that the performance against outcome targets was not as strong as they would have liked. There was a recurring theme of subpar satisfaction with the job creation targets. Councils reported that this target was very ambitious and fundamentally unrealistic, and this was exacerbated due to the occurrence of COVID. The consultees also discussed the issue of attribution for the jobs target i.e. despite the correlation between business support and jobs - it is hard to say with certainty that the amount of business support offered was the cause of the jobs created.

Councils also reported that job creation was an unrealistic target given the nature of the business support that was offered in particular programmes, which while useful to businesses in growing might not be directly supportive of employment. Suggestions for more realistic and quantifiable alternative targets included increases in sales or access to new markets. The need for adaptability of targets over time, especially due to exogenous shocks was also expressed. Some councils did report that Invest NI worked with them to change targets from jobs created to jobs sustained due to COVID. It was also

recommended that in setting future targets, a better approach would be to have more bespoke targets based on the nature of the business support delivered and the target market.

In consultations with Invest NI, it was reported that the targets set were realistic. Although some consultees noted that the job creation targets were based on statistical evidence, and what was stipulated in the operational programme, most consultees agreed that it was a challenging target and may have been too stretching an objective for the type of business support offered.

Realism of targets - referrals

In terms of the quality referrals target, most councils reported it to be a realistic, and beneficial target. However, councils reported issues with its implementation, particularly in the understanding of what constitutes as a quality referral. A number of councils reported that many companies they referred were not eligible, but they were still able to refer a good amount of companies. Councils also reported a lack of communication updates from Invest NI back to economic development teams in councils after referrals had been submitted. One council consultee stated *“we wouldn’t know what businesses made it through unless we see the business in the news”*.

With the quality referrals target, Invest NI consultees reported that although training was provided to councils on what constitutes a quality referral, councils were still submitting businesses that didn’t meet the qualifications. Some consultees reported that it was the delivery agents who were working directly with beneficiaries and not the councils, which led to the miscommunication regarding quality referrals. Councils were submitting referrals based on input from delivery agents, and because delivery agents did not receive direct training on what constitutes a quality referral, it created misinformation/limited understanding. Finally, some businesses that were referred missed emails or calls from Invest NI, and because they had not been heavily involved in the referral were not expecting any communication and the opportunity was missed.

Overall, the issue with quality referrals did not seem to be a lack of appropriate businesses, or indeed the training provided to councils, but rather a case of *‘too many links in the chain’*. Whereby, while no single interface was flawed in itself, the connections between different parts of the process were less effective.

External factors

COVID19

Most council consultees mentioned COVID as an external factor that affected delivery and the ability to achieve their targets. The delivery mechanism for support offered to businesses had to be adjusted. For instance, during lockdowns, mentoring and workshops had to be moved from in-person to online. With the occurrence of COVID, the needs of businesses also changed - businesses focus changed from growth to survival, hence, the nature of support provided shifted to support on survival, staff retention, moving to digital services and being more visible online. According to council consultees, COVID made LED 2 so important because businesses were struggling and needed support more than ever.

Invest NI consultees also stated COVID as a change that affected delivery. According to consultees, the flexibility with the nature of delivery was greatly beneficial to businesses as they were really struggling

so the opportunity to have one-to-one mentoring support online was helpful. The shift to an online mode of delivery was especially beneficial for the digital programmes as they became more relevant. According to some consultees, more traditional programmes became more challenging due to the time required to adjust the delivery of more in-person centred programmes.

BREXIT

Some council and Invest NI consultees pointed to Brexit as a change that affected delivery. The uncertainty caused by Brexit and the increased transport costs led to concerns for businesses in NI regarding their competitiveness. Businesses also needed advice on the impact of Brexit on the rules governing their exports. Some LED 2 projects focused on providing help to businesses on how to improve their export potential and aid their competitiveness which was relevant to overcoming the impact of Brexit.

Cost pressures

The ‘cost of living crisis’ was widely stated as a factor that affected delivery as the increased rates affected the ability of small and medium enterprises to achieve their ambitions for growth. The increased costs led to businesses being more focused on survival than growth, and the change in the needs of businesses led to the change in the nature of support offered – support focused on helping businesses to survive.

Beneficiaries

Although a number of respondents stated they could not remember the period in question clearly, the beneficiary survey pointed to COVID as the most relevant external impact on businesses during or shortly after the provision of the LED 2 support. Nevertheless, while 54% didn’t report any particularly influential external factors, 37% of responses mentioned COVID, while only around 5% referenced the UK leaving the EU or household cost pressures (“the cost of living crisis”) as the two most important other external factors. Other responses included new forms and uses of technology (e.g. the role of artificial intelligence and social media algorithms etc), environmental regulations and personal / family issues.

Lessons learnt

Councils

What has worked well

Council consultees highlighted several aspects of the programme that worked well. About half of consultees who pointed to improvements in the council’s ability to engage with and offer support to local businesses, and the impact of that support on their survival was one of the primary successes of LED 2. Several consultees described the mentoring support provided to businesses, especially the one-to-one mentor sessions as something that was particularly beneficial. Consultees also stated the relationship between them and Invest NI, flexibility as a result of COVID as well as the ability to identify more effective ways of offering support, as areas that worked well.

Areas for improvement

One potential area for improvement raised by over half of councils was the provision of less generic, and more quality and bespoke support based on the needs of local businesses – a focus on quality

over quantity. This also fed into responses from some consultees stating more bespoke and realistic targets as an area for improvement.

While most councils highlighted the quality of the relationships with Invest NI LED executives, some consultees also stated better communication with Invest NI as an area for improvement. This largely related to the trajectory of businesses that went through the referral process as discussed under outcomes, above.

The level of staff turnover within council was also an issue over time and may have been responsible for miscommunication over referrals processes, for instance if internal handovers did not cover the referrals processes as effectively as initial Invest NI led training.

Two consultees stated the need for more collaboration among councils, as well as more programmes that include grant support to local businesses.

Invest NI

What has worked well

Invest NI consultees highlighted various aspects of the programme that worked well, including the working relationship between Invest NI and councils. According to consultees, the projects that did especially well were those where the Invest NI representatives and councils had good and constant communication. Consultees pointed to the provision of locally-tailored support, hybrid delivery and flexibility in adapting the nature of delivery following COVID were areas that worked well.

Areas for improvement

Consultees stated a few areas that could be improved in other programmes and moving forward. These included:

- **Target setting** - in future more tailored targets should be set, ensuring adequate training and communication on how to measure and record those targets.
- **Ensuring greater council involvement** – council should be able to liaise with beneficiaries and have a greater input on the programmes, as well as ensuring a more concise and straightforward chain of communication.
- **Sanctions for non-compliance** - to encourage councils to provide all necessary information in the monthly monitoring reports a proportionate sanctions regime could reduce the level of non-compliance.
- **Ongoing training programme** - training of council staff during would be beneficial, to account for situations where there has been staff turnover.

Beneficiaries

In terms of overall satisfaction with the LED 2 programme, 98 respondents answered the question: “Overall, how satisfied are you with the business support you received?”.

Of these, around two-thirds (68%) were satisfied, or very satisfied with the business support and only 17% expressed dissatisfaction. However, the nature of these results is to be treated with caution given the low response rate and time since the support was received, with 18 out of 132 total respondents

unable to remember receiving support suggesting many of those that did respond may have only partial recollections.

Response	%
Very dissatisfied	10%
Dissatisfied	7%
Neither satisfied or dissatisfied	14%
Satisfied	33%
Very satisfied	36%

There were a variety of reasons presented for beneficiaries' dissatisfaction, with the relevance of support to industry or tailoring of support to specific needs.

5 | Additionality and value for money

Additionality and Value for Money

The value for money of the LED 2 measure is driven by the extent to which the business support activity was additional to what businesses could have received without the programme and its level of impact on local economies across NI. The primary targets for the measure were jobs created (or in some cases post-Covid, jobs sustained).

Inevitably, targets for businesses themselves will often revolve around growth in turnover, exports or productivity as crucial intermediate stages to supporting growth in jobs. Findings from consultations with Councils tended to support this view. Ultimately, the clearest measure of economic impact will be the level of net additional Gross Value Added (GVA) that will be produced in the NI economy due to the support Councils were able to provide its small businesses to become more productive and resilient.

Value for Money assessment process

A range of projects were delivered under the LED 2 measure and differing methods were used to capture and analyse their impact as part of the final evaluations. Indeed, some of the final evaluations did not explicitly record a value for money assessment, focusing entirely on achievement of contractual milestones. Of all programmes (excluding NIBSUP 1&2), 9 included a value for money assessment in their final evaluations.

Across the final evaluations that conducted a value for money assessment, the following range of variables were captured:

- Direct jobs supported
- Indirect jobs supported
- Direct GVA
- Indirect GVA
- Direct wages
- Indirect wages

Different methods have also been used to capture and attribute benefits to the LED 2 interventions. The implications of these findings are explored below.

Northern Ireland Business Start Up programme (NIBSUP)

The NIBSUP projects, delivered under the LED 2 Measure by Lisburn & Castlereagh City Council on behalf of all 11 NI Councils was somewhat different to the other LED 2 projects. The two NIBSUP projects were more firmly targeted at individuals preparing to start a business, rather than established small or micro enterprises. The support offered and delivery mechanisms were also different, reaching many more individuals than the other LED 2 projects. Consequently, the findings regarding these projects' value for money are considered independently of the others – with findings drawn directly from the two independent final evaluations.

NIBSUP (2017-2021)

- At the time of the consultation exercise used to inform the Evaluation of the NIBSUP (2017-2021)¹¹, it was estimated that the 4,949 businesses that were established under the NIBSUP were continuing to trade.
- These were estimated to have created 5,572 gross FTE jobs (including the business owners) i.e. 1.1 FTE jobs per business.
- For those individuals that started a business and were continuing to trade average levels of additionality associated with their sales and employment were estimated to be 35% (30% for Cohort 1 and 39% for Cohort 2).
- More than four-fifths (83%) of respondents partially attributing the role of NIBSUP to achieving the sales and employment reported.
- NI based displacement was estimated at 29% across both cohorts.

TABLE 14: ADDITIONALITY OF REPORTED SALES AND EMPLOYMENT GROWTH NIBSUP

Cohort	Deadweight	NI based displacement
Cohort 1	70%	24%
Cohort 2	61%	38%
Combined	65%	29%

Source: NIBSUP Final evaluation, Cogent Management Consulting, 2021

- Applying these additionality rates to the gross monetary impacts achieved by the businesses that were continuing to operate suggested that (up to November 2021) the NIBSUP may have directly:
 - Contributed in the region of at least £20.3m in net additional GVA to the NI Economy; and
 - Created approximately at least 1,306 net additional FTE jobs.
- This implied a net additional GVA return on investment of c£3.60 for every £1 invested by both Invest NI and the 11 councils has been identified.

NIBSUP2 (2021 – 2023)

- The Evaluation of the NIBSUP2 (2021-2023)¹² estimated that, at the time they were consulted, 2,940 businesses that benefitted from NIBSUP2 were continuing to trade, had created 3,028 gross FTE jobs (including the business owners) i.e. close to 1 FTE job per business.
- For those individuals that started a business and were continuing to trade, average levels of additionality associated with their sales and employment were calculated as 39%. with three-

¹¹ The Northern Ireland Business Start-up programme Final Evaluation (2017-2021), LCCC, December 2021¹² The Northern Ireland Business Start-up programme Final Evaluation (2021-2023), LCCC, September 2023

quarters (76%) of respondents suggesting NIBSUP2 was at least partially attributable to the level of sales and employment reported.

- The evaluation estimated impact deadweight of 61% and NI-based displacement of 32%, from its survey analysis. Suggesting that up to July 2023 the Programme may have directly:
 - Contributed in the region of at least £7.8m in net additional GVA to the NI Economy; and
 - Created approximately at least 803 net additional FTE jobs.
- Consequently, a net additional GVA return on investment of c£1.90 for every £1 invested by both Invest NI and the 11 councils has been identified.

The combined impact of the NIBSUP project across both phases was estimated to be £28.1m in net additional GVA, implying a combined return on investment of £2.9 per £1.0 invested.

Other LED 2 projects

In total, 9 of the LED 2 project's final evaluations contained a value for money assessment (excluding NIBSUP 1&2). The combined total GVA across the projects was estimated to be £62.7m with the project average around £7m. Moreover, across these 9 projects it was also possible to establish the estimated GVA per job, using the jobs recorded in the monitoring information and post-project evaluations. On aggregate, these LED 2 projects created 2,145 jobs, leading to a gross GVA per job of £29,300.

Deadweight

The evaluators of these projects also applied additionality factors to estimate the jobs created directly from the LED 2 interventions. Across the 9 evaluations, the additionality factors ranged from 50% to 80%, meaning that 50-80% of the direct jobs created are directly attributable to the project, or conversely, that deadweight is between 20-50%. The evaluators highlighted their selected attribution factors as being 'reasonable', based on experience on evaluating similar programmes, as well as survey responses and findings. Using the additionality range of 50-80%, the net additional GVA per job across these 9 projects ranges from £14,600 to £23,400. The mean additionality factor for these projects is 69%. Thus, the central GVA per additional job across the 9 projects, net of deadweight, stands at £20,200.

Displacement

Notably, the evaluations typically did not account for displacement i.e. the additionality factors above are all focussed on deadweight, or the exclusion of jobs that those businesses would have created without LED 2. The evaluators' decision to exclude displacement, i.e. the shifting of employment from other businesses within NI to the small businesses that employed them following LED 2 interventions, were based on the notion that conditions placed on businesses in the projects and their 'uniqueness' meant it was unlikely to be an issue. However, unless businesses are able to find employees that are otherwise unemployed or economically inactive, then an element of displacement is inevitable.

The role of LED 2 was primarily to support growth in NI small and micro businesses, as a means to rebalancing the NI economy, rather than directly affecting the labour market as a whole. In that case, displacement from the public sector or larger businesses would not undermine the rationale for LED 2. However, in measuring the overall economic impact of the programme using net additional GVA then displacement should be accounted for in the assessment. Since, the only project specific evidence available relates to the NIBSUP programmes, with a range of 24-39% (NIBSUP1) and 32% (NIBSUP 2) displacement of 33% represents a reasonable benchmark figure. Given the start-up focus of NIBSUP, the displacement of new employees for established small businesses could conceivably be higher, so a higher rate of 50% is also considered.

Return on investment

According to the monitoring data, the total number of jobs created, excluding NIBSUP 1&2 (treated separately above) is 6,889. Extrapolating the deadweight range of 20-50%, from the final evaluations that included additionality estimates and applying the displacement parameters discussed above then, net additional jobs would range from 1,720 to 5,510.

TABLE 15: NET ADDITIONAL JOBS ESTIMATES – VARIOUS DEADWEIGHT AND DISPLACEMENT SCENARIOS

Deadweight	Displacement		
	0%	33%	50%
20%	5,511	3,693	2,756
35%	4,478	3,000	2,239
50%	3,445	2,308	1,722

Total net additional GVA from all the LED 2 measure projects stood at between £161.2m and £50.4m.

TABLE 16: NET ADDITIONAL GVA ESTIMATES – VARIOUS DEADWEIGHT AND DISPLACEMENT SCENARIOS

Deadweight	Displacement		
	0%	33%	50%
20%	161.2	108.0	80.6
35%	131.0	87.8	65.5
50%	100.7	67.5	50.4

Once total costs of £20.3m have been accounted for this indicates a return on investment of between 7.9 and 2.5 across the least and most conservative additionality assumptions.

TABLE 17: RETURN ON INVESTMENT ESTIMATES – VARIOUS DEADWEIGHT AND DISPLACEMENT SCENARIOS

Deadweight	Displacement		
	0%	33%	50%
20%	7.9	5.3	4.0
35%	6.4	4.3	3.2
50%	5.0	3.3	2.5

Consultation evidence

Council and Invest NI consultees reported benefits derived from the programme. Benefits ranged from job creation and maintaining jobs even with the impacts of COVID, digital skills acquisition and the introduction of new technology, a large number of businesses received mentoring support. Council officers were often interested in job creation purely as a function of the monitoring requirements of the LED 2 project, however, and focussed with beneficiaries on other impacts to the business as the actual, underlying driver of economic development.

Beneficiary survey results

The beneficiaries contacted were asked to report their own estimates of deadweight, through the following questions:

1. *What proportion of the growth in employment achieved during the 3 years after receiving support would you attribute to the support?*
2. *What proportion of the growth in your sales achieved during the 3 years after receiving support would you attribute to the support?*

Although the response rate was relatively low (only 35 and 74 respondents offered a view regarding the attribution to LED 2 of their growth in employment and sales, respectively) an estimate can be made for the additionality rate for projects in LED 2 outside of the NIBSUP programmes. After weighting the mid-points of the additionality bands by the proportion of respondents in each band the responses imply a lower rate of additionality for the employment and sales growth of 28% and 21%, respectively. These imply corresponding deadweight estimates of 72% and 79%.

TABLE 18: EMPLOYMENT AND SALES GROWTH, SELF-REPORTED ADDITIONALITY ESTIMATES

Self-reported additionality	Employment (n=35)	Sales (n=74)
0% - none of it was due to the programme	0%	1%
1 - 25%	46%	58%
26 - 50%	17%	9%
51 - 75%	9%	5%
76 - 99%	0%	1%
100% - all of it was due to the programme	3%	0%
N/A	6%	3%
Don't know / Not sure	20%	22%
Estimated weighted average	28%	21%

Source: Hatch beneficiary survey (2025)

This is significantly below the levels indicated by the NIBSUP surveys, and may be indicative of the more mature businesses that benefited from the other LED 2 projects. It is likely that these firms have had other factors influencing their growth which the programme enabled them to implement, rather than being responsible for enabling businesses to start up from a zero-baseline.

Beneficiaries were also asked to report on whether their competitors are based in NI or elsewhere, as a proxy measure for displacement using the following question:

1. *What proportion of your competitor businesses are based in Northern Ireland?*

TABLE 19: SELF-REPORTED ESTIMATES OF NI BASED COMPETITORS

Self-reported displacement	Employment (n=98)
0%	11%
1 - 25%	14%
26 - 50%	7%
51 - 75%	16%
76 - 99%	12%
100%	18%
<i>Don't know / Not sure</i>	20%
Estimated weighted average	55%

Using a similar method, weighting the responses by the self-reported displacement band mid-points, a displacement factor of 55% is estimated.

Adjusted value for money metrics

The range of net additional GVA scenarios discussed above does not reflect the outcome of the beneficiary survey which shows that a plausible range for deadweight could extend to 80%. The maximum 50% displacement factor is retained based on its similarity to the result of the beneficiary survey analysis (55%).

TABLE 20: NET ADDITIONAL GVA – UNDER ADJUSTED DEADWEIGHT SCENARIOS

Deadweight	Displacement		
	0%	33%	50%
20%	161.2	108.0	80.6
35%	131.0	87.8	65.5
50%	100.7	67.5	50.4
80%	40.3	27.0	20.1

At 80% deadweight and 50% displacement, the net additional GVA could fall to around £20m, which would imply a return on investment of 1.0. The low response rate and issues around respondents' ability to recall the impact of support after several years suggests these results should be treated with caution.

TABLE 21: RETURN ON INVESTMENT – UNDER ADJUSTED DEADWEIGHT SCENARIOS

Deadweight	Displacement		
	0%	33%	50%
20%	7.9	5.3	4.0
35%	6.4	4.3	3.2
50%	5.0	3.3	2.5
80%	2.0	1.3	1.0

Cost per job

Total eligible spend of £12.2m for ERDF, £4.06m for INI and a further £4.06m in other public sector spending, gave a total public sector cost of £20.3m. This was set against total recorded outputs of 15,666 jobs to generate a cost per job created of £1,297. If jobs sustained are included, then total jobs created or sustained of 17,487 would generate a cost per job metric of £1,162.

This is between 16% and 30% over the £1,000 per job benchmark used to set targets for projects at the application stage of the process.

Cost per job benchmarking

Selective Financial Assistance

An evaluation of the Selective Financial Assistance (SFA) programme 2011/12 – 2028/19¹³ contained both gross and net cost per job estimates for the programme. The SFA's primary objective was to create new employment, leading to business growth and long-term high-quality employment. SFA was also expected to improve productivity and encourage internationalisation of the business base. The SFA offered both capital and revenue grant assistance and included much larger offers of support than were available to the typically much smaller businesses targeted under LED 2.

The SFA programme made over £270m of offers to businesses, of which £160m was actually spent (59%) and was believed to have created approximately 30,000 new jobs (gross). The evaluators used a variety of methods to assess the additionality of the jobs created / safeguarded and estimated that approximately 10,700 net additional jobs were created or safeguarded. This equates to total approved assistance per gross job (offered) of £9,000 or cost per gross job (paid) of £5,300. This rises to £24,300 per net job (offered) and £14,900 per net job (paid).

English ERDF benchmarks

A recent analysis of the English ERDF programme (2014-2020)¹⁴ also produced a variety of estimates of the cost of achieving typical outputs and outcomes in English ERDF project evaluations.

The C8 indicator related to the number of additional full-time equivalent individuals employed in supported companies at the end of the intervention compared to the start of the intervention. The jobs could only be counted if the intended life expectancy of the job was at least 12 months. Cost per output data was analysed across 318 projects in England for the study which found:

- There is a large range in the figures from £2,500 up to nearly £350,000 per additional employee.
- The median value was around £24,600.

¹³ Evaluation of Selective Financial Assistance 2011/12-2018/19, SQW on behalf of Invest NI, December 2021

¹⁴ National Evaluation of English ERDF Programme 2014-20, MHCLG, Unit Cost analysis paper, 2023

- A similar analysis of unit costs under the 2007-13 ERDF programme identified a median cost per business assist of £25,700.

This is evidently significantly higher than the £1,297 output cost shown in the LED 2 monitoring information. This could be due to either the difference in cost of provision in GB and NI or different methodologies to identify the reported outcomes i.e. measuring net additional jobs.

Economy, efficiency, effectiveness

Economy: obtaining the appropriate quantity and quality of resources (inputs) at the lowest cost:

- Construction and Procurement Delivery (CPD) within Department of Finance was used to ensure that proper procedure was followed by councils
- CPD contracting was onerous, not fully understood by all councils but was effective and well justified by Invest NI based on experience under LED1 where procurement was compliant at Council level but not sufficient for European Commission at audit.
- State Aid considerations were not always understood by Councils – however LED 2 documentation reduced risk of non-compliance e.g. de minimis declarations.
- There was a risk of repeat work for the same business across multiple projects with some supported more than once.

Efficiency: optimising the process by which inputs are turned into outputs:

- The cost per job outputs was set at a very ambitious £1,000 per job.
- This was exceeded by 16-30% but remains well below benchmarks for ERDF projects in England.

Effectiveness: the relationship between the programme's intended and actual results:

- Activity and engagement was high and there was a clear demand for this type of support, even through COVID, but some key outcomes targets were not met:
 - 98% of recruitment target met
 - 89% of mentoring hours met
 - 78% of job creation target
- The broader EUIGJ programme (2014-2020) objective for job creation by 2023 to increase employment in NI Small and Micro enterprises by 333,000 to 339,000 by 2023 was almost met (actual increase was 332,000) despite DfE¹⁵ economists concerns that it would be challenging from the outset.

¹⁵ Note: DfE was referred to as DETI at the time these concerns were raised.

- The level of attribution to LED 2, for the 15,666 new jobs created, and 1,821 jobs sustained, is unclear. Many consultees stated that the type of support provided, while beneficial, would not in its own right be enough to encourage small businesses to take on new staff and the survey of beneficiaries does not indicate that businesses would place significant weight on the support in terms of job creation.
- The target of job creation, rather than growth in sales, or exports was therefore potentially too far removed from the type of support on offer.
- Although regional reach was good there were arguably too many projects in the LED 2 programme which may have limited the effectiveness of the support overall. The variation in performance with respect to outputs and outcomes by category of support indicates that some forms of support were less effective than others.
- Nevertheless, even with the most conservative estimates of additionality a return on investment of 1.0 is still plausible.

6 | Conclusions and recommendations

Conclusions and recommendations

PROGRAMME RATIONALE AND OBJECTIVES

- The major aim of the programme was to encourage and support business startups, growth, and survival. The evidence of need presented in the operational programme remained relevant throughout the programme, especially through COVID – with a very long tail of small and micro businesses in need to support to grow and survive.
- Insofar as the EUIGJ aimed to support and facilitate the rebalancing of the NI economy away from very small firms and the public sector, the programmes objectives remain relevant with a marginally higher proportion of private sector employment (59.8%) in small and micro businesses in 2024. This has coincided with an upward shift in levels of Total Entrepreneurial Activity that coincided with the operation of the LED 2 measure and the end of the pandemic, albeit with no clear causal link drawn to either of these events.
- The qualitative evidence gathered during the evaluation suggested most stakeholders felt the projects were valuable to local businesses and complementary to other business support activity that was available at the time. This was especially the case with the occurrence of COVID, where the flexible nature of support was particularly impactful to business survival.
- While some stakeholders understood the focus on job creation, it was not always considered to be a particularly relevant target for this type of (relatively) light touch intervention. Some councils' consultees also reported difficulty in attributing the reported jobs directly to LED 2.

DELIVERY MODEL

- Management and governance processes were considered to have been straightforward by the stakeholders involved. Roles and responsibilities were also clearly communicated and well understood. Councils with better staff retention, fewer staff changes in their economic development teams over time, had the best understanding of the management and delivery processes.
- Consequently, it might be beneficial in future to trigger additional training / communication for councils where there have been staff changes regarding the process and roles and responsibilities to help in these situations.
- While some councils highlighted that the procurement of delivery agents using the CPD team was cumbersome or slower than internal processes, the service provided by the CPD team was considered to be high quality. Moreover, Invest NI's decision to insist on these processes was well justified as a means to protect against breaches of protocol.

PERFORMANCE AGAINST TARGETS

- Concerns about attribution of jobs to LED 2 were also reported i.e. it was hard to say with certainty that the hours of support provided to businesses was the sole cause of new jobs created. COVID also shifted the focus from jobs created to jobs sustained for some councils.
- Quality referrals was considered less of an issue in principle. It was understood why it was a target and seen as beneficial. However, there were issues in delivering the target in practice.
- Although Invest NI did refresher webinars informing councils on what constitutes as a quality referral, this was not always fully understood. This was worsened by the long chain of communication. For example, councils were at times submitting referrals based on the recommendations from delivery partners that did not themselves receive direct training from Invest NI on what constitutes a quality referral.

LESSONS LEARNT

- The relationship between Invest NI LED executives and Councils was reported to be effective and helped to drive results for local businesses. Flexibility, especially in the context of COVID, was especially important and the ability of Invest NI to adapt delivery methods meant they could continue to provide meaningful support to businesses through a difficult period.
- The one-to-one mentoring support was considered to be effective, and typically beneficial to businesses that were often too busy focussing on day-to-day activity to consider how to grow or improve productivity themselves.
- The referrals process could be improved to create further benefit to Councils' businesses and Invest NI. The involvement of so many parties: businesses, delivery agents, councils, and multiple teams within Invest NI, to convert a referral from LED 2 into an Invest NI client would require a better platform for sharing information to maximise results.
- Importantly, council economic development teams have a stake in the success of high growth companies in their area and updates on businesses selected from referrals and how they are progressing would be considered beneficial in the future.
- Continued intervention to provide locally targeted, tailored support to smaller businesses would be welcomed by most councils. That being said, though a range of support tailored to local needs was beneficial, a total of 41 separate projects, all of which delivered mentoring may have created an excessively complex landscape, with multiple overlapping projects and reporting requirements across 11 councils.

Appendices

Appendix A – Recommendations from LED1 Evaluation

Across all stakeholder groups (i.e. councils, Invest NI and DfE) the feedback received relating to the implementation and management of the LED Measure was very positive, with it being suggested by all stakeholders that issues encountered during LED 1 (i.e. 2007-2013) or lessons learned have for the most part either been implemented during the latter period of LED 1 or have been applied as part of LED 2.

Subsequently, only a small number of recommendations have been made:

1. Whilst Invest NI has advised that standardised reporting templates relating to monitoring State Aid compliance are available from bodies such as BEIS, awareness of this amongst councils appears to be limited. To that end, enhanced communication as to the availability of such standardised forms should be implemented;
2. Related to this point, all businesses should be provided with a unique identifier so that public agencies can clearly monitor the value of support received by that business across various bodies.
3. Explore opportunities to share information captured from Invest NI's business info website with councils (e.g. through asking businesses for permission to do so when they access information).
4. Notwithstanding the fact that LED 2 has a small number of key output indicators (i.e. jobs created and quality referral to Invest NI), a small number of additional result indicators (e.g. revenue growth in NI, GB and outside the UK) should be employed across most economic development projects and councils should be asked to measure project impacts using such measures;
5. Given the mixed quality of evaluation reports received, Invest NI should provide councils with guidance on good monitoring and evaluation practice. In relation to project monitoring, it should be a requirement for all councils to collate key project monitoring information in a consistent interrogable format and medium. For example, in an Excel database to include details such as:
 - a. Programme/project name;
 - b. Participant business name;
 - c. Business address;
 - d. Key contact name;
 - e. Key contact telephone number;
 - f. Key contact e-mail address;

- g. Key relevant profiling data such as sector operating in, baseline turnover and of that sales in NI, GB and outside the UK; baseline employment (measured in FTEs);
 - h. The support received by each individual business;
 - i. Key changes in the baseline data at the end of the programme/data or at a suitable timeframe following its completion.
6. In specific relation to evaluation activity, if budgetary constraints reduce the amount of evaluation activity that can take place, councils should be encouraged to focus evaluation activity on the independent validation and assessment of 'additional' business outcomes, on a grouped project basis where appropriate;
 7. Where possible allow councils greater flexibility in relation to daily rates that can be charged by delivery agents, focusing instead on the anticipated outcomes as the key indicator of value to be achieved.
 8. In relation to Invest NI's future approach to Sub-Regional Development and how it can best work with the Councils:
 - a. A pressing concern is achieving clarity as to what arrangements might be introduced post 2020 and the UK's exit from the European Union. The process of addressing such a strategic question should commence at the earliest possible opportunity.
 - b. Recognising that the realignment and amalgamation of the 26 legacy councils into the new configuration of 11 has taken time to embed, it might be reasonable to expect that for any programme (similar to the LED Measure) that might be implemented post-2020, there might be greater levels of collaboration between individual councils so as to better achieve value for money across economic development projects.
 - c. Support for capital projects should be considered (and in particular outside of the Greater Belfast area) including support to create additional office space / workspace/business incubators.
 - d. Clarity should be provided to councils as to the progression route for businesses to move from local council support onto that provided by Invest NI

Appendix 2 – Survey Results

Question 1: What is the size of your business?

Response	%
Micro (0 - 9 employees)	85%
Small (10 -49 employees)	11%
Medium (50 - 249 employees)	4%
Large (250+ employees)	0%

Question 2: What sector does your business belong to?

Response	%
Agriculture	2%
Manufacturing	16%
Construction	4%
Motor Trades	2%
Wholesale	2%
Retail	11%
Transport & Storage	2%
Accommodation & Food services	6%
Information & communication	4%
Financial & Insurance	0%
Property	2%
Professional, scientific & technical	13%
Business administration & support services	4%
Public administration & defence	0%
Education	5%
Health	5%
Arts, entertainment, recreation & other services	23%

Question 3: Do you remember receiving business support services in [Time period] from [name of Council]?

Response	%
Yes	86%
No	14%

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Question 4: What type of business support did you receive through the Think Do Be business support programme? [select all that apply]

Response	%
Mentoring	77%
Workshops	11%
Networking events	4%
Don't remember	9%

Question 5: What would you have done if you had not been able to access the programme? Do you think you would have been able to receive similar support from a different provider?

Response	%
Would have accessed similar support with a different provider - of the same or better quality	11%
Would have accessed support with a different provider, but this would have been of lower quality	1%
Would have accessed similar support at a later time	6%
Wouldn't have accessed any similar support	50%
Don't know / Not sure	31%

Question 6: Can you provide additional information on what you would have done if you had not accessed the support?

Free text responses (n=22).

Question 7: Who would you have gone to for support if you had not accessed the LED2 Programme?

Response	%
Invest NI	5%
Colleges and other higher education institutions	14%
Local Enterprise Councils	18%
None	32%
Don't know / Not sure	32%

Question 8: Thinking back to when you received support on [insert name of programme], what benefits were achieved and how significant were they on a scale of 1-5, where 1 is not significant and 5 is very significant?

	1 = not significant	2	3	4	5 = very significant	N/A
Developed new products and/or services	23%	5%	11%	20%	14%	27%
Understood new markets	18%	9%	18%	22%	12%	21%
Improved business process	13%	11%	14%	23%	21%	18%
Improved tender writing abilities	26%	12%	11%	7%	7%	37%

Increased Digitisation	19%	11%	9%	20%	18%	23%
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Question 9: Do you think that the support had any impact on your business sales?

Response	%
Yes	46%
No	28%
Don't know / Not sure	25%
Prefer not to say	1%

Question 10: Could you tell us what your annual turnover was at the time you received support, based on the turnover brackets below?

Response	%
Less than £25,000	28%
£25,000 - £49,999	18%
£50,000 - £99,999	11%
£100,000 - £249,999	12%
£250,000 - £499,999	5%
£500,000 - £749,999	7%
£750,000 - £999,999	5%
£1m - £1.99m	4%
£2m - £4.99m	1%
£5m or more	0%
Don't know / Not sure / Prefer not to say	9%

Question 11: What year did you receive support?

Businesses responded with a range from 2017 to 2024.

Question 12: Are you able to provide a sense of what your approximate annual turnover was 3 years after receiving support, based on the turnover brackets below?

Response	%
Less than £25,000	18%
£25,000 - £49,999	13%
£50,000 - £99,999	18%
£100,000 - £249,999	11%
£250,000 - £499,999	8%
£500,000 - £749,999	3%
£750,000 - £999,999	4%

£1m - £1.99m	11%
£2m - £4.99m	1%
£5m or more	0%
Don't know / Not sure / Prefer not to say	14%

Question 13: Could you tell us what your expected annual turnover for the latest financial year will be, based on the turnover brackets below?

Response	%
Less than £25,000	16%
£25,000 - £49,999	10%
£50,000 - £99,999	22%
£100,000 - £249,999	14%
£250,000 - £499,999	6%
£500,000 - £749,999	4%
£750,000 - £999,999	4%
£1m - £1.99m	8%
£2m - £4.99m	4%
£5m or more	0%
Don't know / Not sure / Prefer not to say	12%

Question 14: Which of these benefits play a role in the increased turnover your business experienced?
[please rank each of the following on a scale of 1-6, where 1 is least important and 6 is most important]

	1 = least important	2	3	4	5	6 = most important	N/A
Developed new products and/or services	4%	1%	22%	15%	18%	9%	31%
Understood new markets	4%	3%	15%	24%	19%	5%	30%
Increase in productivity	1%	3%	18%	18%	24%	8%	28%
Improved business process	0%	5%	12%	23%	22%	15%	23%
Improved tender writing abilities	16%	8%	12%	5%	5%	5%	47%
Increased Digitisation	6%	9%	18%	8%	24%	15%	20%

Question 15: What proportion of the growth in your sales achieved during the 3 years after receiving support would you attribute to the support?

Response	%
0% - none of it was due to the programme	1%
1 - 25%	58%
26 - 50%	9%

51 - 75%	5%
76 - 99%	1%
100% - all of it was due to the programme	0%
N/A - It has not been up to 3 years since support was received	3%
Don't know / Not sure	22%

Question 16: Do you think the support you received had any impact on your business's employment count?

Response	%
Yes	20%
No	63%
Don't know / Not sure	15%
Prefer not to say	2%

Question 17: To what extent did these benefits play a role in your business recruiting more employees?
[please rank each of the following on a scale of 1-6, where 1 is least important and 6 is most important]

	1 = least important	2	3	4	5	6 = most important	N/A
Developed new products and/or services	3%	3%	11%	16%	14%	5%	49%
Accessed new markets	8%	5%	19%	11%	8%	5%	43%
Increase in productivity	5%	3%	5%	27%	14%	3%	43%
Improved business process	5%	5%	11%	22%	14%	11%	32%
Improved tender writing abilities	14%	11%	19%	3%	5%	3%	46%
Increased Digitisation	14%	3%	11%	8%	11%	16%	38%

Question 18: Which of the following factors was most significant in your decision to recruit more staff?

Statement	1 = not significant	2	3	4	5 = very significant	Don't know / Not sure/ N/A
The need to reduce your (the business owner's) work hours	11%	5%	5%	27%	5%	46%
Creation of new roles and functions within the business	5%	8%	11%	19%	16%	41%
Increased sales hence the need for additional workforce	3%	3%	11%	27%	22%	35%

Question 19: What proportion of the growth in employment achieved during the 3 years after receiving support would you attribute to the support?

Response	%
0% - none of it was due to the programme	0%
1 - 25%	46%
26 - 50%	17%
51 - 75%	9%
76 - 99%	0%
100% - all of it was due to the programme	3%
N/A - It has not been up to 3 years since support was received	6%
Don't know / Not sure	20%

Question 20: Thinking back to the time you received support, were there any changes in external or macroeconomic conditions that had an impact on your business?

Response	%
None	54%
COVID Pandemic	37%
BREXIT	5%
Cost of Living	6%
ESG	1%
Technology advancements	4%
Personal Issues	1%
Geopolitics	1%

Question 21: How did the support you received help your business deal with these changes?

Free text responses (n=50).

Question 22: What proportion of competitor businesses are based in Northern Ireland?

Response	%
0%	11%
1 - 25%	14%
26 - 50%	7%
51 - 75%	16%
76 - 99%	12%
100%	18%

Don't know / Not sure	20%
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Question 23: What reason(s) would you attribute to the increase in employees?

Response	%
Recruitment of employees from similar businesses in Northern Ireland	16%
Recruitment of previously unemployed residents	7%
Recruitment of new employees moving to Northern Ireland	4%
Don't know / Not sure	74%

Question 24: Overall, how satisfied are you with the business support you received?

Response	%
Very dissatisfied	10%
Dissatisfied	7%
Neither satisfied nor dissatisfied	14%
Satisfied	33%
Very satisfied	36%

Question 25: Are there specific aspects of the support you received which could be improved?

Free text responses (n=70).

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