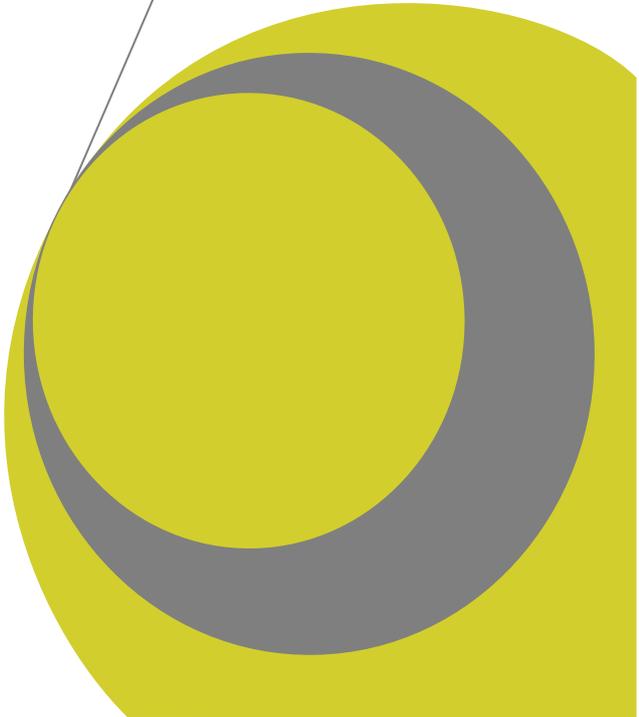


**INVEST NI MANAGED LED MEASURE OF THE EUROPEAN
SUSTAINABLE COMPETITIVENESS PROGRAMME (EUSCP) FOR
NORTHERN IRELAND 2007 -2013**

EVALUATION – FINAL



20th March 2018



**INVEST NI MANAGED LED MEASURE OF THE EUROPEAN SUSTAINABLE
COMPETITIVENESS PROGRAMME (EUSCP) FOR NORTHERN IRELAND 2007 -2013**

EVALUATION

CONTENTS

Page

EXECUTIVE SUMMARY	i
1. INTRODUCTION AND BACKGROUND.....	1
1.1 Introduction	1
1.2 The European Sustainable Competitiveness Programme.....	1
1.3 EUSCP Priority 2.2 – The LED Measure.....	3
1.4 Invest NI’s Requirements	5
1.5 Methodology	6
2. LED MEASURE MANAGEMENT	9
2.1 Introduction	9
2.2 Programme Level Management Structures	9
2.3 Invest NI’s Role as Intermediate Body.....	10
3. OVERVIEW OF LED APPROVED PROJECTS	13
3.1 Overall Position.....	13
3.2 Expenditure by IB and Type of Project.....	13
3.3 Projects by Council.....	14
3.4 Progress towards Output Objectives	18
3.5 Progress towards Outcome/Results & Impact.....	22
4. CONSULTATION FINDINGS	28
4.1 Councils’ Views on the LED Measure (post 2011).....	28
4.2 Other Stakeholders’ Views on the LED Measure (2007-2013).....	32
5. CONCLUSIONS & RECOMMENDATIONS.....	36
5.1 Conclusions	36
5.2 Recommendations	45

APPENDICES (Presented Separately)

- I Key Roles & Responsibilities (Programme Level)**
- II Overview of LED Capital Projects**
- III LED Performance Indicators by Project (at December 2015)**
- IV The Forthriver Innovation Centre Project**
- V The Roslea Workspace Project**
- VI Review of Outputs/Outcomes for the Sample of 28 Revenue Projects**

This report has been prepared for, and only for Invest NI and for no other purpose. Cogent Management Consulting LLP does not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

List of Abbreviations

Abbreviation	Definition
AIR	Annual Implementation Reports
BCC	Belfast City Council
BEIS	Department for Business, Energy & Industrial Strategy
DARD	Department of Agriculture and Rural Development
DETI	Department of Enterprise, Trade and Investment
DfE	Department for the Economy
DFP	Department of Finance and Personnel
DoF	Department of Finance
EA	Economic Appraisal
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
EUSCP	European Sustainable Competitiveness Programme
FDI	Foreign Direct Investment
FTE	Full time equivalent
GDP	Gross Domestic Product
GVA	Gross Value Added
IB	Intermediate Body
ICE	Improvement, Collaboration and Efficiency
Invest NI	Invest Northern Ireland
LED	Local Economic Development
LoO	Letter of Offer
MA	Managing Authority
NI	Northern Ireland
NITB	Northern Ireland Tourist Board
OJEU	Official Journal of the European Union
PMC	Performance Monitoring Committee
R&D	Research and Development
R&D&I	Research and Development and Innovation
RPA	Review of Public Administration
SENAM	Social Enterprise Newry and Mourne
SMEs	Small and Medium Sized Enterprises
VAT	Value Added Tax

EXECUTIVE SUMMARY

Introduction & Background

Invest Northern Ireland (Invest NI) has commissioned Cogent Management Consulting LLP ('Cogent' or the Evaluation Team) to undertake an independent evaluation of the Invest NI managed LED Measure of the European Sustainable Competitiveness Programme ('the EUSCP' or 'the Programme') for Northern Ireland 2007-2013.

Under the LED Measure (Sub-Priority 2.2) £50m (£25m ERDF/£25m National Contribution) funding was set aside for relevant projects brought forward under the, now legacy, 26 local Councils which would assist economic development in their respective areas.

It was considered that a locally driven component was essential to complement and enhance regional initiatives that support and strengthen business competitiveness. Furthermore, it was envisaged that the locally driven activities, would be developed in line with Local Action and Community Plans, that targeted specific sectors of the economy and addressed productivity drivers in a manner that met a council area's own particular mix of needs and would seek to develop imaginative local solutions to local issues that were acting as a constraint on development.

The Department for the Economy (DfE) (formally Department for Enterprise, Trade and Investment (DETI)) was the designated Managing Authority for the EUSCP in NI and was also (until 2011) the Intermediate Body for the Measure. Between 2007 and 2011, DETI's European Support Unit (as Intermediate Body) approved funding for 51 LED Measure projects (representing a commitment of circa £4m of the £25m ERDF funding). Each of these projects was funded 50% ERDF and 50% Council. However, whilst progress was being made, a Review of the LED Measure in 2010/11 identified the following:

- There was limited availability of the required match funding from Councils, in the then financial climate;
- There was a lack of clarity as to what additional provision could usefully be provided through the Measure, given the number of other support channels available, in particular, Invest NI support;
- The narrower scope of the LED Measure relative to the previous funding programme (Building Sustainable Prosperity) was contributing to fewer projects coming forward and subsequently being funded.

In addition, the publication of the Independent Review of Economic Policy (IREP) during September 2009 had led DETI to assess opportunities to focus more on policy rather than implementation. Following an internal organisation review, the LED Measure was identified as an area where there was an opportunity to do so. It was further considered by DETI that Invest NI's regional office network had the potential to facilitate better links with the local councils than it had.

Invest NI's Role & Activity

Subsequent to both reviews, DETI transferred the administrative responsibility (i.e. the Intermediate Body role) for the LED Measure to Invest NI (responsibility for managing 25 of the 51 projects approved by DETI was also novated to Invest NI). In managing the Measure, it was considered by Invest NI that it would be required to overcome obstacles impacting drawdown, summarised as:

- Agreement on areas of duplication with Invest NI or other public sector activity;
- Council and Invest NI match funding - budget availability;
- Agreement to work within measure restrictions;
- Agreement between Councils on areas of collaboration;
- Agreement on economic appraisal of proposals;
- Budgetary management and administrative issues.

However, it was considered that these issues were manageable and would require:

- Flexibility and pragmatism from all parties in relation to duplication;
- Close cooperation with Councils and DETI on budget allocation;
- Clear understanding and communication of measure rules;
- Influencing skills to develop collaborative, sub-regional strategies;
- Knowledge and capability to ensure clear fit with LED objectives;
- Resourcing the administrative burden in dealing with volume applications.

Post-2011, Invest NI, in its role as Intermediate Body, worked closely with Councils to bring forward LED projects and committed to providing up to 25% of total eligible project costs, thereby substantially easing the financial pressures faced by Councils. The projects presented for LED ERDF funding needed to be aligned with Invest NI's objectives in order to qualify for Invest NI match funding. Projects which did not align with Invest NI objectives continued to be funded through 50% ERDF and 50% Council. LED projects were largely therefore 100% publicly funded, as follows:

Prior to 2011	50% ERDF, 50% Council
Post 2011	50% ERDF, 25% Council and 25% Invest NI or 50% ERDF, 50% Council

The LED Measure did not provide for direct grant assistance to businesses. Instead, funding was provided to Councils to deliver capital build as well as capability development projects via workshops, skills development, mentoring type support etc., tailored to meet the needs of businesses within their local area. Where contracts for the delivery of services were required, these were procured directly by the Councils and subject to EU, National and Local Government procurement guidelines. As soon as it became aware of the recommendations of the 17th Report from PAC¹, Invest NI engaged CPD to advise Councils undertaking LED Capital projects from October 2014 onwards, the purpose of which was to ensure procurement was compliant with relevant EU and NI Procurement Laws. Furthermore, CPD was requested by Invest NI to validate all previous capital procurement activity prior to claims being submitted.

Following Invest NI taking on the role of IB, a further 99 projects were approved, meaning that in total 150 LED Projects were approved and implemented through the 26 Councils under the EU Sustainable Competitiveness Programme 2007-2013. These can be categorised as follows:

Profile of LED1 Projects	
Projects	No. of LED Projects
Approved and managed to their conclusion by DfE	26
Novated across to Invest NI from DfE post the 2011 Review	25
Approved and managed by Invest NI	99
Total	150

Across the full LED Measure funding period, responsibility for the actual implementation of LED funded projects rested with the Councils.

¹ Report on DCAL: Management of Major Capital Projects (Public Accounts Committee, 9 October 2013)

On an overall basis, £44.2m was committed to the 150 approved projects, with actual expenditure incurred being £34.9m i.e. 79% of monies committed were subsequently drawn down.

Summary of LED Projects and Spend					
Project Type	Funder	No. of Projects	Committed £m	Spend £m	% Drawdown
DETI (DfE)	ERDF only	26	1.9	1.6	84%
	Councils		2.4	1.6	67%
	Sub-Total	26	4.3	3.2	74%
Novated to Invest NI	ERDF only	25	2.2	2	91%
	Councils		2.5	2	80%
	Sub-Total	25	4.7	3.9	85%
Invest NI	Invest NI + ERDF	99	23.3	18.3	79%
	Councils		11.9	9.5	80%
	Total	99	35.2	27.8	79%
Total	Invest NI + ERDF	150	27.4	21.9	80%
	Councils		16.8	13.1	78%
	Total	150	44.2	34.9	79%

All 51 DETI approved projects (including the 25 projects novated to Invest NI) were ‘revenue-based’ projects. In total, they had a projected investment value of circa £9m (i.e. £4.3m and £4.7m respectively), with actual spend on these totalling £7.1m (i.e. £3.2m and £3.9m respectively).

The 99 projects approved by Invest NI had a total projected investment value of circa £35.2m, of which £23.3m was anticipated to be supported by Invest NI and ERDF commitments. Actual expenditure across the 99 projects was £27.8, with actual ERDF/Invest NI spend of £18.3m. Of the 99 Invest NI approved projects:

- 95 projects were ‘revenue-based’, representing a total committed value of £18.4m, of which £14.1m was spent.
- 4 were ‘capital’ projects representing a total committed value of £16.9m, of which £13.7m was spent. Further summary details of the 4 capital projects are provided in Appendix II.

Evaluation Methodology

In order to streamline the evaluation process, Invest NI pre-selected a sample of 30 (of the 124 Invest NI) LED funded projects that were administered to their conclusion by Invest NI upon which to draw conclusions against the key objectives of the evaluation. The sample of 30 projects represented:

- 24% of the total number of Invest NI managed and administered LED projects;
- A total investment commitment value of c.£16m (67% Capital and 33% Revenue), of which £11.9m was spent (62% Capital and 38% Revenue);
- The assistance offered is reflective of the range of assistance offered across all of the 124 projects i.e. ranges from £21k to £6.1m;
- LED project activity in all 11 new Council areas (and 61% of the 26 predecessor Councils);
- Projects where:
 - Independent external evaluations have been carried out and are available for 26 revenue projects (24 were Invest NI approved projects and 2 were novated);
 - An evaluation survey was carried out by the Service Delivery Provider (1 project);
 - The projects were capital in nature (2 - i.e. Forthriver and Roslea, where monitoring reports are available at this point in time, owing to their stage of development); and
 - The project originated in a Council area where monitoring and evaluation information was not forthcoming (1).

Summary of Sample 30 LED Projects					
Project Type	Funder	No. of Projects	Committed £m	Spend £m	% Drawdown
Capital	Invest NI + ERDF	2	6.2	4.3	69%
	Councils		4.5	3	67%
	Sub-Total		10.7	7.3	68%
Revenue	Invest NI + ERDF	28	3.7	3.3	89%
	Councils		1.5	1.3	87%
	Sub-Total		5.2	4.6	88%
Total	Invest NI + ERDF	30	9.9	7.6	77%
	Councils		6	4.3	72%
	Total		15.9	11.9	75%

In conducting the evaluation, the Evaluation Team conducted a variety of desk-based and primary research activities including:

Desk Research Activities
<p>Robust review of</p> <ul style="list-style-type: none"> • NI Executive, 2007 EU Structural Funds – The European Sustainable Competitiveness Programme for NI 2007 – 2013 • Mid Term Evaluation of the European Sustainable Competitiveness Programme for NI 2007 – 2013, completed by PWC in 2011 • All LED project level documentation available for the 28 Invest NI Approved & 2 Novated projects (including Council Contact): <ul style="list-style-type: none"> - Assistance Offered, Actual Spend - Application Forms (and supporting documentation) - Casework Approval documents; - Letters of Offer (Signed) by Council; - Monitoring Reports; - PPEs where available

Consultations were undertaken with the stakeholders from DfE, Invest NI, the local councils, NILGA and two of the capital projects supported.

Evaluation Conclusions

Overall Conclusion

Invest NI took responsibility (as Intermediate Body) for the LED Measure of the European Sustainable Competitiveness Programme ('the EUSCP' or 'the Programme') for Northern Ireland 2007-2013 during 2011, some four years into its operation. At this point, the Measure had only committed c£4.1m of its £25m budget (excluding match funding) across 51 projects. In addition, at that point in time, NI was continuing to suffer the effects of the economic downturn and there was uncertainty within the councils as a result of the impending RPA process (whereby the councils were restructured from 26 to 11).

Our review of materials and our consultations with councils and Invest NI/DfE indicate that from the outset, Invest NI took a proactive approach to ensure that as much funding was invested in the local economy as possible. This included taking a decision to match fund eligible projects at a level of 25% of costs from its own budgets, undertaking a series of presentations with councils and introducing an EU & Partner Delivery Team to work closely with councils to scope and develop suitable projects, whilst avoiding duplication of existing activity. Our evaluation suggests that the approach adopted was a success and was welcomed by councils. Ultimately by 2013, Invest NI had committed a further c£15m of ERDF LED monies across 99 new projects including 4 substantial capital projects.

LED's Management, Operating & Monitoring Structures

On an overall basis, the review of programme and project level materials and discussions with key stakeholders indicates that the LED Measure's intervention's management and operating structures were appropriate and effective. This includes *inter alia*:

- The application and appraisal processes which are considered to be concise and proportionate to the quantum of monies sought for individual projects (considering issues such as strategic fit, need, economic benefits - jobs, duplication, displacement, additionality, and VFM);
- The Measure's financial management which was again considered to be proportionate, clear and robust;
- Risk management processes which were considered to be appropriately distributed to all pertinent stakeholders (i.e. DfE, Invest NI and the local councils); and
- The management/delivery of any European Funding e.g. the administrative arrangements including vouching requirements and expenditure eligibility, which were considered to be clear and easily addressed.

In particular, it is noted that the LED Measure offers considerable potential to deliver upon aspects of the Industrial Strategy which has a strong sub-regional dimension. LED 1 (i.e. 2007 – 2013) has provided the opportunity for enhanced communication between the councils and Invest NI and the platform to explore opportunities to impact upon the sub-regional agenda.

However, whilst the monitoring arrangements utilised were effective in ensuring that the supported projects were delivering their anticipated outputs and the funding received was spent in accordance with agreed budgets, it is the Evaluation Team's view that more emphasis could have been placed at the outset of the programme (either by the Department and/or Invest NI when it took over the IB role) on putting in place procedures to provide a foundation for capturing programme level 'outcomes'. That is, the 30 projects that we have considered in detail have sought to support businesses in a large variety of different ways and across the 30 projects, there is a large number of outcome indicators. Unfortunately, the varied mix of indicators chosen by councils to measure the success of their projects means that it is not possible to aggregate results in any meaningful manner. It is the Evaluation Team's view that common indicators could potentially have been built into many of the projects supported, but to be measurable should be done at the outset i.e. either as a requirement of the application process or completed as part of the project approval process.

Strategic fit with relevant policy, including the overall LED Programme objectives

It is clear that Priority 2.2 provided a good fit with prevailing NI strategies including, in particular, Priority 1 (Grow a dynamic, innovative economy) of the then Programme for Government (PfG 2008-2011)² and the then Economic Strategy (published March 2012) which placed a focus on two distinct elements:

- Rebalancing the economy: in the long term (up to 20 years), the aim was to rebalance the local economy toward higher value-added private sector activity.
- Rebuilding the economy: in the short term, the aim was to provide more immediate support/measures for the local economy which had recently experienced a difficult period (rising unemployment, depression in construction).

² Mid-term Evaluation of the European Sustainable Competitiveness Programme for Northern Ireland 2007-2013 Final Report (PwC, August 2011)

In relation to the LED Programme objectives, the Evaluation Team’s review of the projects supported indicates that they provided a strong fit with EUSCP Priority 2 – ‘Sustainable Enterprise and Entrepreneurship’ through encouraging the growth of the private sector. In particular, and as illustrated in Appendices IV, V and VI, many of the projects had a focus on:

- Increased job creation;
- Increased economic activity by encouraging businesses to become more market-aware, research aware, outward-looking, export-orientated and committed to ongoing business development;
- Increased innovation; and
- Greater social inclusion – through the development of social enterprises and through seeking to encourage income generation and an increased circulation of money in disadvantaged communities (in particular, work in support of this has been implemented through the Forthriver project – see Section 3.5 and Appendix IV for details).

The identified rationale and need for the projects, including market failures and additionality

Our review of project applications indicates that most projects supported were premised on the basis that they met local business need (as reflected in local economic development plans, scoping studies, surveys of businesses etc.). Where market failures were discussed, they largely related to some of the following factors:

- **Capital Market Failures** – At 2013, Northern Ireland was continuing to suffer from the impact of the economic downturn. Access to finance was a key area of concern in the local economy and a constraint facing business. In this context (the downturn in the economy and current banking conditions, where it was particularly difficult for businesses to access finance), many businesses were unable to access the finance they required to achieve their growth potential.
- **Information asymmetry** – It was considered that many firms did not understand the full benefits of innovation focused activities, collaborating with other firms to generate new ideas and many individuals did not understand the full potential benefits of starting new businesses. As such, it was suggested that without support, such activities would be taken forward at a sub-optimal level.
- **Risk aversion** - Uncertainty over the benefits and returns from investing in potential growth activities, can often lead to businesses, especially SMEs, to engage in risk adverse behaviour that leads to a sub-optimal level of investment in their future growth. For example, businesses may not invest in training in emerging areas such as digital marketing as they may see it as a threat to their roles or to their traditional models. As a result, businesses fail to reap the true value that can be delivered through these emerging disciplines.

The actual costs incurred against the estimated costs and explain any variances

A key point to note in relation to projects costs is that feedback from councils indicates that without the introduction of Invest NI’s contribution of 25% of project costs far fewer projects would have come forward, and indeed it is likely that much of the LED monies would have remained unspent. This was influenced by a variety of factors including:

- Constrained budgets within the various councils; and
- Uncertainty within the councils during the review period as a result of the reconfiguration of the councils under the RPA process.

Indeed, at the time that the transfer of LED ERDF monies to Invest NI were being discussed it was noted by Invest NI (memo to Invest NI’s Top Management Team, dated 22nd June 2011) that there was a high risk of underspend on the Measure. To that end and reflecting upon the alignment of individual project objectives with the LED Programme objectives, and the fact that the majority of projects supported appear to have fully met their anticipated output and outcome indicators (albeit they are very varied), it appears that the introduction of Invest NI’s 25% funding does appear to have delivered value for money.

As illustrated in Section 3.4, the majority (76% overall) of monies offered (to the 30 LED projects sampled) were drawn down. However, if the Forthriver project is excluded, the percentage drawdown increases to 88% across the remaining 29 projects. A variety of reasons for variances were recorded across projects included tendered costs coming in lower than expected, some activity being less than was anticipated at the outset, some activity that was undertaken not being eligible for ERDF co-funding, some penalties being incurred as a result of procurement activities not being undertaken in line with guidance etc.

The extent to which the projects have progressed to date, and are likely to perform against their stated project objectives and targets

The Evaluation Team has undertaken a detailed review of available evidence with respect to the specific activities, outputs, results and impacts associated with the 30 Invest NI projects that were selected for review. As illustrated in Appendix VI, our review of existing evidence for the 30 projects within the sample indicates that almost all projects met the targets that were established for them.

In specific consideration of the two capital projects, all available evidence indicates that they have progressed as planned and are on their way to achieving targets established for them (albeit, for the Forthriver project, it will be a number of years before it becomes fully clear whether it will meet its occupancy and revenue targets).

The contribution of the projects to Sub-Priority objectives

The sub-priority 2.2 objective was:

“To encourage the growth of NI firms (by encouraging companies to become more market-aware, research aware, outward-looking, export-orientated and committed to ongoing business development)”.

Following the 2011 EUSCP Mid Term Evaluation, the following output indicators were identified to help inform Invest NI’s reporting of LED:

- Number of:**
- LED Projects Supported;
 - LED-based projects that support SMEs to develop their export focus;
 - LED projects that support SMEs in business improvement activities;
 - LED projects that support SMEs in innovation;
 - LED-based projects that support SMEs in entrepreneurship;
 - LED-based projects that support SMEs through collaborative activities.

The 2015 Annual Implementation Report (AIR) noted that in total 150 LED projects were approved (up to 31st December 2015) by both Invest NI and DETI against a target of 100. The table below identifies that each of the LED output indicator targets was achieved, and that the Invest NI-managed LED projects contributed greatly to their achievement.

Achievement of LED Output Indicator Targets				
Number of (LED) projects	Target	Actual	Contribution of the Invest NI managed LED projects to Actual Output	
			No.	%
Supported	100	150	124	83%
That support SMEs in business improvement activities	100	122	100	82%
That support SMEs in entrepreneurship	70	88	70	80%
That support SMEs to develop their export focus	20	41	40	98%
That support SMEs through collaborative activities	10	38	36	95%
That support SMEs in innovation	12	38	36	95%

Whilst the focus on business improvement projects was retained for the 99 projects approved by Invest NI, the table below indicates that the projects approved under Invest NI placed more of an emphasis on Innovation (33%, N=99), collaborative activity (33%, N=99) and export trade (37%, N=99) than had been the case when DETI performed the IB role, but also less of a focus on ‘entrepreneurship’ (49%, N=99).

% of Projects by LED Indicators						
	No. of Projects	% of LED-based projects that support SMEs				
		Business improvement	Entrepreneurship	Export focus	Collaborations	Innovation
DETI	26	85%	69%	4%	8%	8%
Novated	25	88%	84%	12%	12%	12%
Invest NI	99	79%	49%	37%	33%	33%
N=	150	122	88	41	38	38
% of Total		81%	59%	27%	25%	25%

The Evaluation Team considers that a variety of reasons are likely to have contributed to the changing profile of project supported including:

- A general greater awareness of the importance of export trade, innovation and collaboration amongst economic development stakeholders during the period after Invest NI took on the IB role, reflected in the Economic Strategy and PfG;
- Enhanced communication with Invest NI as to the types of projects that might be supported;
- The additional (25%) contribution made by Invest NI allowing councils to consider projects that they might previously have considered to be too novel or risky for their borough/district.

In addition, sub-priority 2.2 had four result/outcome indicators identified following the Mid Term Evaluation, as follows:

Number of participating companies:
<ul style="list-style-type: none"> • Securing work in new markets; • Recording business growth; • Reducing costs of production; • Increasing levels of exports.

The Evaluation Team has undertaken a detailed review of the results and impacts associated with the 30 Invest NI projects that were selected for review. Our review indicates that taken as a representative cohort of the 124 Invest NI managed LED projects, each of the projects supported was successful in engaging with SMEs and also in achieving many important business outcomes (e.g. turnover and employment growth). However, it is evident even across the cohort of 30 LED projects that councils selected a varied mix of outcome/result indicators to measure the success of their projects. Unfortunately, the substantial mix of indicators combined with both the varied quality of project evaluation reports and varied methodologies employed therein means that it is not possible to aggregate results in any meaningful manner.

The Revenue Projects

Nonetheless, the Evaluation Team has sought to align the outcomes reported in the various evaluation reports received for the 28 revenue LED projects by the 4 LED ‘result indicators’ and other key indicators that were featured in some of the reports. Albeit, the Evaluation Team considers that there is some ambiguity in the interpretation of what these result indicators might relate to.

- 3,500 businesses were engaged with; however, of these 1,347 received more intensive support. It should be noted that there is no consistent definition across the projects as to what ‘more intensive support’ consisted of. In the context of our analysis it simply means that at the outset of some projects more businesses were engaged with than proceeded to receive later stage support in the same project/programme;
- In relation to the 4 LED ‘result indicators’:
 - The first indicator relates to ‘securing work in new markets’. However, it is not clear whether this relates to new geographic markets or new product/service markets. Our review of the evaluation reports indicates that:
 - 4 evaluation reports state project participants entered new ‘product/service’ markets of which 2 (of the 4 reports) state that a total of 115 project participants did so;
 - 2 evaluation reports state that a total of 43 project participants entered new ‘geographic’ markets.
 - The second indicator relates to ‘participant businesses recording business growth’. However, it is not clear what metric of business growth this relates e.g. whether it relates to turnover growth, employment growth, profitability growth etc. Our review of the evaluation reports indicates that:
 - 19 evaluation reports state that project participants increased their turnover, of which 17 (of the 19 reports) state that project participants increased their turnover by a total of £19m;
 - 22 evaluation reports state that project participants increased their employment by a total of 504 FTEs;
 - 3 evaluation reports state that project participants increased their profitability, of which 1 (of the 3 reports) states that project participants increased their profitability by a total of £303k.
 - The third indicator relates to ‘participant businesses reducing their costs of production’. Our review indicates that 4 evaluation reports state that project participants reduced their costs of production, of which 3 (of the 4 reports) state that project participants reduced their costs of production by a total of £132k.
 - The fourth indicator relates to ‘participant businesses increasing their levels of exports’. Our review indicates that 8 evaluation reports state that project participants increased their exports, of which 6 (of the 8 reports) state that project participants increased their levels of exports by a total of by a total of £1.2m. In many cases, but not in all, these were identified as a subset of total turnover increases.
- Other key ‘indicators’ that were featured in the various evaluation reports included:
 - 7 evaluation reports state that project participants ‘improved their skills & knowledge’;
 - 15 evaluation reports state that project participants were able to ‘sustain’ a total of 2,559 FTE jobs;
 - 2 evaluation reports state that project participants ‘secured investment’ totaling £1.14m;
 - 6 evaluation reports state that a total of 52 project participants became Invest NI clients;
 - 4 evaluation reports stated that project participants created 79 new businesses.

However, as suggested, the Evaluation Team would urge caution as to the use of each of the aggregated ‘result indicators’ or other indicators featured above, due to the varied quality of project evaluation reports; gaps in information within the reports; and the varied methodologies employed within the individual project reports. Also, few, if any of the evaluation reports sought to identify levels of additionality associated with the gross results identified, whilst others were based on results reported by delivery agents, without evidence of validation.

The Capital Projects

In relation to the two capital projects' contribution to the 4 LED 'result indicators', the Evaluation Team notes the following:

<p>Forthriver</p>	<p>At the time of writing (March 2018), the Centre had only been formally opened for a period of 18 months. Discussion with the Operator indicates that key activities delivered have included:</p> <ul style="list-style-type: none"> • A local management consulting firm has been commissioned to provide business growth support. This firm manages a range of support services, each with specific roles relating to business growth and innovation services that are made available to centre users and tenants. • Invest NI has also been working in partnership with the Centre Operator and BCC to ensure that the breadth of available Invest NI's products and services are maximised/exploited for the benefits of tenants and customers of the Innovation Factory. <p>The Centre has not been captured whether participating companies have:</p> <ul style="list-style-type: none"> • Secured work in new markets; • Recorded business growth; • Reduced costs of production; • Increased levels of exports.
<p>Roslea Enterprise Centre</p>	<p>Construction on this project (of 2 new incubation units) was completed by 18th December 2015, with the units fully occupied (by one business that had been an existing tenant of the Centre) by January 2016.</p> <p>The project's evaluation indicates that the business has since created five new jobs and increased their exports in the ROI market, increased their engagement with Invest NI and progressed to become an account-managed client within Invest NI's Food and Drink Division</p> <p>The Centre Operator has also noted that, the tenant of the 3,100ft² has recently secured bank finance to construct an extension to the workspace to support their business growth.</p> <p>The project has therefore supported the tenant business' growth and facilitated an increase in their exports.</p>

The extent to which the projects are having an impact on the local economy, including wider and regional impacts

Feedback from council representatives indicates that the LED Measure has complemented and enhanced regional initiatives that support and strengthen business competitiveness. The projects taken forward have been developed in line with local priorities and needs.

The varied nature of the outcomes generated by projects and the different means by which they were measured (see Section 3.5 for illustration) means that it is very difficult to meaningfully aggregate or to gross up for the Invest NI managed LED projects (either accurately or in a manner that might be considered technically robust). However, a review of that Section readily illustrates that substantial and varied outcomes were achieved. The key types of outcomes achieved related to revenue and employment growth amongst businesses. Other key outputs relate to:

- Increased levels of innovation activity;
- Enhanced business infrastructure (e.g. the Innovation Factory at Forthriver or the Roslea project);
- Increased levels of skills.

In implementing the projects in line with local identified needs, and achieving the identified outputs and outcomes, the Evaluation Team considers that notwithstanding the varied evaluation methodologies employed and gaps in information available etc., it might be reasonable to assume that participation in the LED projects

has contributed to making the businesses ‘more competitive and sustainable’ and in turn more capable of contributing to closing the productivity gap with the rest of the UK.

The risk management processes put in place

Invest NI’s management of the LED monies carried with it several substantial risks from the outset. Foremost amongst those was budget underspend but also risks relating to relationship management between Invest NI and its key LED stakeholder grouping. However, it also carried the opportunity to lever up to £50m investment in the local economic development environment, helping transform sub-regional delivery of products and services.

Ultimately, given the expenditure drawn down and the feedback from local authorities, Invest NI successfully managed both risks. Indeed, it is evident that Invest NI was well placed to bring best practice and transfer capability to Councils and the management of the LED Measure provided a vehicle for this to happen.

Project level risks were largely addressed through the project appraisal, casework process and ongoing project monitoring throughout the lifetime of the project. The Evaluation Team’s review of these documents for the 30 projects within the sample indicates that projects were appropriately appraised and that a robust challenge function was adhered to within the casework panels. Subsequent to this, Letters of Offer contained appropriate contractual conditions to manage any project risk further. In addition, it should be recognised that it appears (based upon available monitoring information) that councils also sought to mitigate risk through contractual arrangements with providers and regular monitoring etc.

Economy, Efficiency & Effectiveness

The Evaluation Team sought (see Section 3.5) to aggregate results for the 28 revenue projects and 2 capital-build projects that were sampled as part of this evaluation. This task proved complex as a result of the varied nature of indicators utilised by projects and in part in relation to gaps in the necessary information in the available evaluation reports. Whilst the following aggregate results have been identified, the Evaluation Team would urge caution in their use and interpretation.

Table 5.2: Summary of Aggregated Results featured in Evaluation Reports for Sampled Projects

	No. of businesses engaged	No. of businesses receiving more intensive support ³	No. of jobs created	No. of jobs sustained	Value of additional sales	Increasing level of exports
Total	3,500	1,347	503.5	2,560	£19,373,511	£1,225,911
N=	28	24	22	15	17	6
Average per project	125	56	23	171	£1,139,618	£204,318

The 28 revenue projects received a total of £3,279,527 of assistance (ERDF or Invest NI). If the value of ‘additional sales’ recorded is utilised, then it appears that the LED Measure has provided a return of circa £5.90 for every £1 invested. However, the Evaluation Team notes that such a crude and high-level indicator would not be used by Invest NI within the evaluation of its other programmes, which typically assess levels of deadweight associated with any sales achieved and also use GVA conversions.

³ E.g. mentoring support

The Evaluation Team has further sought, to the extent possible, to draw conclusions, on the basis of the findings above, as to the economy, efficiency and effectiveness of the Invest NI managed LED Measure and the extent to which it has represented Value for Money, as illustrated below:

Table 5.3: Economy, Efficiency & Effectiveness Indicators	
Indicator	Evaluation Team's Commentary
Economy measures are concerned with showing that the appropriate inputs (i.e. the resources used in carrying out the project) have been obtained at least cost	All LED projects that used external providers were subject to public procurement exercises, as were the capital projects. This provides some assurance that appropriate inputs (i.e. the resources used in carrying out the project) have been obtained at least cost. In addition, to help achieve 'economy' Invest NI provided guidance to the Councils as to maximum daily rates for external delivery organisations and maximum mentoring days support that should be made available to participant businesses.
Efficiency relates to measures that are concerned with achieving the maximum output from a given set of inputs	In terms of efficiency, we note that there was a high level of achievement of targets (see Appendices IV, V and VI) across most of the LED projects considered within the sample. The Evaluation Team considers that this provides some assurance that councils have achieved the maximum output from their given set of inputs.
Effectiveness measures are concerned with showing the extent to which aims, objectives and targets of the project are being achieved	Again, Appendix IV, V and VI demonstrates that there was a high level of achievement of output targets across most of the LED projects considered within the sample, indicating some level of effectiveness. Unfortunately, measurement of outcome indicators is more varied, which would have provided a better measure of effectiveness.

On balance, our review of the project documentation received (with key aspects summarised in Appendix VI) suggests that Value for Money has been achieved; albeit the Evaluation Team recommends that enhanced measurement of key outcome measures across LED projects would provide better information from which to determine value for money.

Lessons Learned for Invest NI in terms of its future approach to sub-regional growth development and how it can best work with the Councils in this regard

Discussion with councils and Invest NI indicates that the monitoring and audit checks that were undertaken have been successful in identifying the key 'lessons to be learned', and that these have subsequently been incorporated into the following new processes for LED 2:

- CPD Procurement Adviser is involved with Councils in the procurement competitions for the funded elements of LED 2 projects.
- Pre-Support on EU Regulations from a member of Invest NI's European Unit team who will visit Council to discuss all the EU regulations required during future audits.
- Specialist State Aid Advice from a member of DfE staff who is willing to advise each Council on State Aid regulations on their first LED 2 project.
- Simplified clauses and definitions used in the revised LED 2 Letter of Offer to provide less ambiguity and a standardised approach in relation to Council requirements and project outputs.

In relation to Invest NI's future approach to sub-regional development and how it can best work with the Councils:

- The council consultees recommended that:
 - 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.
 - Further support should be offered for enterprise awareness activities;
 - There was room for greater clarity around the progression route for businesses to move from local council support onto that provided by Invest NI. It was a consensus view of those in attendance at the council focus group session that the current progression route is somewhat 'disjointed'.
- The Invest NI consultees noted that a pressing concern might be to focus on what arrangements might be introduced post 2020 and the UK's exit from the European Union i.e. will any form of intervention be introduced by Treasury or might the NI Executive decide that such support for local business might have to be funded from local rates, given that with the transfer of functions under RPA, there was a transfer of monies for local economic development. It was suggested that the process of addressing such strategic questions should commence at the earliest possible opportunity.

In addition, recognising that the realignment and amalgamation of the 26 legacy councils into the new configuration of 11 has taken time to embed, there was a suggestion 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.

The Evaluation Team considers that, for the most part, the recommendations made by both the councils and Invest NI have merit. Although, historically, there has been substantial support for enterprise awareness type activities, so any support of this nature should be considered carefully to ensure that it is fully additional to any other enterprise awareness activities that are already in existence.

Equality Considerations

All of the projects supported adhered to the councils' own commitments to the Section 75 of the Northern Ireland and the Disability Discrimination Act 1995. It is the Evaluation Team's view that the projects would therefore, not have had any detrimental impact upon groups affected by both Acts.

It is further noted that some projects (e.g. the Forthriver project – see Appendix IV) have sought to impact positively on an area of considerable disadvantage.

Evaluation Recommendations

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 Nibusinessinfo 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:
 - Programme/project name;
 - Participant business name;
 - Business address;
 - Key contact name;
 - Key contact telephone number;
 - Key contact e-mail address;
 - 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);
 - The support received by each individual business;
 - 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 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.
 - 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.
 - 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.
 - 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.

1. INTRODUCTION AND BACKGROUND

1.1 Introduction

Invest Northern Ireland (Invest NI) has commissioned Cogent Management Consulting LLP ('Cogent' or the Evaluation Team) to undertake an independent evaluation of the Invest NI managed LED Measure of the European Sustainable Competitiveness Programme ('the EUSCP' or 'the Programme') for Northern Ireland 2007-2013.

1.2 The European Sustainable Competitiveness Programme

1.2.1 Background

In the 2007-2013 round of European Union (EU) structural funds, Northern Ireland (NI) received support under the Regional Competitiveness and Employment Objective. This objective was supported by two funds, namely the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

The EUSCP for Northern Ireland 2007-2013, which was worth a total of €566m⁴ was funded (50%) through the ERDF, with the balance (50%) matched funded through National contribution. The EUSCP was approved by the NI Executive in September 2007, adopted by the European Commission in October 2007, and formally launched in Belfast in April 2008. It was anticipated that all funds for the Programme would be committed by 31 December 2013, with spend allowed to occur up to two years after this date i.e. 31 December 2015.

At the time of its approval, the NI economy was facing a number of challenges⁵, including a need to:

- Increase levels of R&D&I⁶ and enterprise;
- Enhance the current infrastructure;
- Increase levels of employment and reduce levels of economic inactivity; and
- Increase levels of skills and qualifications amongst existing employees as well as those seeking to enter employment.

Subsequently, in order to best address these challenges, it was decided to focus the Programme's support on SMEs⁷, with the following strategic objective established: *'to help create a more competitive and sustainable NI and, in particular, to closing the productivity gap with the rest of the UK'*⁸.

⁴ NB the value fluctuated in line with exchange rate movements

⁵ NI Executive (2007) EU Structural Funds - The European Sustainable Competitiveness Programme for NI 2007-2013, CCI: 2007UK162PO003

⁶ Research and Development and Innovation

⁷ Small and Medium Sized Enterprises

⁸ At 2009, the productivity gap was circa 20 per cent.

1.2.2 EUSCP's Priority Areas

The Programme was structured around four Priorities (as illustrated below), with each priority area further split into a number of sub-priorities and delivered by a range of Intermediate Bodies (IBs).

Priority	Aims & Objectives
1. Sustainable Competitiveness and Innovation (€235m)	<ul style="list-style-type: none"> To increase expenditure on Research and Development (R&D) and innovation. To promote better links between businesses and the research sector and support research excellence through strengthening the innovation infrastructure.
2. Sustainable Entrepreneurship and Enterprise (€182m)	<ul style="list-style-type: none"> To increase business start-up and survival rates and encourage the growth of NI firms. To promote foreign direct investment. To facilitate a globally competitive and sustainable tourism industry.
3. Improving Accessibility and Protecting and Enhancing the Environment (€143m)	<ul style="list-style-type: none"> To improve infrastructure to support sustainable economic and social development. To protect and enhance the natural environment. To work with the private sector to upgrade broadband infrastructure.
4. Technical Assistance (€5.6m)	<ul style="list-style-type: none"> To help implement and manage the Programme

The second priority (Priority 2: Sustainable Enterprise and Entrepreneurship) was anticipated to focus on two key areas:

- i. Expanding the private sector; and
- ii. Creating a world-class business climate in NI.

Priority 2's sub-priority areas and IBs were as follows:

Sub Priority	Area of Activity	Intermediate Body
2.1	Three Enterprise and Entrepreneurship Schemes: (1) Enterprise, Entrepreneurship and Innovation Promotion in SMEs (EEIPS); (2) NI Screen; and (3) Selective Financial Assistance.	Invest NI
2.2	Local Economic Development (LED) Measure	DETI (up to 2011) Invest NI (post 2011)
2.3	Tourism Schemes	NITB

1.3 EUSCP Priority 2.2 – The LED Measure

1.3.1 Priority 2.2

Under the LED Measure (Sub-Priority 2.2) £50m (£25m ERDF/£25m National Contribution) funding was set aside for relevant projects brought forward under the, now legacy, 26 local Councils which would assist economic development in their respective areas.

It was anticipated⁹ that Priority 2 would help accelerate a cultural shift towards enterprise and entrepreneurship, which would support the delivery of:

- **Increased job creation;**
- **Increased economic activity** – it was suggested that entrepreneurial start-ups provide the seed-bed from which the high-growth companies of tomorrow would emerge, creating further employment opportunities;
- **Increased innovation** - new firms are one of the main sources of ideas and innovation in an economy, contributing directly to the Economic Vision goal of productivity growth;
- **An expanded business supply chain** - new firms make a vital contribution through their role as suppliers to larger companies and the presence of a small firm supplier base can be an important factor in attracting internationally mobile branch plants of large firms; and
- **Greater social inclusion** – it was considered that social enterprises assist the development of an entrepreneurial culture at a local level and in a way that positively embraces new Lifetime Opportunities policy imperatives, through income generation and an increased circulation of money in disadvantaged communities.

However, it was considered that a locally driven component was essential to complement and enhance regional initiatives that support and strengthen business competitiveness. Furthermore, it was envisaged that the locally driven activities, would be developed in line with Local Action and Community Plans, that targeted specific sectors of the economy and addressed productivity drivers in a manner that met a council area's own particular mix of needs and would seek to develop imaginative local solutions to local issues that were acting as a constraint on development. In addition, the use of a local delivery approach was also anticipated to facilitate both rural and urban issues to be addressed.

It was envisaged that such an approach would ensure that locally based regeneration fitted within, and was complementary to, regional strategies, and would also help identify and address the regional disparities that existed in economic performance across NI.

1.3.2 Managing Authority and Intermediate Body Roles for LED

The Department for the Economy (DfE) (formally Department for Enterprise, Trade and Investment (DETI)) was the designated Managing Authority for the EUSCP in NI.

Between 2007 and 2011, DETI's European Support Unit was the Intermediate Body for the LED Measure. A team within the Unit oversaw the administrative arrangements for implementing the LED Measure, including the assessment of Council project applications, commissioning Economic Appraisals, issuing letters of offer, paying claims and monitoring performance. The team consisted of approximately 11 staff members across all the substantive grades (G7, DP, SO, EOII) who liaised with Councils through all the pre-approval and post-approval stages.

During the period 2007-2011, DETI approved funding for 51 LED Measure projects (representing a commitment of circa £4m of the £25m ERDF funding). Each of these projects was funded 50% ERDF and 50% Council. However, whilst progress was being made, a Review of the LED Measure in 2010/11 identified the following:

⁹ Source: NI Executive (2007) EU Structural Funds - The European Sustainable Competitiveness Programme for NI 2007-2013, CCI: 2007UK162PO003

- There was limited availability of the required match funding from Councils, in the then financial climate;
- There was a lack of clarity as to what additional provision could usefully be provided through the Measure, given the number of other support channels available, in particular, Invest NI support;
- The narrower scope of the LED Measure relative to the previous funding programme (Building Sustainable Prosperity) was contributing to fewer projects coming forward and subsequently being funded.

In addition, the publication of the Independent Review of Economic Policy (IREP) during September 2009 had led DETI to assess opportunities to focus more on policy rather than implementation. Following an internal organisation review, the LED Measure was identified as an area where there was an opportunity to do so. It was further considered by DETI that Invest NI's regional office network had the potential to facilitate better links with the local councils than it had.

Subsequent to both reviews, DETI transferred the administrative responsibility (i.e. the Intermediate Body role) for the LED Measure to Invest NI (responsibility for managing 25 of the 51 projects approved by DETI was also novated to Invest NI). As such, an EU & Partner Delivery Team consisting of 7 staff was established from within Invest NI's Regional Business Group and took over responsibility for overseeing the administrative arrangements for implementing the LED Measure.

A separate EU Programmes Team already existed within Invest NI whose role was to manage the overall EU Sustainable Competitiveness Programme (EUSCP) within Invest NI, with budget responsibility of £276m.

In managing the Measure, it was considered by Invest NI¹⁰ that it would be required to overcome obstacles impacting drawdown, summarised as:

- Agreement on areas of duplication with Invest NI or other public sector activity;
- Council and Invest NI match funding - budget availability;
- Agreement to work within measure restrictions;
- Agreement between Councils on areas of collaboration;
- Agreement on economic appraisal of proposals;
- Budgetary management and administrative issues.

However, it was considered that these issues were manageable and would require:

- Flexibility and pragmatism from all parties in relation to duplication;
- Close cooperation with Councils and DETI on budget allocation;
- Clear understanding and communication of measure rules;
- Influencing skills to develop collaborative, sub-regional strategies;
- Knowledge and capability to ensure clear fit with LED objectives;
- Resourcing the administrative burden in dealing with volume applications.

Following Invest NI taking on the role of IB, a further 99 projects were approved, meaning that in total 150 LED Projects were approved and implemented through the 26 Councils under the EU Sustainable Competitiveness Programme 2007-2013. These can be categorised as follows:

Table 1.1: Profile of LED1 Projects	
Projects	No. of LED Projects
Approved and managed to their conclusion by DfE	26
Novated across to Invest NI from DfE post the 2011 Review	25
Approved and managed by Invest NI	99
Total	150

¹⁰ Source: Memo to Invest NI's Top Management Team (dated 22nd June 2011)

Across the full LED Measure funding period, responsibility for the actual implementation of LED funded projects rested with the Councils.

1.4 Invest NI's Requirements

As noted, Invest NI wishes to undertake an independent evaluation of the 124 LED Measure projects that it managed in its role as IB¹¹ (i.e. 99 Invest NI approved and 25 novated across to Invest NI from DETI). The objectives of the evaluation¹² are as follows:

A. An assessment of the effectiveness of the intervention's management, operating and monitoring structures. This should incorporate *inter alia*:

- The application and appraisal processes,
- The financial management;
- The output monitoring arrangements.
- An analysis of risk management; and
- An assessment of the effectiveness of any management/delivery of any European Funding e.g. the administrative arrangements including vouching requirements and expenditure eligibility.

B. In relation to the **Revenue Projects**, to use available information including completed evaluation reports, together with stakeholder consultations to draw conclusions with respect to the items featured in the table below:

C. In relation to the **Capital Projects**, to use available casework and monitoring report information, together with consultations to critically assess the items featured in the table below:

Items	Project Type	
	Revenue	Capital
The strategic fit with relevant policy, including the overall LED Programme objectives	Y	Y
The identified rationale and need for the projects, including market failures and additionality;	Y	Y
The actual costs incurred against the estimated costs and explain any variances	Y	Y
The level of outputs, impacts as well as the wider and regional economic benefits achieved	Y	
The risk management processes put in place		Y
The extent to which the projects have progressed to date, and are likely to perform against their stated project objectives and targets, including an assessment of the extent to which underpinning assumptions have materialised		Y
The extent to which the projects are having an impact on the local economy, including wider and regional impacts		Y
The contribution of the projects to Sub-priority objectives	Y	Y

D. To the extent possible, to draw conclusions, on the basis of the findings above, as to the economy, efficiency and effectiveness of the Invest NI managed LED Measure and the extent to which it has represented Value for Money

E. The identification of lessons learnt for Invest NI in terms of its future approach to sub-regional growth development and how it can best work with the Councils in this regard.

¹¹ The scope of this evaluation does not extend to the 26 LED projects approved and managed to their conclusion by DfE (DETI).

¹² The Evaluation must be undertaken in line with National and regional requirements.

The Terms of Reference for the evaluation stipulated that a bespoke and tailored evaluation would be required that would predominantly be based upon an assessment of the available evidence for a sample of 30 projects, as it was not anticipated that further primary research with service providers or beneficiaries of the remaining 94 projects would be undertaken.

In addition, the evaluation should address equality considerations as follows:

- take into account the requirements of Section 75 of the Northern Ireland Act 1998¹³;
- in respect of any recommendations made consider whether there are any likely impacts on anti-poverty, social inclusion, equality of opportunity or good relations. In doing so, the service provider may recommend measures to mitigate against any adverse impacts;
- consider the accessibility of the programme for all, in line with the Disability Discrimination Act 1995.

1.5 Methodology

1.5.1 Introduction

In order to streamline the evaluation process, Invest NI pre-selected a sample of 30 (of the 124 Invest NI) LED funded projects that were administered to their conclusion by Invest NI upon which to draw conclusions against the key objectives of the evaluation. The sample of 30 projects represented:

- 24% of the total number of Invest NI managed and administered LED projects;
- A total investment commitment value of £16m (67% Capital and 33% Revenue), of which £11.9m was spent (62% Capital and 38% Revenue);
- The assistance offered is reflective of the range of assistance offered across all of the 124 projects i.e. ranges from £21k to £6.1m;
- LED project activity in all 11 new Council areas (and 61% of the 26 predecessor Councils);
- Projects where:
 - Independent external evaluations have been carried out and are available for 26 revenue projects (24 were Invest NI approved projects and 2 were novated);
 - An evaluation survey was carried out by the Service Delivery Provider (1 project);
 - The projects were capital in nature (2 - i.e. Forthriver and Roslea, where monitoring reports are available at this point in time, owing to their stage of development); and
 - The project originated in a Council area where monitoring and evaluation information was not forthcoming (1).

Table 1.2: Summary of Sample 30 LED Projects

Project Type	Funder	No. of Projects	Committed £m	Spend £m	% Drawdown
Capital	Invest NI + ERDF	2	6.2	4.3	69%
	Councils		4.5	3	67%
	Sub-Total		10.7	7.3	68%
Revenue	Invest NI + ERDF	28	3.7	3.3	89%
	Councils		1.5	1.3	87%
	Sub-Total		5.2	4.6	88%
Total	Invest NI + ERDF	30	9.9	7.6	77%
	Councils		6	4.3	72%
	Total		15.9	11.9	75%

¹³ Section 75 of the Northern Ireland Act 1998 requires Invest Northern Ireland, in carrying out all its powers, duties and other functions, to have due regard to the need to promote equality of opportunity: between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation; between men and women generally; between persons with a disability and persons without; and between persons with dependants and persons without.

In conducting the evaluation, the Evaluation Team conducted a variety of desk-based and primary research activities including:

Desk Research Activities
<p>Robust review of</p> <ul style="list-style-type: none"> • NI Executive, 2007 EU Structural Funds – The European Sustainable Competitiveness Programme for NI 2007 – 2013 • Mid Term Evaluation of the European Sustainable Competitiveness Programme for NI 2007 – 2013, completed by PWC in 2011 • All LED project level documentation available for the 28 Invest NI Approved & 2 Novated projects (including Council Contact): <ul style="list-style-type: none"> - Assistance Offered, Actual Spend - Application Forms (and supporting documentation) - Casework Approval documents; - Letters of Offer (Signed) by Council; - Monitoring Reports; - PPEs where available.

Consultations were undertaken with the following stakeholders:

Organisation	Consultee(s)	Rationale
DfE	Head of DfE Managing Authority Unit (G7)	Had overall responsibility for the implementation and compliance of EU funded projects.
	DfE Support Staff Member	Has historical knowledge of the LED Measure when it was managed by DETI.
Invest NI	Manager of the EU Programmes Team (G7)	Had overall responsibility for the implementation and auditing of the EU Sustainable Competitiveness Programme (which LED comes under).
	EU Programme Manager	Had administrative responsibility for the implementation and auditing of the EU Sustainable Competitiveness Programme.
	EU and Partner Delivery Manager (G7)	Who oversaw the transfer of the LED Measure from DETI to Invest and had responsibility for its implementation from 2011-2015.
	EU & Partner Delivery Manager (G7)	Who managed the LED Measure from 2015 through to programme closure and has responsibility for the implementation of the new EU Investment for Growth & Jobs Programme.
	Budget and Compliance Executive	Who had responsibility for the coordination and compliance of the LED Measure from 2011 until the present day.
	Invest NI LED/Stakeholder Executives x 5	Who had responsibility for engaging with Councils in the development of LED projects, securing Invest NI approval and monitoring of subsequent offers.
Key LED Project Stakeholders	Oxford Innovation Ltd	Who has been appointed by Belfast City Council to manage the Innovation Centre (Forthriver) and to provide a range of growth and innovation services to tenants.
	Roslea Enterprises Ltd	Operates as a private limited company (by guarantee), specialising in renting and operating own or leased real estate.

As part of the Evaluation process, 18 individuals were consulted across the 11 NI local authorities, as well as one representative of NILGA (see below). In addition, a follow-up focus group was held with a number of the consultees to further explore issues raised in individual consultations. Each of these council representatives had experience of LED Measure through their involvement in the delivery and/or implementation of the LED Programmes.

Table 1.3: Local Authority Consultees	
Organisation	Consultee
Antrim and Newtownabbey Borough Council	Alastair Law
Ards and North Down Borough Council	Karine McGuckin
Armagh City, Banbridge and Craigavon Borough Council	Ciaran Tipping
	Elaine McAlinden
Belfast City Council	Colin McCabrey
	Cathy Keenan
Causeway Coast and Glens Borough Council	Martin Clark
Derry City and Strabane District Council	Louise Breslin
Fermanagh and Omagh District Council	Kieran McCrory
	Kevin McShane
	Linda Caldwell
	Anne Quinn
Lisburn and Castlereagh City Council	Hazel King
Mid and East Antrim Borough Council	Ursula O'Loughlin
	Eva Keenan
Mid Ulster District Council	Fiona McKeown
	Shirley McIntyre
Newry, Mourne and Down District Council	Amanda Smyth
Northern Ireland Local Government Association (NILGA)	Derek McCallan

2. LED MEASURE MANAGEMENT

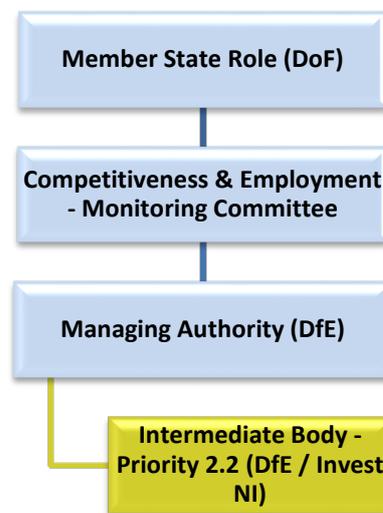
2.1 Introduction

This section discusses key aspects of how the LED Measure was managed.

2.2 Programme Level Management Structures

As noted in Section 1, the EUSCP was delivered through four Priorities via a range of Intermediary Bodies (IBs). Figure 1 provides an overview of the management and delivery structures associated with Sub-Priority 2.2.

Figure 1: Overview of Management and Delivery Structures



Appendix I provides an overview of the key roles and responsibilities involved in managing the Programme (at the NI level). A review of materials provided (e.g. the 2015 Annual Implementation Report) indicates that the Managing Authority (the Department for the Economy) worked closely with the Invest NI and the other Intermediate Bodies to ensure that the Programme was implemented effectively. For example, during 2015, the existing suite of guidance documents was reviewed and updated, and meetings were held with the Intermediate Bodies to monitor progress, address any areas of concern and share best practice.

In addition, the Managing Authority put in place a system for carrying out additional management verification checks on the work of the Intermediate Bodies to ensure that they were implementing the Programme in line with requirements and conducted their own verifications on projects to the required standard.

The Managing Authority continuously reviewed Programme progress and where necessary took proactive action to align the Programme to ensure that maximum impact and benefit was derived.

2.3 Invest NI's Role as Intermediate Body

2.3.1 Key Tasks

The tasks delegated by the Managing Authority to the IB included:

- Ensuring that the projects selected for funding were in accordance with the criteria applicable to the operational programme and that they complied with applicable Community and National rules;
- Verifying that the co-financed projects were delivered and that expenditure declared by the councils for projects had actually been incurred and complied with Community and National rules.
- Ensuring that there was a system for recording and storing in computerised form accounting records for each project under the operational programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation were collected;
- Ensuring that evaluations of the operational programme were carried out according to Council Regulation 1083/2006;
- Setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail were held in accordance with the requirements of Council Regulation 1083/2006; and
- Ensuring compliance with information and publicity requirements.

2.3.2 Invest NI LED Staffing and Activities

Invest NI's EU & Partner Delivery Team structure was as follows:

Personnel	Roles & Responsibilities
1 x EU Partner and Delivery Manager	Lead contact on LED Measure across NI
5 x LED/Stakeholder Executives	Based in Regional Offices, who acted as the lead contact within their allocated Council areas. They were responsible for engaging with Councils to support and encourage them to develop and progress LED Projects. They also supported their relevant Regional Manager as required in general stakeholder engagement and in progressing Economic Strategies, Integrated Action Plans, and NI Programme for Government discussions.
1 x Budget & Compliance Executive	Lead role in ensuring effective coordination, implementation and compliance of LED.

On a day-to-day basis, Invest NI's role was to work in partnership with the legacy 26 Councils (later 11 Councils) to support them develop and implement LED projects. Invest NI's role involved ensuring ongoing engagement with Councils in the following areas:

Project Scoping (initiation and development) and	Invest NI was responsible for engaging with Councils to help them scope out and identify potential projects suitable for LED support. Councils were required to submit a full LED Application onto the EU database (System 2007), before being considered for LED funding.
Appraisal	Invest NI was responsible for carrying out a full appraisal of the LED project 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; 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.

The Councils were required to comply with EU and Invest NI publicity requirements.

Projects funded under the LED Measure were largely delivered by Councils as ‘No Aid’ or under ‘the De Minimis’ State Aid rule. Responsibility rested with Councils to ensure that State Aid regulations were complied with for their respective LED projects.

In all cases, payment of LED support to the Council was based on vouched and approved expenditure.

2.3.3 Measure Operations

From the outset, Sub Priority 2.2 - Local Economic Development operated an ongoing open call for applications. The original intention was that projects supported would be from cluster councils rather than individual councils. Whilst this happened in some cases, it was not widespread.

It should be noted that the Mid-Evaluation¹⁴ had reported that feedback from councils reported that the LED Measure application process (which was managed at that time by the then IB, DETI/DfE) was quite bureaucratic, time-consuming and had room for improvement. In particular, that report noted that councils had suggested that:

- The application form was repetitive required considerable council staff input;
- The economic appraisal process demanded considerable amounts of information; and
- Different divisions of Invest NI gave conflicting advice which could cause projects to fail at the assessment stage.

However, the Mid-Term Evaluation, by way of counterbalance, noted that the then IB (DfE) had reported that the quality of applications that it had received from Councils had varied greatly, which led to delays between application stage to approval as the applications frequently required significant clarification and reworking.

2.3.4 LED Project Funding

Post-2011, Invest NI, in its role as Intermediate Body, worked closely with Councils to bring forward LED projects and committed to providing up to 25% of total eligible project costs, thereby substantially easing the financial pressures faced by Councils (see Section 1.3.2). The projects presented for LED ERDF funding needed to be aligned with Invest NI’s objectives in order to qualify for Invest NI match funding. Projects which did not align with Invest NI objectives continued to be funded through 50% ERDF and 50% Council.

LED projects were largely therefore 100% publicly funded, as follows:

Prior to 2011	50% ERDF, 50% Council
Post 2011	50% ERDF, 25% Council and 25% Invest NI or 50% ERDF, 50% Council

The LED Measure did not provide for direct grant assistance to businesses. Instead, funding was provided to Councils to deliver capital build as well as capability development projects via workshops, skills development, mentoring type support etc., tailored to meet the needs of businesses within their

¹⁴ Mid-term Evaluation of the European Sustainable Competitiveness Programme for Northern Ireland 2007-2013 Final Report (PwC, August 2011)

local area. Where contracts for the delivery of services were required, these were procured directly by the Councils and subject to EU, National and Local Government procurement guidelines. As soon as it became aware of the recommendations of the 17th Report from PAC¹⁵, Invest NI engaged CPD to advise Councils undertaking LED Capital projects from October 2014 onwards, the purpose of which was to ensure procurement was compliant with relevant EU and NI Procurement Laws. Furthermore, CPD was requested by Invest NI to validate all previous capital procurement activity prior to claims being submitted.

2.3.5 *Budget Management of Invest NI Led Projects*

From 2011, Invest NI LED Measure budgets were allocated annually, for each financial year, based on anticipated spend requirements for subsequent years. This allocation included ERDF and Invest NI (75% of total funding requirements)¹⁶.

Invest NI initially took responsibility for £11m of LED ERDF funding, representing a total investment value of £22m (50% ERDF, 25% INI, 25% Council). In May 2014 Invest NI agreed on responsibility for an additional £5m ERDF budget, which increased the total investment value to £32m (ERDF £16m, Invest NI £8m and Council £8m)¹⁷.

All projects submitted by Councils were endorsed by their relevant Council Committees with Council contributions at 25% of eligible project costs committed before approval of the project. These were subject to Council's annual budget estimates.

Projects funded under LED had to be approved and committed by December 2013, with expenditure incurred and paid out by December 2015.

¹⁵ Report on DCAL: Management of Major Capital Projects (Public Accounts Committee, 9 October 2013)

¹⁶ Note: No additional Invest NI budget allocation was required for the 25 Novated Projects.

¹⁷ The variances between the budget allocations referenced above and the commitment values (as per Table 3.2, Page 13) relate to: (i) the budget allocations represented estimates based on forecasted spend; (2) the commitment values included some Council expenditure post 2015 which was not eligible for ERDF co-funding; and (3) some of the investment expenditure was not eligible for Invest NI co-funding (owing to a lack of alignment with Invest NI objectives) with the Councils taking on a greater contribution than 25% for such projects.

3. OVERVIEW OF LED APPROVED PROJECTS

This section provides an overview of the Invest NI managed projects supported under the LED Measure.

3.1 Overall Position

As outlined in Section 1, a total of 150 LED Projects was approved and implemented through the 26 Councils under the EU Sustainable Competitiveness Programme 2007-2013. These can be categorised as follows:

Projects	No. of LED Projects
Approved and managed to their conclusion by DfE	26
Novated across to Invest NI from DfE post the 2011 Review	25
Approved and managed by Invest NI.	99
Total	150

As illustrated above, 51 projects were approved during the period when DETI/DfE was the IB for the LED Measure. Of these 25 were novated to Invest NI when it took on the role of IB. Subsequently (from September 2011 to programme closure), a further 99 projects were approved by Invest NI.

3.2 Expenditure by IB and Type of Project

On an overall basis, £44.2m was committed to the 150 approved projects, with actual expenditure incurred being £34.9m i.e. 79% of monies committed were subsequently drawn down.

Project Type	Funder	No. of Projects	Committed £m	Spend £m	% Drawdown
DETI (DfE)	ERDF only	26	1.9	1.6	84%
	Councils		2.4	1.6	67%
	Sub-Total	26	4.3	3.2	74%
Novated to Invest NI	ERDF only	25	2.2	2	91%
	Councils		2.5	2	80%
	Sub-Total	25	4.7	3.9	85%
Invest NI	Invest NI + ERDF	99	23.3	18.3	79%
	Councils		11.9	9.5	80%
	Total	99	35.2	27.8	79%
Total	Invest NI + ERDF	150	27.4	21.9	80%
	Councils		16.8	13.1	78%
	Total	150	44.2	34.9	79%

All 51 DETI approved projects (including the 25 projects novated to Invest NI) were 'revenue-based' projects. In total, they had a projected investment value of circa £9m (i.e. £4.3m and £4.7m respectively), with actual spend on these totalling £7.1m (i.e. £3.2m and £3.9m respectively).

The 99 projects approved by Invest NI had a total projected investment value of circa £35.2m, of which £23.3m was anticipated to be supported by Invest NI and ERDF commitments. Actual expenditure across the 99 projects was £27.8, with actual ERDF/Invest NI spend of £18.3m. Of the 99 Invest NI approved projects:

- 95 projects were 'revenue-based', representing a total committed value of £18.4m, of which £14.1m was spent.
- 4 were 'capital' projects representing a total committed value of £16.9m, of which £13.7m was spent. Further summary details of the 4 capital projects are provided in Appendix II.

Expenditure commitments and actual drawdown for the 99 led projects approved by Invest NI are detailed below:

Table 3.3: Summary of Invest NI Approved LED Projects and Spend					
Project Type	Funder	No. of Projects	Committed £m	Spend £m	% Drawdown
Capital	Invest NI + ERDF	4	10.3	8	78%
	Councils		6.6	5.7	86%
	Sub-Total	4	16.9	13.7	81%
Revenue	Invest NI + ERDF	95	13	10.3	79%
	Councils		5.4	3.8	70%
	Sub-Total	95	18.4	14.1	77%
Total	Invest NI + ERDF	99	23.3	18.3	79%
	Councils		12	9.5	79%
	Total	99	35.3	27.8	79%

3.3 Projects by Council

On 1st April 2015, Local Government Reform resulted in the restructuring of the 26 Councils into 11 Super Councils. As a result, the LED projects were novated from the predecessor Councils to the new Super Councils. Table 3.3 below profiles the breakdown of LED approved projects across the revised 11 Super Councils.

Table 3.4: LED Projects by Council Area		
Council	No. of Projects¹⁸	% of Projects
Antrim & Newtownabbey	11	7%
Ards & North Down	4	3%
Armagh City, Banbridge & Craigavon	19	13%
Belfast City	21	14%
Causeway Coast & Glens	13	9%
Derry City & Strabane	11	7%
Fermanagh & Omagh	10	7%
Lisburn & Castlereagh City	14	9%
Mid & East Antrim	8	5%
Mid Ulster	26	17%
Newry, Mourne & Down	12	8%
Total	149	100

¹⁸ Note: The table omits the Council Mobile App project - where responsibility for the procurement was administered and managed by Invest NI.

A summary by Council of the revenue projects approved by Invest NI is provided below¹⁹:

Table 3.5: Summary of LED 1 Revenue Projects Approved by Invest NI				
New Council	LED projects approved by Invest NI		Total Assistance/Grant Offered by Invest NI	Total Spend by Invest NI (including ERDF)
	No.	%		
Antrim and Newtownabbey	7	7%	541,252	513,920
Ards and North Down	1	1%	145,206	121,533
Armagh City, Banbridge and Craigavon	14	15%	1,778,216	1,465,579
Belfast	6	6%	1,899,807	1,160,997
Causeway Coast & Glens	10	11%	1,120,559	782,845
Derry City & Strabane	7	7%	1,724,154	1,529,678
Fermanagh and Omagh	7	7%	662,023	540,169
Lisburn & Castlereagh	9	10%	1,361,077	1,136,488
Mid and East Antrim	6	6%	571,449	476,154
Mid Ulster	18	19%	1,611,842	1,344,674
Newry, Mourne and Down	9	10%	1,190,465	901,511
Total	94	100%	12,606,050	9,973,548

A summary by Council of the capital projects approved by Invest NI is provided below:

Table 3.6: Summary of LED 1 Capital Projects Approved by Invest NI					
New Council	LED projects approved by Invest NI		Total Assistance/Grant Offered by Invest NI	Total Spend by Invest NI (ERDF period)	Total Spend by Invest NI (incl. post ERDF period)
	No.	%			
Belfast	2	50%	9,539,889	£6,953,241	7,776,783
Fermanagh and Omagh	2	50%	238,875	£230,108	230,108
Total	4	100%	9,778,764	£7,183,349	8,006,891

As noted in Section 1.3.1, it was considered that a locally driven component was essential to complement and enhance regional initiatives that support and strengthen business competitiveness. Furthermore, it was envisaged that the locally driven activities, would be developed in line with Local Action and Community Plans, that targeted specific sectors of the economy and addressed productivity drivers in a manner that met a council area's own particular mix of needs and would seek to develop imaginative local solutions to local issues that were acting as a constraint on development. The Evaluation Team's review of the individual project economic appraisals indicates that each of the projects supported did seek to address locally identified needs or were developed to be in line with Local Action and Community Plans, as illustrated in the examples below:

¹⁹ NB The table excludes a Mobile Application project that all the councils were involved in and the revenue element of BCC NFS capital project.

Table 3.7: Examples of Projects aligned to Local Need and Action Plans

Council Area	Old Council Area	Project (see Annex VI for details of project activities)	Local Priority and Needs
Antrim and Newtownabbey	Newtownabbey	Sales Growth Programme	<p>This project was developed to support the council’s ‘Economic Development Strategy 2007-2013’, which addresses the following themes:</p> <ul style="list-style-type: none"> • Business Development - Support and encourage SME development, develop the workforce and encourage continuous improvement, improve the environment (infrastructure, congestion, rural protection, waste, recycling); • Infrastructure Development - To ensure business and communities have adequate space to ensure their economic sustainability; and • Outward and Forward Looking - To ensure greater competitiveness and to develop opportunities for businesses to trade outside of Newtownabbey. <p>It was also developed to address the needs identified in Newtownabbey Borough Council’s Business Need Analysis 2010.</p>
Armagh, Banbridge and Craigavon	Craigavon (Lead Council in the collaborative project)	Dothebiz Young People’s Business Development	<p>This project was developed to support the following council strategies:</p> <ul style="list-style-type: none"> • Craigavon Borough Council Corporate Plan 2012-2015, and in particular: <ul style="list-style-type: none"> - Create opportunities to stimulate growth and competitiveness; and - Enterprise development – support new and existing businesses. • Down District Council Corporate Plan 2011-2015, and in particular develop business support programmes to assist business community in areas such as first time exporting, best practice, sales etc; • Armagh City and District Council: 2020 Vision and Corporate plan, and in particular Theme 3 ‘creating opportunities for prosperity, regeneration and success’; • Banbridge Corporate Plan 2008 – 2011, and in particular Objective 3 identified as ‘Prosperity’. The council aims to create “...a strong, thriving and more balanced local economy...” and enhance local employment opportunities.; and • Newry and Mourne Economic Development Strategy, and in particular: <ul style="list-style-type: none"> - Nurture a culture of Enterprise; - Develop and Support a high value added tradeable/ business services sector; and - Provide support to existing businesses to improve productivity.

Table 3.7: Examples of Projects aligned to Local Need and Action Plans

Council Area	Old Council Area	Project (see Annex VI for details of project activities)	Local Priority and Needs
Derry and Strabane	Strabane (Lead Council in the collaborative project)	Inspire Business Programme	<p>This project was developed to support the following council strategies:</p> <ul style="list-style-type: none"> • Omagh District Council Corporate Plan 2011-2015 and in particular the project addresses the key themes within the Corporate plan, which will shape economic and social development of the area. It also helps meet the strategic objective "We will work to attract and promote investment and employment opportunities within the district". • Strabane Framework Action Plan - The Project also fits into the Strabane Framework Action Plan. Under the theme of Promoting Productive & Competitive Businesses this programme meets the objectives of: <ul style="list-style-type: none"> - Developing Business Sectors; and - Encouraging growth through support.
Fermanagh and Omagh	Omagh	Innovating Omagh's Small Business Economy	<p>This project was developed to support the council's 'Omagh: Towards a City Vision for 2025' strategy and a key challenge of the vision is to enable expansion through the development of a growing, dynamic and sustainable economy, particularly as global forces intensify, and the pace of change quickens. Key areas for action within the Vision are to:</p> <ul style="list-style-type: none"> • Grow and develop indigenous small businesses; • Support all strands of economic development; and • Embed the concepts of enterprise and innovation.
Mid Ulster	Cookstown	Fastrack to Finance Programme	<p>This project was developed to support the following council's strategies:</p> <ul style="list-style-type: none"> • Cookstown Local Economic Development Strategy and Action Plan, and in particular the programme will target 30 businesses within the district to build capacity, develop innovation and increase productivity. • Cookstown Integrated Local Strategy, and in particular the programme aims to support increased local businesses sustainability, growth and competitiveness by identifying areas within their business which require procurement support and deploying dedicated specialist support to working closely with the business to address these. <p>It was also developed to address the needs identified in Business Audits undertaken in Cookstown District as part of the Multi-Sectoral Tendering Programme.</p>

3.4 Progress towards Output Objectives

Following the 2011 EUSCP Mid Term Evaluation, a number of Sub-Priority level LED Performance Indicators were established. The sub-priority 2.2 objective was identified as:

“To encourage the growth of NI firms (by encouraging companies to become more market-aware, research aware, outward-looking, export-orientated and committed to ongoing business development)”.

The following suggested outputs, results and impacts were also identified:

Objectives	Outputs	Results	Impact
Contribute towards the support of business improvement projects	No of projects which support: <ul style="list-style-type: none"> - Improved export focus - Business improvement activities - Cluster development activities - Innovation and entrepreneurship - Involvement of more than one Council - Collaboration 	Number of participating companies: <ul style="list-style-type: none"> - Securing work in new markets - Recording business growth - Reducing costs of production - Increasing levels of exports 	To contribute to closing the productivity gap with the UK

The Mid-Term Evaluation had noted that the EC had strongly recommended using core indicators as it was suggested that if core indicators were not monitored and reported on, it would be impossible to aggregate them. Subsequently, the output indicators identified in the Mid Term Evaluation informed Invest NI’s reporting of LED under the following headings:

Number of:
<ul style="list-style-type: none"> • LED Projects Supported; • LED-based projects that support SMEs to develop their export focus; • LED projects that support SMEs in business improvement activities; • LED projects that support SMEs in innovation; • LED-based projects that support SMEs in entrepreneurship; • LED-based projects that support SMEs through collaborative activities.

The 2015 Annual Implementation Report (AIR) noted that in total 150 LED projects were approved (up to 31st December 2015) by both Invest NI and DETI against a target of 100. The table below (adapted from one featured in the 2015 AIR) indicates that each of the LED output indicator targets was achieved, and that the Invest NI-managed LED projects contributed greatly to their achievement.

Number of (LED) projects	Target	Actual	Contribution of the Invest NI managed LED projects to Actual Output	
			No.	%
Supported	100	150	124	83%
That support SMEs in business improvement activities	100	122	100	82%
That support SMEs in entrepreneurship	70	88	70	80%
That support SMEs to develop their export focus	20	41	40	98%
That support SMEs through collaborative activities	10	38	36	95%
That support SMEs in innovation	12	38	36	95%

Information provided by Invest NI indicates that many of the 150 projects supported contributed to the achievement of more than one output indicator. For example, most (81%) of the 150 projects supported SMEs in business improvement activities, whilst many (59%) of the 150 projects were considered to be ‘projects that supported SMEs in entrepreneurship’.

	No. of Projects	Number of LED-based projects that support SMEs				
		Business improvement	Entrepreneursh ip	Export focus	Collaborations	Innovation
DETI	26	22	18	1	2	2
Novated	25	22	21	3	3	3
Invest NI	99	78	49	37	33	33
	150	122	88	41	38	38
% of Total		81%	59%	27%	25%	25%

Whilst the focus on business improvement projects was retained for the 99 projects approved by Invest NI, the table below indicates that the projects approved under Invest NI placed more of an emphasis on Innovation (33%, N=99), collaborative activity (33%, N=99) and export trade (37%, N=99) than had been the case when DETI performed the IB role, but also less of a focus on ‘entrepreneurship’ (49%, N=99).

	No. of Projects	% of LED-based projects that support SMEs				
		Business improvement	Entrepreneursh ip	Export focus	Collaborations	Innovation
DETI	26	85%	69%	4%	8%	8%
Novated	25	88%	84%	12%	12%	12%
Invest NI	99	79%	49%	37%	33%	33%
N=	150	122	88	41	38	38
% of Total		81%	59%	27%	25%	25%

The Evaluation Team considers that a variety of reasons are likely to have contributed to the changing profile of project supported including:

- A general greater awareness of the importance of export trade, innovation and collaboration amongst economic development stakeholders during the period after Invest NI took on the IB role, reflected in the Economic Strategy and PfG;
- Enhanced communication with Invest NI as to the types of projects that might be supported;
- The additional (25%) contribution made by Invest NI allowing councils to consider projects that they might previously have considered to be too novel or risky for their borough/district.

Appendix III provides details of the 150 approved projects (at December 2015) by Council area and the LED indicator that they were considered to contribute to, based on project appraisal evidence.

The analysis detailed overleaf illustrates that the sample of 30 Invest NI projects that were considered in depth broadly align with the overall project profile in terms of the contribution to the LED output indicators.

Table 3.10: Profile of Projects Sampled by LED Indicators (Part 1)

New Council	Predecessor Council	Project Title	Project Cost	Total Assistance	Actual Paid Out	External Evaluation Provided	Support SMEs				
							Business improvement	Entrepreneurship	Export focus	Collaborations	innovation
Antrim and Newtownabbey	Antrim Borough Council	Raising Finance for Small Firms	143,052	105,039	92,154	Yes	1	1			
		How to Procure Public Sector Contracts	118,752	86,514	80,135		1	1			
	Newtownabbey Borough Council	Small Firms Development Programme 2012	130,100	61,300	57,337		1	1			
		Sales Growth Programme	85,000	38,125	35,581		1	1	1		
Armagh, Banbridge and Craigavon	Craigavon Borough Council	Dothebiz Young People's Business Development	500,781	375,585	344,708		1		1		
Causeway Coast and Glens	Limavady Borough Council	Think Big Think Online Marketing (Tech) (On-line Marketing2)	30,350	21,636	19,263	No		1			
Derry and Strabane	Derry City Council	City of Culture & Clipper Business Opportunities Programme LED	946,472	709,864	698,530	Yes	1		1		
	Strabane District	Inspire Business Programme	201,720	151,290	143,068		1	1			
Fermanagh and Omagh	Fermanagh District Council	Grow & Prosper	108,433	81,324	71,754	Yes	1		1		1
		Innovating Omagh's Small Business Economy	237,200	177,900	148,462		1			1	1
	Omagh District Council	Enriching the Social Economy	63,106	47,329	34,032		1				
Lisburn and Castlereagh	Castlereagh Borough Council	Evolution Phase 11	267,300	197,625	153,116	No	1	1	1	1	
Mid and East Antrim	Larne Borough Council	Digital North East Digital Champion Programme - Tech	200,000	150,000	94,393	Yes	1	1	1	1	
		NE Sustainable Energy Supply Chain Prog	157,900	118,425	91,330		1	1	1	1	
		NorthEast Resource Efficiency Programme	108,150	81,113	77,237		1				
		Grow Global	94,600	70,950	68,795			1	1		
Mid Ulster	Cookstown District Council	SME Resource Efficiency Programme	118,504	88,878	78,183	Yes	1				
		SME Business Elevate Programme	233,567	171,889	134,316		1	1			
		Fastrack to Finance Programme	96,900	72,675	61,731		1				
		Tender Programme	151,330	113,497	96,894		1			1	
	Dungannon and South Tyrone Borough Council	South West SME Export Development Programme	313,650	235,237	192,389		1		1		
		The Graduate to Enterprise Programme	147,000	110,250	78,208			1			1
		Construction Development Programme	107,250	80,437	72,927		1				1
		E Marketing	48,500	36,375	33,768		1		1		1
		Tourism 3	171,058	85,529	62,211	1		1	1		
Newry, Mourne and Down	Down District Council	1201 Food Development Programme	283,101	194,325	180,865	1	1		1	1	
Total (26)			5,063,776	3,663,111	3,201,387		22	13	8	3	5
Drawdown					87%		85%	50%	31%	12%	19%

Novated Projects

Table 3.11: Profile of Projects Sampled by LED Indicators (Part 2)											
New Council	Predecessor Council	Project Title	Project Cost	Total Assistance	Actual Paid Out	External Evaluation Provided	Support SMEs (indicators not completed)				
							Business improvement	Entrepreneurship	Export focus	Collaborations	innovation
Ards and North Down Council	Ards (SEED)	Expanding our Craft Horizons (2)	£101,300.00	£45,750.00 ²⁰	£48,406.76	Yes					
Newry, Mourne and Down	Newry & Mourne	Social Enterprise Newry and Mourne (SENAM)	£60,566.00	£30,283.00	£29,733.00	Yes					
Drawdown					103%						

Capital Projects

Table 3.12: Profile of Projects Sampled by LED Indicators (Part 3)											
New Council	Predecessor Council	Project Title	Project Cost	Total Assistance	Actual Paid Out	External Evaluation Provided	Support SMEs (indicators completed by DfE)				
							Business improvement	Entrepreneurship	Export focus	Collaborations	innovation
Belfast City Council	Belfast City Council	Forthriver	10,551,000	6,153,000	4,211,037	No	1				1
Fermanagh and Omagh	Fermanagh District Council	Roslea	170,000	127,500	119,955	No		1			
Drawdown					69%		1	1			1

As illustrated in each of the tables above, the majority (76% overall) of monies offered were drawn down. If the Forthriver project is excluded, the percentage drawdown increases to 88% across the remaining 29 projects.

²⁰ NB There was an amendment to the LoO increasing the sum offered to £49,750.

3.5 Progress towards Outcome/Results & Impact

This Section is concerned with the results/outcomes and impacts that were achieved by LED funded projects.

The Evaluation Team has undertaken a detailed review of the specific activities and outputs, (see Section 3.4) as well as the results and impacts associated with the 30 Invest NI projects that were selected for review. As part of this work, we tracked each of these indicators, where information was available, from the project application, through appraisal/casework, monitoring and evaluation. This activity is presented in Appendix VI. We also considered in depth the two capital build projects that were selected for review and have presented case studies relating to those projects as Appendices IV and V.

Our review indicates that taken as a representative cohort of the 124 Invest NI managed LED projects, each of the projects supported was successful in engaging with SMEs and also in achieving many important business outcomes (e.g. turnover and employment growth). However, it is evident even across the cohort of 30 LED projects that councils selected a varied mix of outcome/result indicators to measure the success of their projects. Unfortunately, the substantial mix of indicators combined with both the varied quality of project evaluation reports and varied methodologies employed therein means that it is not possible to aggregate results in any meaningful manner.

Nonetheless, the table overleaf seeks to align the outcomes reported in the various evaluation reports received for review by the 4 LED ‘result indicators’ and other key indicators that were featured in some of the reports.

The 4 LED ‘result indicators’ were the number of participating companies:

- Securing work in new markets;
- Recording business growth;
- Reducing costs of production;
- Increasing levels of exports.

As discussed below, the Evaluation Team considers that there is some ambiguity in the interpretation of what these result indicators might relate to.

Our review of the evaluation reports associated with the 28 revenue LED projects that were provided for review indicates that across the 28 projects:

- 3,500 businesses were engaged with; however, of these 1,347 received more intensive support. It should be noted that there is no consistent definition across the projects as to what ‘more intensive support’ consisted of. In the context of our analysis it simply means that at the outset of some projects more businesses were engaged with than proceeded to receive later stage support in the same project/programme;
- In relation to the 4 LED ‘result indicators’:
 - The first indicator relates to ‘securing work in new markets’. However, it is not clear whether this relates to new geographic markets or new product/service markets. Our review of the evaluation reports indicates that:
 - 4 evaluation reports state project participants entered new ‘product/service’ markets of which 2 (of the 4 reports) state that a total of 115 project participants did so;
 - 2 evaluation reports state that a total of 43 project participants entered new ‘geographic’ markets.
 - The second indicator relates to ‘participant businesses recording business growth’. However, it is not clear what metric of business growth this relates e.g. whether it relates to turnover growth,

employment growth, profitability growth etc. Our review of the evaluation reports indicates that:

- 19 evaluation reports state that project participants increased their turnover, of which 17 (of the 19 reports) state that project participants increased their turnover by a total of £19,373,511;
 - 22 evaluation reports state that project participants increased their employment by a total of 503.5 FTEs;
 - 3 evaluation reports state that project participants increased their profitability, of which 1 (of the 3 reports) states that project participants increased their profitability by a total of £303,669.
- The third indicator relates to ‘participant businesses reducing their costs of production’. Our review indicates that 4 evaluation reports state that project participants reduced their costs of production, of which 3 (of the 4 reports) state that project participants reduced their costs of production by a total of £132,273.
 - The fourth indicator relates to ‘participant businesses increasing their levels of exports’. Our review indicates that 8 evaluation reports state that project participants increased their exports, of which 6 (of the 8 reports) state that project participants increased their levels of exports by a total of by a total of £1,225,911. In many cases, but not in all, these were identified as a subset of total turnover increases.
- Other key ‘indicators’ that were featured in the various evaluation reports included:
 - 7 evaluation reports state that project participants ‘improved their skills & knowledge’;
 - 15 evaluation reports state that project participants were able to ‘sustain’ a total of 2,559.5 FTE jobs;
 - 2 evaluation reports state that project participants ‘secured investment’ totalling £1,146,390;
 - 6 evaluation reports state that a total of 52 project participants became Invest NI clients;
 - 4 evaluation report stated that project participants created 79 new businesses.

As suggested, the Evaluation Team would urge caution as to the use of each of the aggregated ‘result indicators’ or other indicators featured above, due to the varied quality of project evaluation reports and varied methodologies employed within the individual project reports.

Table 3.13: Aggregated Results for the 28 LED Revenue Projects (per the Evaluation Reports received)

Council Area	Old Council Area	Project	No. of businesses		Secured work in new markets		Export Sales	Business Growth			Cost savings	Improved skills & knowledge	Jobs Sustained	Secured Investment	Became INI clients	New businesses created
			Engaged	Receiving more intensive support	Product / Service	Geographic		Turnover	Employment (FTE)	Profit						
Antrim and Newtownabbey	Antrim	Raising Finance for Small Firms	149	60	-	-	-	£102,000	18	-	-	-	4	£325,000		
		How to Procure Public Sector Contracts	184	60	-	-	-	£880,956	15	£303,669	0	Yes ²¹	16	-		
	Newtownabbey	Small Firms Development Programme 2012	50	49	-	-	Yes ²²	-	10	Yes ²³	Yes ²⁴	-	-	-	2	
		Sales Growth Programme	33	31	-	-	Yes ²⁵	£115,000	4	-	-	-	-	-	2	-
Armagh, Banbridge and Craigavon	Craigavon	Dothebiz Young People's Business Development	741	91	-	-	£191,000	£2,186,000	90 ²⁶	-	-	-	-	-	-	54
Causeway Coast and Glens	Limavady	Think Big Think Online Marketing (On-line Marketing2)	78	-	-	-	-	-	-	-	-	-	-	-	-	-
Derry and Strabane	Derry City	City of Culture & Clipper Business Opportunities Programme LED	410	-	73	-	-	-	17	Yes ²⁷	-	Yes ²⁸	-	-	-	16
	Strabane	Inspire Business Programme	86	86	-	-	-	£939,659	14	-	-	Yes ²⁹	124	-	11	-
Fermanagh and Omagh	Fermanagh	Grow & Prosper	40	40	-	-	£550,240	£958,880	37	-	-	Yes ³⁰	100	-	8	-
	Omagh	Innovating Omagh's Small Business Economy	103	103	-	-	£114,873	£366,844	8	-	-	Yes ³¹	108	-	20	-
		Enriching the Social Economy	10	10	-	-	-	-	-	-	-	-	-	-	-	-
Lisburn and Castlereagh	Castlereagh	Evolution Phase 11	210	142	-	-	-	£165,000	8	-	-	-	-	-	-	-
Mid and East Antrim	Larne	Digital North East Digital Champion Programme	500	78	-	-	-	£200,000	-	-	-	-	15	-	-	-
		North East Sustainable Energy Supply Chain Programme	120	31	-	-	-	-	-	-	-	-	-	-	-	-

²¹ The external evaluation report indicates that all (100%) survey respondents reported that their knowledge of tendering had increased.

²² External Evaluation reports that external/export sales increased by 23% (for the responding businesses).

²³ External Evaluation reports that 46% of respondents had increased their profitability

²⁴ The External Evaluation indicates that businesses had reduced costs and overheads.

²⁵ External Evaluation reports that external/export sales increased by 10% for the responding businesses.

²⁶ This was across three programme elements, 66 + 12 + 12, and it is unclear if there is any overlap between programmes and job creation.

²⁷ The External Evaluation indicates that 45% of sample businesses found the support and guidance to be instrumental in enhancing overall business profitability.

²⁸ The External Evaluation indicates that 70% of sample businesses had developed new skills.

²⁹ The External Evaluation indicates that the majority of sampled businesses had developed new skills, for example in sales/marketing and business planning.

³⁰ The External Evaluation's case studies suggest that the case study businesses had developed new skills as a result of the support.

³¹ The External Evaluation indicates that many businesses 'would have' increased their knowledge of Innovation.

Table 3.13: Aggregated Results for the 28 LED Revenue Projects (per the Evaluation Reports received)

Council Area	Old Council Area	Project	No. of businesses		Secured work in new markets		Export Sales	Business Growth			Cost savings	Improved skills & knowledge	Jobs Sustained	Secured Investment	Became INI clients	New businesses created
			Engaged	Receiving more intensive support	Product / Service	Geographic		Turnover	Employment (FTE)	Profit						
		North East Resource Efficiency Programme	74	39	-	-	-	-	-	-	£62,776	-	-	-	-	-
		Grow Global	56	56	-	8	£120,400	£120,400	-	-	-	-	-	-	-	-
Mid Ulster	Cookstown	SME Resource Efficiency Programme	39	39	-	-	-	-	24	-	£69,497	-	543	-	-	-
		SME Business Elevate Programme	83	83	Yes ³²	-	-	£7,889,773	25.5	-	-	-	269	-	9	-
		Fastrack to Finance Programme	30	30	7	-	-	£3,063,039	26	-	-	11	358	£821,390	-	-
		Tender Programme	49	49	-	-	-	-	53	-	-	-	118.5	-	-	-
	Dungannon and South Tyrone	South West SME Export Development Programme	105	105	-	35	£222,370	£243,160	16	-	-	-	-	-	-	-
		The Graduate to Enterprise Programme	86	86	-	-	£27,028	£284,500	10	-	-	-	-	-	-	5
		Construction Development Programme	100	39	-	-	-	£130,000	4	-	-	-	93	-	-	-
		E Marketing	20	20	-	-	-	£175,000	10	-	-	-	22	-	-	-
		Tourism 3	68	10	-	-	-	Yes ³³	37	-	-	-	673	-	-	-
Newry, Mourne and Down	Down	1201 Food Development Programme	36	-	Yes ³⁴	-	-	£1,553,300	38.5	-	-	-	-	-	-	-
	Newry & Mourne	Social Enterprise Newry and Mourne	10	10	-	-	-	Yes ³⁵	29	-	-	-	89	-	-	4
Ards and North Down Council	Ards	Expanding our Craft Horizons (2) Ards	30	-	-	-	-	-	9.5	-	-	26	27	-	-	-
Total			3,500	1,347	115	43	£1,225,911	£19,373,511	503.5	£303,669	£132,273	37	2559.5	£1,146,390	52	79
N=			28	24	4	2	8	19	22	3	4	7	15	2	6	4
N= (Able to Quantify)			28	24	2	2	6	17	22	1	3	2	15	2	6	4
Average per Project			125	56	29	22	£204,318	£1,139,618	23	£303,669	£44,091	19	171	£573,195	9	20

³² The External Evaluation reports that 5 new products and 4 new services were created. It is unclear if these new products/services were created by unique businesses.

³³ External Evaluation reports 53% reported an increase in turnover of at least 5% based on the 49 businesses that reported turnover figures.

³⁴ The External Evaluation reports that 26 new products / services were created, 13 of which came from the one company. It is unclear if the remaining 13 new products / services were produced by unique businesses.

³⁵ PPE reports 20% increase in turnover achieved compared to target of 5-10%.

In relation to the two capital projects that were reviewed (detailed in Appendices IV and V), we note the following:

Forthriver	<p>Following delays in the project’s approval, as a result of amendments to the project application and other factors, Invest NI entered into a 999-year lease agreement with BCC in respect of the ‘Innovation Factory’ site on 01 April 2016. Following a competitive tender exercise, the Innovation Factory was subleased to the Operator from September 2016. However, project mobilisation began in May 2016, with the recruitment of the local delivery team, including the Innovation Director and Centre Manager.</p> <p>Our review of monitoring materials provided by Invest NI and discussion with the Centre Operator indicates that the project has achieved the first of its two ‘key actions’ i.e. To develop Grade A accommodation in the form of a 55,284 sq ft building, comprising 32,895 sq ft lettable space and 4,478 sq ft innovation space by 30 June 2016.</p> <p>In relation to the second ‘key action’, information provided indicates that the Centre (at October 2017) was close to achieving the target ‘to provide business innovation support annually to 100 companies and 5 collaborative networks by 31 December 2020’, with</p> <ul style="list-style-type: none"> • 26 businesses involved in ‘business growth’ activities; • 54 businesses involved in ‘business innovation’ activities; and • 3 businesses involved in ‘collaborative innovations’ activities <p>The monitoring information provided further indicates in relation to the Project’s Performance Indicators that at October 2017:</p> <ul style="list-style-type: none"> • The Centre had 26 tenants and 85 FTE jobs, compared with a KPI “to support at least 145 jobs in the innovation centre at the Site by 31 December 2018.” • 7,546 sq. ft. of space was occupied (by the 26 tenants). This equates to 23% of lettable space, which is behind the target of 31% for Year 2 of the Centre’s operation, albeit the second year of operation has 6-months to go at that point (i.e. to March 2018). In addition, the Centre has 5 ‘virtual office’ customers. • The centre has undertaken a number of activities focused on ‘supporting innovation’ including innovation-focused workshops and clinics; • The centre has undertaken a number of activities ‘to promote and encourage social and economic regeneration of West Belfast’. In particular, it is noted that the Centre Operator has appointed a full-time community engagement officer and has developed a Community Engagement plan organised into 7 priorities, with varied activities being undertaken under each. The 7 priorities are: <ul style="list-style-type: none"> - Priority 1: To devise a clear and explicit policy based on the principles of Good Relations and Shared Space that ensures the IF remains a safe and welcoming environment where all members of the community, tenants, users and visitors feel comfortable and safe. - Priority 2: To assist and support local businesses to tap into supply-chain ‘spin-off’ opportunities arising from the operation of the Innovation Factory. - Priority 3: To facilitate skills development work placements and permanent, employment opportunities for long-term unemployed/economically inactive people living within the local community. - Priority 4: To provide school children from the Springfield Road, Shankill area and surrounding locality with first-hand exposure to innovation and entrepreneurship with the aim of inspiring the next generation - Priority 5: To engage actively with the local community to show-case operations including promotion of social enterprise activity and corporate social responsibility. - Priority 6: To encourage positive focal engagement aligned to the ethos of the Innovation Factory that can extend its core services to include under-represented groups. - Priority 7: To actively target, exploit and monitor potential sources of external support funding/other opportunities related to social integration.
-------------------	--

	<ul style="list-style-type: none"> The centre has undertaken a number of activities “to encourage foreign direct investments at the site”, including making adaptations to make the Centre more attractive to FDI, including the addition of a ‘plug and play’ business space offer. This was developed in direct response to meeting with the FDI Managers of Invest NI. In addition, as it was acknowledged that FDI companies seek a fully serviced offer and the Invest NI Managers wanted to be able to quote a rate per workstation so that FDI companies can compare and contrast with other options in NI, 4 rooms comprising 32 workstations have been created within IF to service FDI companies.
<p>Roslea Workspace Project</p>	<p>An evaluation conducted by Invest NI reports that the project has achieved its proposed ‘key actions’ i.e.</p> <ul style="list-style-type: none"> 3,100 sq. ft. incubation/workspace was developed at the site by 18th Dec 2015. 2 new incubation units were completed at the site by 18th Dec 2015 The project has stimulated enterprise and entrepreneurship in the Roslea area and its hinterland with businesses located in the units at the site. <p>It is noted that whilst the original targets suggested that two tenants (one new business and one existing business) would occupy the workspaces, one tenant business (which was an existing business) has occupied the full 3,100ft².</p> <p>The Invest NI PPE also indicates that the project has achieved its performance indicators. That is:</p> <ul style="list-style-type: none"> It has achieved 100% occupancy at the site by January 2016 (ahead of target). 5 new jobs have been created as a result of the project by August 2016 (ahead of target).

Across all of the projects that we have reviewed, it is the Evaluation Team’s view that common indicators could potentially have been built into many of the projects supported, but to be measurable should be done at the outset i.e. either as a requirement of the application process or completed as part of the project approval process. For example, we consider that it would be reasonably straightforward for councils and/or any external delivery organisations to capture the following ubiquitous information relating to participants’ businesses at the outset of their participation in a project programme:

- i. Their total turnover and of that their sales in NI, GB and outside the UK; and
- ii. Their total employment measured in FTEs.

Subsequent to that, the councils and/or any external delivery organisations could monitor/measure the participant businesses’ performance on these same metrics at the point they leave the programme. Finally, any external evaluation commissioned could focus on the impact that participation in the project/programme had on any change in those same metrics i.e. independently validating any results recorded by the external delivery organisation and taking account of levels of deadweight/additionality in a methodologically robust manner (agreed by an Invest NI/DfE economist before the evaluation is piloted).

Nonetheless, our review of Appendices IV, V and VI indicates that the LED projects have successfully supported:

- The growth of NI SMEs both in local market and those external to NI;
- Particular sectors (e.g. engineering, food, tourism etc.) that were considered important to specific geographic areas;
- Innovation focused activities; and
- Collaborative actions amongst SMEs.

4. CONSULTATION FINDINGS

This section provides a summary of the key findings drawn from the consultations with beneficiaries (councils) and Invest NI and DfE personnel (other stakeholders).

4.1 Councils' Views on the LED Measure (post 2011)

At a high-level, council representatives voiced high level of satisfaction with the LED Measure's management, operating and monitoring structures during the period after DETI transferred the administrative responsibility (i.e. the Intermediate Body role) to Invest NI. It was suggested that the Measure provided the local authorities with sufficient autonomy and flexibility to develop and deliver initiatives which both aligned with the objectives of the Sub-Priority (and other key strategies) and which offered the potential to address the specific barriers to growth being experienced by the local business bases. Through these initiatives, it was suggested that a wide range of economic and wider and regional benefits were achieved throughout Northern Ireland.

Feedback relating to specific aspects are detailed below:

4.1.1 *Application and Appraisal Processes*

Each of the councils indicated that their projects had been informed by local need, with many suggesting that area plans and strategies had identified the need for the projects, as well as feedback from local businesses as to their needs. It was noted by a number of consultees that at the time that Invest NI became the Intermediate Body for the LED Measure, NI was continuing to suffer the effects of the economic downturn and many local businesses were expressing concern about their future sustainability and were, as a result, seeking support to improve their resilience and competitiveness, and ultimately to survive into the medium and longer-term.

The Councils were in agreement that the application and appraisal processes associated with the LED Measure afforded them with sufficient flexibility to develop initiatives which were appropriately tailored to address the specific needs of businesses within their local area. Generally, the Council's indicated that the application and appraisal processes were pragmatic and that the level of administration associated with the processes was commensurate with the nature and extent of the funding being sought through the Measure.

The councils were particularly complimentary about the cohort of Invest NI LED management and executives indicating that their advice and guidance had meant that projects were better scoped before submission to Invest NI, and were better able to adhere to the Measure's funding guidelines. It was suggested that their role in advocating LED projects at approval panels was particularly welcomed.

4.1.2 *Financial Management and Output Monitoring Arrangements*

Similarly, the Councils indicated that the financial management and output monitoring processes associated with the LED Measure were largely effective and appropriate, and aligned with the processes typically adopted by the local authorities as accountable authorities.

Whilst a number of consultees considered that the level of reporting relating to activities and outputs was extensive, there was a general acceptance that the level of information required for reporting purposes was appropriate for, and reflective of, EU-funded initiatives.

However, it is noted that a majority of the council consultees considered that there were ambiguity and a lack of clarity relating to the requirements for monitoring compliance with State Aid guidelines. In particular, those Councils which implemented projects earlier in the period under review indicated that they experienced considerable nugatory work due to the need to retrospectively gather monitoring

information from businesses³⁶, whereas a more streamlined State Aid declaration was subsequently developed which benefitted those Councils which implemented projects at a later stage.

The local authority stakeholders recommended that standard template forms and guidance for monitoring State Aid compliance should be created which are common across DfE, Invest NI, local authorities and any other relevant agencies so there are consistency and clarity³⁷. It was noted that any template should be pitched at a level that could be understood by any business and potentially should incorporate an online format with a unique identifier for each business so public agencies can clearly monitor the value of support received by that business across various bodies.

Minor operational issues noted by a small number of consultees included:

- There was a degree of frustration that Councils are unable to access data captured from Invest NI's Nibusinessinfo website. It was suggested that this, on occasion, created additional work for the Councils in targeting suitable businesses for particular initiatives. It was suggested that if data were to be shared between Invest NI and the Councils for similar initiatives moving forward, in order to comply with the EU's General Data Protection Regulation (GDPR), there would be a need for appropriate controls to be put in place to ensure that businesses gave their full consent at the outset for such data sharing. It was suggested that this might include a 'checkbox' consent form to be completed prior to information gathering and retained on record.
- The Invest NI diagnostic tool was complex to use, and some councils suggested that they would have preferred to have utilised their own tools which were more straightforward to use.

4.1.3 Risk Management Procedures

The council consultees were generally of the view that each of the key stakeholders (i.e. Invest NI, DfE and the local authorities) involved in managing or delivering the LED Measure played an appropriate role in managing any potential risks associated with the Measure. In particular, consultees noted that they had worked in close partnership with Invest NI throughout the period under review to:

- Discuss potential projects that they considered would both address the needs of SMEs in their area and also provide a strong strategic fit with the objectives of the programme;
- Ensure that any risks associated with duplication of activity/provision were identified and mitigated against;
- Monitor ongoing progress against targets;
- Identify any emerging issues and take actions to address these in a timely manner.

Indeed, a number of local authority representatives indicated that their experience with the LED Measure had helped them personally and their council develop more effective and meaningful collaborative relationships with Invest NI, which have continued following the end of the funding period.

³⁶ In relation to this, discussion with Invest NI indicates that any Council where clear documentary evidence was available that met the State Aid regulatory requirements were not asked to do any additional retrospective work. It is understood that some Councils had completed paperwork but it was either incomplete or unclear whether EU thresholds had been exceeded therefore it did not meet regulatory requirements.

³⁷ In relation to this, discussion with Invest NI indicates that, whilst State Aid is the responsibility of Councils to adhere to, detailed guidance (which includes letters and pro-formas) is available on DfE and BEIS documentation and that this has been shared with all Councils.

4.1.4 Management/ Delivery of European Funding

Allied to Section 4.2.2, the local authority stakeholders were in general agreement that, whilst the administrative arrangements associated with the management and delivery of European Funding (e.g. vouching requirements) were extensive, they were also appropriate for a programme of its nature and scale, and were not considerably different to those arrangements adopted by the Councils when managing non-EU funded initiatives.

In general, the consultees were very positive about the types of activities and expenditure that had been eligible for support and indicated that the LED Measure had provided sufficient flexibility to support required business support activities within their area. Notwithstanding this, a small number of Councils expressed dissatisfaction with the following expenditure restrictions under the LED Measure:

- *'Caps' on daily rates for delivery agents* - Consultees indicated that, on some occasions, the caps on daily rates impacted on the number of tenders received and/or the quality of delivery agents tendering for the contracts. It was suggested that it would be more appropriate to allow the procurement process to dictate the market rate for delivery agents.
- *Caps on the number of days of mentoring support* – It was suggested that some businesses required more than the allocated number of mentoring days to achieve their growth ambitions, but that the local authorities were not permitted to offer additional days. In these cases, it was suggested that greater flexibility should be afforded to provide additional support to more fully address a business' individual needs.
- *Exclusion of certain sectors* - Local authorities emphasised that certain sectors (e.g. retail and tourism) are of considerable economic (e.g. employment and GVA) and social (e.g. town centre vibrancy) significance but were not eligible for support under the LED Measure. Furthermore, the consultees indicated that they did not have sufficient budgets from rates to provide equivalent support to these sectors as the support provided to other sectors through the LED Measure. As such, it was suggested that there was frustration amongst the businesses within these sectors and that potential economic development benefits were not being derived.
- *Exclusion of businesses with more than 50 employees* – It was noted that there are some businesses with 50 or more employees which Invest NI is not yet providing support to who could potentially have benefitted from the LED programme but were ineligible for support under the Measure.

4.1.5 Strategic Fit and Contribution to Sub-Priority Objectives

The council consultees were of the view that all of the projects that were supported within their respective areas offered the potential to contribute towards the overall aims of the LED Measure, as well as to key policy documents (current at the time of the projects being implemented), including the NI Programme for Government 2011-15, the NI Economic Strategy, DETI and Invest NI's Corporate Plans and Economic Development Strategies for individual Local Government Districts.

Across the consultees, it was suggested that the initiatives offered the potential to contribute to the following strategic imperatives (inter alia):

- Increasing sales and generating GVA impacts, including (but not limited to) supporting businesses to develop their ability to compete for public sector contracts, enhancing marketing capabilities etc.;
- Increasing job creation and safeguarding employment which might otherwise have been lost (particularly in light of the challenging economic conditions);
- Supporting start-ups and early-stage businesses to grow through (inter alia) business and action planning support, mentoring etc.;
- Increasing R&D&I activity and, in many cases, encouraging businesses to take their 'first steps' into innovation activity;
- Improving competitiveness and sustainability;
- Expanding business supply chains by building networks;
- Promoting greater social inclusion by supporting businesses in some of the most peripheral areas of Northern Ireland, developing the social economy and providing employment opportunities for those marginalised within the local labour market.

4.1.6 Rationale and Need for the Projects

As discussed, each of the council representatives indicated that the projects that had been supported under the LED Measure had been informed by local need. The consultees suggested that a variety of market failures had underpinned the need for the LED Measure projects including:

- **Capital Market Failures** – At 2013, Northern Ireland was continuing to suffer from the impact of the economic downturn. Access to finance was a key area of concern in the local economy and a constraint facing business. In this context (the downturn in the economy and current banking conditions, where it was particularly difficult for businesses to access finance), many businesses were unable to access the finance they required to achieve their growth potential.
- **Information asymmetry** – It was considered that many firms did not understand the full benefits of innovation focused activities, collaborating with other firms to generate new ideas and many individuals did not understand the full potential benefits of starting new businesses. As such, it was suggested that without support, such activities would be taken forward at a sub-optimal level.
- **Risk aversion** - Uncertainty over the benefits and returns from investing in potential growth activities, can often lead to businesses, especially SMEs, to engage in risk adverse behaviour that leads to a sub-optimal level of investment in their future growth. For example, businesses may not invest in training in emerging areas such as digital marketing as they may see it as a threat to their roles or to their traditional models. As a result, businesses fail to reap the true value that can be delivered through these emerging disciplines.

The consultees indicated that demand for the interventions was generally high due to the prevalence of the underlying issues amongst the business base, and, as a result, activity targets were largely achieved.

Despite the market failures materialising to an extent within the local authority areas, the Councils indicated that budgetary constraints were such that they would have been unable to deliver an equivalent programme of initiatives in the absence of the LED Measure. As such, fewer economic development benefits would have been derived.

4.1.7 Actual Costs Incurred versus Budgets

The Councils indicated that the programmes were generally delivered within budget and that the majority of funding was drawn-down within the requisite funding period. Indeed, as noted in Section 3.4, amongst the 30 LED projects that were considered in detail, if the Forthriver project is excluded, the percentage drawdown is 88% across the remaining 29 projects. Reasons why some projects did not draw down their full allocation of LED monies, included:

- Actual projects costs being less than those anticipated at the outset; and
- Some activity being undertaken at a lesser scale than originally projected.

4.1.8 Levels of Outputs, Impacts and Benefits

The council consultees expressed high levels of satisfaction in relation to the flexibility afforded within the setting of aims and objectives for the LED Measure. In particular, it was welcomed that the Measure recognised that economic development could be evidenced in a myriad of ways e.g. increased sales, job creation, capability and skills development, investment in R&D&I etc.

It was suggested that there was strong demand for the programmes delivered under the LED Measure and that, in the main, programmes achieved the targets set out at the outset and had ultimately resulted in positive evaluation reports.

It should be noted that the Councils indicated that there were impacts for both the participating businesses and for the Councils themselves as a result of the LED Measure, summarised as follows:

Table 4.1: Reported Impacts of the LED Projects	
Impacts for Businesses	Impacts for the Councils
<ul style="list-style-type: none"> • Increased sales; • Reduced costs; • Increased profitability (linked to the above); • Entry into new markets; • New products/ processes developed; • Improved skills and capabilities; • Increased competitiveness and sustainability; • Jobs created; • Jobs safeguarded; • Leveraging funding (e.g. bank finance). 	<ul style="list-style-type: none"> • Improved skills and capabilities; • Improved relationships with the local business base; • Formation of new networks, partnerships and strategic alliances with other Councils and Invest NI.

On an overall basis, it was suggested that the LED projects had a positive impact on the local economy.

4.1.9 Future Sub-Regional Development

In relation to Invest NI's future approach to sub-regional development and how it can best work with the Councils, the council consultees recommended that:

- 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.
- Further support should be offered for enterprise awareness activities;
- There was room for greater clarity around the progression route for businesses to move from local council support onto that provided by Invest NI. It was a consensus view of those in attendance at the council focus group session that the current progression route is somewhat 'disjointed'.

4.2 Other Stakeholders' Views on the LED Measure (2007-2013)

Similar to the local council representatives, consultations with representatives from both DfE and Invest NI indicate that following the transition period, the LED Measure's management, operating and monitoring structures have operated with little difficulty.

Feedback relating to specific aspects are detailed below:

4.2.1 Application and Appraisal Processes

Invest NI consultees noted that upon the transfer of the IB role to Invest NI, it was identified that some aspects of the appraisal processes applied by DETI (now DfE) were not aligned with those employed by Invest NI. Subsequently, Invest NI trained a select list of 'LED Panel Members' who became familiar with LED and its aims and objectives. It was noted that LED is now fully integrated into Invest NI's project appraisal and approval processes.

In addition, Invest NI undertook a series of presentations to councils as to how to improve project applications and processes surrounding the management of LED monies. Invest NI notes that these were favourable received and advice was actioned by councils.

Invest NI consultees noted that as its own cohort of LED Executives became more familiar with the programme, casework submissions became better, facilitating quicker turnaround times on applications. Furthermore, at the outset some Invest NI casework panel members were not 'ERDF trained'. This, however, was addressed and the trained panel members became familiar with the specific requirements of the LED measure.

4.2.2 Financial Management and Output Monitoring Arrangements

It was suggested by some consultees that the outworkings of the Review of Public Administration (RPA) and the subsequent reconfiguration of the local council network from 26 councils to 11 had led to some uncertainty and may have resulted in fewer applications (and perhaps fewer larger-scale applications) than might otherwise have been the case. Indeed, it was noted that without several large applications submitted by Belfast City Council that considerable sums of the money might not ultimately have been spent.

An Invest NI consultee noted that under LED 2007-2013 there was, on occasion, no independent method of validating project outcomes (albeit this was not a requirement of the Programme), but that this has been changed under LED 2, where an evaluation is a condition of all funding awards. Invest NI has noted that councils have indicated that the evaluations undertaken will largely be independent and external to the councils.

One key benefit and legacy that arose out of the transfer of IB function to Invest NI was that the LED Measure became a means for Invest NI to enhance its engagement with the local councils. It was suggested by Invest NI stakeholders that this improved communication across many facets of activity and was not solely constrained to LED activity.

4.2.3 *Risk Management Procedures*

A number of consultees mentioned the important role that Central Procurement Directorate (CPD) played in minimising the level of risk surrounding procurement procedures for the capital projects supported. It was recognised by the consultees that CPD (as a Centre of Procurement Excellence) was able to provide expert procurement advice that was not available within either Invest NI or the local councils and had ultimately helped ensure that procurement exercises were undertaken in a fair and robust manner and that clients obtained the best value for money.

Invest NI noted that in addition to ‘Article 13’ checks (which are considered to be a ‘first level check’), Invest NI utilised an external provider to undertake further verification checks on project expenditure for capital projects only. Invest NI acknowledged that some councils may have considered the process ‘onerous and unnecessary’. However, from Invest NI’s perspective, the process did identify some new issues as it had looked at project expenditure and process in more detail than the Article 13 checks. Invest NI had advised that the councils are now familiar with the issues encountered and have addressed any outstanding matters.

4.2.4 *Management/ Delivery of European Funding*

DfE noted that the transfer of IB role from itself to Invest NI had not only facilitated the Department to focus more on strategic policy-making relating to the NI economy (which had been a recommendation contained within the 2009 IREP report) but had also facilitated it to better meet EU regulations which required clear separation of the management/delivery functions from the audit/certification functions. It was further suggested that the transfer of IB role had the added benefit of reducing the potential for duplication of business support activity (between councils and Invest NI) and also facilitated some aspects of RPA transition planning.

There was a view that in the earlier stages of the transition to Invest NI, some councils were more reactive than proactive to specific clauses within their contracts/Letters of Offer (e.g. those relating to publicity surrounding the ERDF support, codification requirements, record keeping relating to State Aid compliance and some aspects of procurement) but that this was addressed over time. In specific relation to procurement it was noted that whilst some councils had adhered to council policies, these on occasion did not fully comply with NI Public Procurement Policy and EU regulations. This led to some penalties being applied and some clawback of monies (offset against later claims).

DfE and Invest NI subsequently offered councils training on issues such as State Aid, EU publicity requirements etc.

Discussion with Invest NI notes that whilst the transfer of funds from one public body to another (i.e. in this instance, from Invest NI to Councils) represents ‘No Aid’, it was a requirement for councils to consider whether the onward provision of funding from Councils to end beneficiaries represented State Aid. Indeed, Invest NI’s Letter of Offer Annex referred specifically to De Minimis aid. Despite this, consultees noted that there had been a period of some uncertainty amongst councils relating to the interpretation of the regulations and their specific responsibilities for monitoring whether support received by businesses had represented De Minimis funding. However, it was noted that these issues had subsequently been addressed.

Invest NI’s notes that the monitoring and audit checks undertaken through the LED 1 Programme had identified ‘lessons learned’ that have subsequently been incorporated into the following new processes for LED 2:

- CPD Procurement Adviser is involved with Councils in the procurement competitions for the funded elements of LED 2 projects.
- Pre-Support on EU Regulations from a member of Invest NI’s European Unit team who will visit Council to discuss all the EU regulations required during future audits.
- Specialist State Aid Advice from a member of DfE staff who is willing to advise each Council on State Aid regulations on their first LED 2 project.
- Simplified clauses and definitions used in the revised LED 2 Letter of Offer to provide less ambiguity and a standardised approach in relation to Council requirements and project outputs (in particular, relating to standard conditions on State Aid, CPD Procurement Advice and Publicity).

4.2.5 *Strategic Fit and Contribution to Sub-Priority Objectives*

It was the view of DfE and Invest NI that for the most part the projects selected for approval provided a good fit with the sub-priorities objectives. However, some consultees noted that the degree of strategic planning amongst some councils could be improved, aligning the needs of businesses in their area with the LED Measure’s objectives.

4.2.6 *Rationale and Need for the Projects*

Whilst it is noted that many of the projects were premised on the needs of local businesses, there was a view that such needs could have been better articulated within applications (e.g. through reflecting upon the findings of specific research). However, it was noted that the introduction of the use of a business diagnostic tool (under LED 2) will better inform councils as to the specific needs of businesses in their areas.

4.2.7 *Actual Costs Incurred versus Budgets*

It was noted that for the most part, the LED projects that were supported drew down the majority of monies offered. However, it was noted that due to some of the uncertainties surrounding the RPA process that many applications were not received by Invest NI until the start of 2013 meaning that Councils were under pressure to get projects underway and to ensure that they were appropriately completed in sufficient time to make claims.

4.2.8 *Levels of Outputs, Impacts and Benefits*

Invest NI notes that the majority of projects supported achieved their output targets but notes that the varied quality of evaluation and timing given lead-times required to achieve impacts extended beyond the date on which evaluations took place makes it difficult to assess whether individual projects achieved significant impact. However, it was noted that there is evidence of impact (employment growth, revenue growth etc.) and also of additional benefits that are not easily measurable such as the networking that took place amongst businesses on the various programmes.

4.2.9 *Future Sub-Regional Development*

In relation to Invest NI's future approach to sub-regional development and how it can best work with the Councils, the Invest NI consultees noted that a pressing concern might be to focus on what arrangements might be introduced post 2020 and the UK's exit from the European Union i.e. will any form of intervention be introduced by Treasury or might the NI Executive decide that such support for local business might have to be funded from local rates, given that with the transfer of functions under RPA, there was a transfer of monies for local economic development. It was suggested that the process of addressing such strategic questions should commence at the earliest possible opportunity.

Recognising that the realignment and amalgamation of the 26 legacy councils into the new configuration of 11 has taken time to embed, there was a suggestion 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.

5. CONCLUSIONS & RECOMMENDATIONS

This section summarises the key conclusions and recommendations arising from the evaluation.

5.1 Conclusions

5.1.1 Overall Conclusion

Invest NI took responsibility (as Intermediate Body) for the LED Measure of the European Sustainable Competitiveness Programme ('the EUSCP' or 'the Programme') for Northern Ireland 2007-2013 during 2011, some four years into its operation. At this point, the Measure had only committed c£4.1m of its £25m budget (excluding match funding) across 51 projects. In addition, at that point in time, NI was continuing to suffer the effects of the economic downturn and there was uncertainty within the councils as a result of the impending RPA process (whereby the councils were restructured from 26 to 11).

Our review of materials and our consultations with councils and Invest NI/DfE indicate that from the outset, Invest NI took a proactive approach to ensure that as much funding was invested in the local economy as possible. This included taking a decision to match fund eligible projects at a level of 25% of costs from its own budgets, undertaking a series of presentations with councils and introducing an EU & Partner Delivery Team to work closely with councils to scope and develop suitable projects, whilst avoiding duplication of existing activity. Our evaluation suggests that the approach adopted was a success and was welcomed by councils. Ultimately by 2013, Invest NI had committed a further c£15m of ERDF LED monies across 99 new projects including 4 substantial capital projects.

5.1.2 LED's Management, Operating & Monitoring Structures

On an overall basis, the review of programme and project level materials and discussions with key stakeholders indicates that the LED Measure's intervention's management and operating structures were appropriate and effective. This includes *inter alia*:

- The application and appraisal processes which are considered to be concise and proportionate to the quantum of monies sought for individual projects (considering issues such as strategic fit, need, economic benefits - jobs, duplication, displacement, additionality, and VFM);
- The Measure's financial management which was again considered to be proportionate, clear and robust;
- Risk management processes which were considered to be appropriately distributed to all pertinent stakeholders (i.e. DfE, Invest NI and the local councils); and
- The management/delivery of any European Funding e.g. the administrative arrangements including vouching requirements and expenditure eligibility, which were considered to be clear and easily addressed.

In particular, it is noted that the LED Measure offers considerable potential to deliver upon aspects of the Industrial Strategy which has a strong sub-regional dimension. LED 1 (i.e. 2007 – 2013) has provided the opportunity for enhanced communication between the councils and Invest NI and the platform to explore opportunities to impact upon the sub-regional agenda.

However, whilst the monitoring arrangements utilised were effective in ensuring that the supported projects were delivering their anticipated outputs and the funding received was spent in accordance with agreed budgets, it is the Evaluation Team's view that more emphasis could have been placed at the outset of the programme (either by the Department and/or Invest NI when it took over the IB role) on putting in place procedures to provide a foundation for capturing programme level 'outcomes'. That is, the 30 projects that we have considered in detail have sought to support businesses in a large variety of different ways and across the 30 projects, there is a large number of outcome indicators. Unfortunately, the varied mix of indicators chosen by councils to measure the success of their projects means that it is not possible to aggregate results in any meaningful manner. It is the Evaluation Team's view that common indicators

could potentially have been built into many of the projects supported, but to be measurable should be done at the outset i.e. either as a requirement of the application process or completed as part of the project approval process.

5.1.3 Strategic fit with relevant policy, including the overall LED Programme objectives

It is clear that Priority 2.2 provided a good fit with prevailing NI strategies including, in particular, Priority 1 (Grow a dynamic, innovative economy) of the then Programme for Government (PfG 2008-2011)³⁸ and the then Economic Strategy (published March 2012) which placed a focus on two distinct elements:

- Rebalancing the economy: in the long term (up to 20 years), the aim was to rebalance the local economy toward higher value-added private sector activity.
- Rebuilding the economy: in the short term, the aim was to provide more immediate support/measures for the local economy which had recently experienced a difficult period (rising unemployment, depression in construction).

In relation to the LED Programme objectives, the Evaluation Team's review of the projects supported indicates that they provided a strong fit with EUSCP Priority 2 – 'Sustainable Enterprise and Entrepreneurship' through encouraging the growth of the private sector. In particular, and as illustrated in Appendices IV, V and VI, many of the projects had a focus on:

- Increased job creation;
- Increased economic activity by encouraging businesses to become more market-aware, research aware, outward-looking, export-orientated and committed to ongoing business development;
- Increased innovation; and
- Greater social inclusion – through the development of social enterprises and through seeking to encourage income generation and an increased circulation of money in disadvantaged communities (in particular, work in support of this has been implemented through the Forthriver project – see Section 3.5 and Appendix IV for details).

5.1.4 The identified rationale and need for the projects, including market failures and additionality

Our review of project applications indicates that most projects supported were premised on the basis that they met local business need (as reflected in local economic development plans, scoping studies, surveys of businesses etc.). Where market failures were discussed, they largely related to some of the following factors:

- **Capital Market Failures** – At 2013, Northern Ireland was continuing to suffer from the impact of the economic downturn. Access to finance was a key area of concern in the local economy and a constraint facing business. In this context (the downturn in the economy and current banking conditions, where it was particularly difficult for businesses to access finance), many businesses were unable to access the finance they required to achieve their growth potential.
- **Information asymmetry** – It was considered that many firms did not understand the full benefits of innovation focused activities, collaborating with other firms to generate new ideas and many individuals did not understand the full potential benefits of starting new businesses. As such, it was suggested that without support, such activities would be taken forward at a sub-optimal level.
- **Risk aversion** - Uncertainty over the benefits and returns from investing in potential growth activities, can often lead to businesses, especially SMEs, to engage in risk adverse behaviour that leads to a sub-optimal level of investment in their future growth. For example, businesses may not invest in training in emerging

³⁸ Mid-term Evaluation of the European Sustainable Competitiveness Programme for Northern Ireland 2007-2013 Final Report (PwC, August 2011)

areas such as digital marketing as they may see it as a threat to their roles or to their traditional models. As a result, businesses fail to reap the true value that can be delivered through these emerging disciplines.

5.1.5 *The actual costs incurred against the estimated costs and explain any variances*

A key point to note in relation to projects costs is that feedback from councils indicates that without the introduction of Invest NI's contribution of 25% of project costs far fewer projects would have come forward, and indeed it is likely that much of the LED monies would have remained unspent. This was influenced by a variety of factors including:

- Constrained budgets within the various councils; and
- Uncertainty within the councils during the review period as a result of the reconfiguration of the councils under the RPA process.

Indeed, at the time that the transfer of LED ERDF monies to Invest NI were being discussed it was noted by Invest NI (memo to Invest NI's Top Management Team, dated 22nd June 2011) that there was a high risk of underspend on the Measure. To that end and reflecting upon the alignment of individual project objectives with the LED Programme objectives, and the fact that the majority of projects supported appear to have fully met their anticipated output and outcome indicators (albeit they are very varied), it appears that the introduction of Invest NI's 25% funding does appear to have delivered value for money.

As illustrated in Section 3.4, the majority (76% overall) of monies offered (to the 30 LED projects sampled) were drawn down. However, if the Forthriver project is excluded, the percentage drawdown increases to 88% across the remaining 29 projects. A variety of reasons for variances were recorded across projects included tendered costs coming in lower than expected, some activity being less than was anticipated at the outset, some activity that was undertaken not being eligible for ERDF co-funding, some penalties being incurred as a result of procurement activities not being undertaken in line with guidance etc.

5.1.6 *The extent to which the projects have progressed to date, and are likely to perform against their stated project objectives and targets*

The Evaluation Team has undertaken a detailed review of available evidence with respect to the specific activities, outputs, results and impacts associated with the 30 Invest NI projects that were selected for review. As illustrated in Appendix VI, our review of existing evidence for the 30 projects within the sample indicates that almost all projects met the targets that were established for them.

In specific consideration of the two capital projects, all available evidence indicates that they have progressed as planned and are on their way to achieving targets established for them (albeit, for the Forthriver project, it will be a number of years before it becomes fully clear whether it will meet its occupancy and revenue targets).

5.1.7 The contribution of the projects to Sub-Priority objectives

The sub-priority 2.2 objective was:

“To encourage the growth of NI firms (by encouraging companies to become more market-aware, research aware, outward-looking, export-orientated and committed to ongoing business development)”.

Following the 2011 EUSCP Mid Term Evaluation, the following output indicators were identified to help inform Invest NI’s reporting of LED:

Number of:

- LED Projects Supported;
- LED-based projects that support SMEs to develop their export focus;
- LED projects that support SMEs in business improvement activities;
- LED projects that support SMEs in innovation;
- LED-based projects that support SMEs in entrepreneurship;
- LED-based projects that support SMEs through collaborative activities.

The 2015 Annual Implementation Report (AIR) noted that in total 150 LED projects were approved (up to 31st December 2015) by both Invest NI and DETI against a target of 100. The table below identifies that each of the LED output indicator targets was achieved, and that the Invest NI-managed LED projects contributed greatly to their achievement.

Table 5.1: Achievement of LED Output Indicator Targets				
Number of (LED) projects	Target	Actual	Contribution of the Invest NI managed LED projects to Actual Output	
			No.	%
Supported	100	150	124	83%
That support SMEs in business improvement activities	100	122	100	82%
That support SMEs in entrepreneurship	70	88	70	80%
That support SMEs to develop their export focus	20	41	40	98%
That support SMEs through collaborative activities	10	38	36	95%
That support SMEs in innovation	12	38	36	95%

Whilst the focus on business improvement projects was retained for the 99 projects approved by Invest NI, the table below indicates that the projects approved under Invest NI placed more of an emphasis on Innovation (33%, N=99), collaborative activity (33%, N=99) and export trade (37%, N=99) than had been the case when DETI performed the IB role, but also less of a focus on ‘entrepreneurship’ (49%, N=99).

Table 5.1: % of Projects by LED Indicators						
	No. of Projects	% of LED-based projects that support SMEs				
		Business improvement	Entrepreneurship	Export focus	Collaborations	Innovation
DETI	26	85%	69%	4%	8%	8%
Novated	25	88%	84%	12%	12%	12%
Invest NI	99	79%	49%	37%	33%	33%
N=	150	122	88	41	38	38
% of Total		81%	59%	27%	25%	25%

The Evaluation Team considers that a variety of reasons are likely to have contributed to the changing profile of project supported including:

- A general greater awareness of the importance of export trade, innovation and collaboration amongst economic development stakeholders during the period after Invest NI took on the IB role, reflected in the Economic Strategy and PFG;
- Enhanced communication with Invest NI as to the types of projects that might be supported;
- The additional (25%) contribution made by Invest NI allowing councils to consider projects that they might previously have considered to be too novel or risky for their borough/district.

In addition, sub-priority 2.2 had four result indicators, as follows:

Number of participating companies:

- Securing work in new markets;
- Recording business growth;
- Reducing costs of production;
- Increasing levels of exports.

The Evaluation Team has undertaken a detailed review of the specific activities and outputs, as well as the results and impacts associated with the 30 Invest NI projects that were selected for review. Our review indicates that taken as a representative cohort of the 124 Invest NI managed LED projects, each of the projects supported was successful in engaging with SMEs and also in achieving many important business outcomes (e.g. turnover and employment growth). However, it is evident even across the cohort of 30 LED projects that councils selected a varied mix of outcome/result indicators to measure the success of their projects. Unfortunately, the substantial mix of indicators combined with both the varied quality of project evaluation reports and varied methodologies employed therein means that it is not possible to aggregate results in any meaningful manner.

The Revenue Projects

Nonetheless, the Evaluation Team has sought to align the outcomes reported in the various evaluation reports received for the 28 revenue LED projects by the 4 LED ‘result indicators’ and other key indicators that were featured in some of the reports. Albeit, the Evaluation Team considers that there is some ambiguity in the interpretation of what these result indicators might relate to.

- 3,500 businesses were engaged with; however, of these 1,347 received more intensive support. It should be noted that there is no consistent definition across the projects as to what ‘more intensive support’ consisted of. In the context of our analysis it simply means that at the outset of some projects more businesses were engaged with than proceeded to receive later stage support in the same project/programme;
- In relation to the 4 LED ‘result indicators’:
 - The first indicator relates to ‘securing work in new markets’. However, it is not clear whether this relates to new geographic markets or new product/service markets. Our review of the evaluation reports indicates that:
 - 4 evaluation reports state project participants entered new ‘product/service’ markets of which 2 (of the 4 reports) state that a total of 115 project participants did so;
 - 2 evaluation reports state that a total of 43 project participants entered new ‘geographic’ markets.
 - The second indicator relates to ‘participant businesses recording business growth’. However, it is not clear what metric of business growth this relates e.g. whether it relates to turnover growth, employment growth, profitability growth etc. Our review of the evaluation reports indicates that:
 - 19 evaluation reports state that project participants increased their turnover, of which 17 (of the 19 reports) state that project participants increased their turnover by a total of £19m;

<ul style="list-style-type: none"> ➤ 22 evaluation reports state that project participants increased their employment by a total of 504 FTEs; ➤ 3 evaluation reports state that project participants increased their profitability, of which 1 (of the 3 reports) states that project participants increased their profitability by a total of £303k. <ul style="list-style-type: none"> - The third indicator relates to ‘participant businesses reducing their costs of production’. Our review indicates that 4 evaluation reports state that project participants reduced their costs of production, of which 3 (of the 4 reports) state that project participants reduced their costs of production by a total of £132k. - The fourth indicator relates to ‘participant businesses increasing their levels of exports’. Our review indicates that 8 evaluation reports state that project participants increased their exports, of which 6 (of the 8 reports) state that project participants increased their levels of exports by a total of by a total of £1.2m. In many cases, but not in all, these were identified as a subset of total turnover increases. <ul style="list-style-type: none"> • Other key ‘indicators’ that were featured in the various evaluation reports included: <ul style="list-style-type: none"> - 7 evaluation reports state that project participants ‘improved their skills & knowledge’; - 15 evaluation reports state that project participants were able to ‘sustain’ a total of 2,559 FTE jobs; - 2 evaluation reports state that project participants ‘secured investment’ totaling £1.14m; - 6 evaluation reports state that a total of 52 project participants became Invest NI clients; - 4 evaluation reports stated that project participants created 79 new businesses.

However, as suggested, the Evaluation Team would urge caution as to the use of each of the aggregated ‘result indicators’ or other indicators featured above, due to the varied quality of project evaluation reports; gaps in information within the reports; and the varied methodologies employed within the individual project reports. Also, few, if any of the evaluation reports sought to identify levels of additionality associated with the gross results identified, whilst others were based on results reported by delivery agents, without evidence of validation.

The Capital Projects

In relation to the two capital projects’ contribution to the 4 LED ‘result indicators’, the Evaluation Team notes the following:

Forthriver	<p>At the time of writing (March 2018), the Centre had only been formally opened for a period of 18 months. Discussion with the Operator indicates that key activities delivered have included:</p> <ul style="list-style-type: none"> • A local management consulting firm has been commissioned to provide business growth support. This firm manages a range of support services, each with specific roles relating to business growth and innovation services that are made available to centre users and tenants. • Invest NI has also been working in partnership with the Centre Operator and BCC to ensure that the breadth of available Invest NI’s products and services are maximised/exploited for the benefits of tenants and customers of the Innovation Factory. <p>The Centre has not been captured whether participating companies have:</p> <ul style="list-style-type: none"> • Secured work in new markets; • Recorded business growth; • Reduced costs of production; • Increased levels of exports.
-------------------	---

<p>Roslea Enterprise Centre</p>	<p>Construction on this project (of 2 new incubation units) was completed by 18th December 2015, with the units fully occupied (by one business that had been an existing tenant of the Centre) by January 2016.</p> <p>The project’s evaluation indicates that the business has since created five new jobs and increased their exports in the ROI market, increased their engagement with Invest NI and progressed to become an account-managed client within Invest NI’s Food and Drink Division</p> <p>The Centre Operator has also noted that, the tenant of the 3,100ft² has recently secured bank finance to construct an extension to the workspace to support their business growth.</p> <p>The project has therefore supported the tenant business’ growth and facilitated an increase in their exports.</p>
--	--

5.1.8 The extent to which the projects are having an impact on the local economy, including wider and regional impacts

Feedback from council representatives indicates that the LED Measure has complemented and enhanced regional initiatives that support and strengthen business competitiveness. The projects taken forward have been developed in line with local priorities and needs.

The varied nature of the outcomes generated by projects and the different means by which they were measured (see Section 3.5 for illustration) means that it is very difficult to meaningfully aggregate or to gross up for the Invest NI managed LED projects (either accurately or in a manner that might be considered technically robust). However, a review of that Section readily illustrates that substantial and varied outputs and outcomes were achieved. The key types of outcomes achieved related to revenue and employment growth amongst businesses. Other key outputs relate to:

- Increased levels of innovation activity;
- Enhanced business infrastructure (e.g. the Innovation Factory at Forthriver or the Roslea project);
- Increased levels of skills.

In implementing the projects in line with local identified needs, and achieving the identified outputs and outcomes, the Evaluation Team considers that notwithstanding the varied evaluation methodologies employed and gaps in information available etc., it might be reasonable to assume that participation in the LED projects has contributed to making the businesses ‘more competitive and sustainable’ and in turn more capable of contributing to closing the productivity gap with the rest of the UK.

5.1.9 The risk management processes put in place

Invest NI’s management of the LED monies carried with it several substantial risks from the outset. Foremost amongst those was budget underspend but also risks relating to relationship management between Invest NI and its key LED stakeholder grouping. However, it also carried the opportunity to lever up to £50m investment in the local economic development environment, helping transform sub-regional delivery of products and services.

Ultimately, given the expenditure drawn down and the feedback from local authorities, Invest NI successfully managed both risks. Indeed, it is evident that Invest NI was well placed to bring best practice and transfer capability to Councils and the management of the LED Measure provided a vehicle for this to happen.

Project level risks were largely addressed through the project appraisal, casework process and ongoing project monitoring throughout the lifetime of the project. The Evaluation Team’s review of these documents for the 30 projects within the sample indicates that projects were appropriately appraised and that a robust challenge function was adhered to within the casework panels. Subsequent to this, Letters

of Offer contained appropriate contractual conditions to manage any project risk further. In addition, it should be recognised that it appears (based upon available monitoring information) that councils also sought to mitigate risk through contractual arrangements with providers and regular monitoring etc.

5.1.10 Economy, Efficiency & Effectiveness

The Evaluation Team sought (see Section 3.5) to aggregate results for the 28 revenue projects and 2 capital-build projects that were sampled as part of this evaluation. This task proved complex as a result of the varied nature of indicators utilised by projects and in part in relation to gaps in the necessary information in the available evaluation reports. Whilst the following aggregate results have been identified, the Evaluation Team would urge caution in their use and interpretation.

	No. of businesses engaged	No. of businesses receiving more intensive support ³⁹	No. of jobs created	No. of jobs sustained	Value of additional sales	Increasing level of exports
Total	3,500	1,347	503.5	2,560	£19,373,511	£1,225,911
N=	28	24	22	15	17	6
Average per project	125	56	23	171	£1,139,618	£204,318

The 28 revenue projects received a total of £3,279,527 of assistance (ERDF or Invest NI). If the value of ‘additional sales’ recorded is utilised, then it appears that the LED Measure has provided a return of circa £5.90 for every £1 invested. However, the Evaluation Team notes that such a crude and high-level indicator would not be used by Invest NI within the evaluation of its other programmes, which typically assess levels of deadweight associated with any sales achieved and also use GVA conversions.

The Evaluation Team has further sought, to the extent possible, to draw conclusions, on the basis of the findings above, as to the economy, efficiency and effectiveness of the Invest NI managed LED Measure and the extent to which it has represented Value for Money, as illustrated below:

Indicator	Evaluation Team’s Commentary
Economy measures are concerned with showing that the appropriate inputs (i.e. the resources used in carrying out the project) have been obtained at least cost	All LED projects that used external providers were subject to public procurement exercises, as were the capital projects. This provides some assurance that appropriate inputs (i.e. the resources used in carrying out the project) have been obtained at least cost. In addition, to help achieve ‘economy’ Invest NI provided guidance to the Councils as to maximum daily rates for external delivery organisations and maximum mentoring days support that should be made available to participant businesses.
Efficiency relates to measures that are concerned with achieving the maximum output from a given set of inputs	In terms of efficiency, we note that there was a high level of achievement of targets (see Appendices IV, V and VI) across most of the LED projects considered within the sample. The Evaluation Team considers that this provides some assurance that councils have achieved the maximum output from their given set of inputs.
Effectiveness measures are concerned with showing the extent to which aims, objectives and targets of the project are being achieved	Again, Appendix IV, V and VI demonstrates that there was a high level of achievement of output targets across most of the LED projects considered within the sample, indicating some level of effectiveness. Unfortunately, measurement of outcome indicators is more varied, which would have provided a better measure of effectiveness.

³⁹ E.g. mentoring support

On balance, our review of the project documentation received (with key aspects summarised in Appendix VI) suggests that Value for Money has been achieved; albeit the Evaluation Team recommends that enhanced measurement of key outcome measures across LED projects would provide better information from which to determine value for money.

5.1.11 Lessons Learned for Invest NI in terms of its future approach to sub-regional growth development and how it can best work with the Councils in this regard

Discussion with councils and Invest NI indicates that the monitoring and audit checks that were undertaken have been successful in identifying the key ‘lessons to be learned’, and that these have subsequently been incorporated into the following new processes for LED 2:

- CPD Procurement Adviser is involved with Councils in the procurement competitions for the funded elements of LED 2 projects.
- Pre-Support on EU Regulations from a member of Invest NI’s European Unit team who will visit Council to discuss all the EU regulations required during future audits.
- Specialist State Aid Advice from a member of DfE staff who is willing to advise each Council on State Aid regulations on their first LED 2 project.
- Simplified clauses and definitions used in the revised LED 2 Letter of Offer to provide less ambiguity and a standardised approach in relation to Council requirements and project outputs.

In relation to Invest NI’s future approach to sub-regional development and how it can best work with the Councils:

- The council consultees recommended that:
 - 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.
 - Further support should be offered for enterprise awareness activities;
 - There was room for greater clarity around the progression route for businesses to move from local council support onto that provided by Invest NI. It was a consensus view of those in attendance at the council focus group session that the current progression route is somewhat ‘disjointed’.
- The Invest NI consultees noted that a pressing concern might be to focus on what arrangements might be introduced post 2020 and the UK’s exit from the European Union i.e. will any form of intervention be introduced by Treasury or might the NI Executive decide that such support for local business might have to be funded from local rates, given that with the transfer of functions under RPA, there was a transfer of monies for local economic development. It was suggested that the process of addressing such strategic questions should commence at the earliest possible opportunity.

In addition, recognising that the realignment and amalgamation of the 26 legacy councils into the new configuration of 11 has taken time to embed, there was a suggestion 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.

The Evaluation Team considers that, for the most part, the recommendations made by both the councils and Invest NI have merit. Although, historically, there has been substantial support for enterprise awareness type activities, so any support of this nature should be considered carefully to ensure that it is fully additional to any other enterprise awareness activities that are already in existence.

5.1.12 Equality Considerations

All of the projects supported adhered to the councils' own commitments to the Section 75 of the Northern Ireland and the Disability Discrimination Act 1995. It is the Evaluation Team's view that the projects would therefore, not have had any detrimental impact upon groups affected by both Acts.

It is further noted that some projects (e.g. the Forthriver project – see Appendix IV) have sought to impact positively on an area of considerable disadvantage.

5.2 Recommendations

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 Nibusinessinfo 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:
 - Programme/project name;
 - Participant business name;
 - Business address;
 - Key contact name;
 - Key contact telephone number;
 - Key contact e-mail address;
 - 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);
 - The support received by each individual business;
 - 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 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.
- 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.
- 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.
- 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.