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Evaluation of Selective Financial Assistance 2011/12-2018/19

Report to Invest NI

SQW

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Executive Summary

1. SQW Limited, in partnership with Aston Business School, the Economic Policy Centre at Ulster University and BMG, was commissioned by the Department for Economy (DfE) and Invest Northern Ireland (INI) in June 2020 to evaluate Northern Ireland's Selective Financial Assistance (SFA) over 2011/12-2018/19. SFA provides direct financial support to businesses to secure increased private sector investment and employment growth in Northern Ireland.

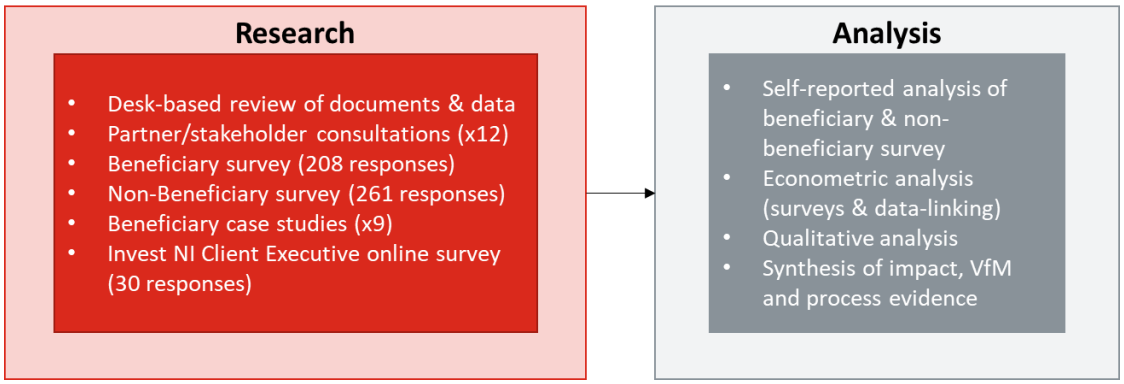
Evaluation aims and approach

2. The purpose of the evaluation was to provide an independent and robust assessment of the delivery and economic impact of SFA. The key Evaluation Questions were:

- To what extent have the lessons learned from earlier evaluation work (covering 2004/05 -2010/11) been addressed in the 2011/12 to 2018/19 delivery period?
- How effective are SFA processes and management arrangements in enabling intended outcomes/impacts to be delivered?
- How has SFA performed in terms of financial and output performance, and what are the characteristics of businesses supported?
- Is there an ongoing rationale, need and demand for the SFA instrument?
- What is the overall net economic impact, value-for-money and performance of SFA relative to benchmarks?
- Is SFA aligned with, and contributing to, wider strategic priorities in Northern Ireland, and how effectively does SFA fit with other business support programmes?
- What are the key lessons learned and recommendations for improvement?

3. The approach comprised a combination of desk-based analysis and primary research to gather quantitative and qualitative evidence, summarised in Figure 1 below.

Figure 1: Overview of research tasks and analytical approaches



Source: SQW

Context, rationale and objectives

4. During the evaluation period, SFA was positioned consistently as a key lever for supporting economic growth, providing a strong overarching strategic case for intervention. The evaluation also suggests a strong rationale for the use of SFA as a policy instrument in practice, which was typically opportunity-led, facilitating, accelerating and raising ambitions for private sector growth, including through sharing risk with businesses, delivering wider positive externalities for the economy. There was also a different, but important, rationale for the deployment of SFA to secure internationally mobile investment.

5. However, the evaluation found mixed evidence on whether SFA has been used consistently and explicitly to address gaps in the finance landscape, especially in supporting locally-owned firms, which is crucial to avoid duplicating/crowding-out the private sector. SFA's guidelines indicate that it is generally expected to be 'assistance of last resort' for such businesses. However this was not consistently tested or evidenced, suggesting some deadweight may be evident.

6. SFA's primary objective was to create new employment, leading to business growth and long-term high-quality employment. SFA was also expected to improve productivity and encourage internationalisation of the business base. However, SFA lacked an annual business plan and/or a statement of SMART objectives providing a clear articulation of what it was seeking to achieve. Job creation was a consistent priority in practice, but there was no clear or formal statement on how priorities may have shifted overtime (for example, with greater emphasis on productivity) to inform deployment. As a result, although partners and stakeholders considered that SFA had become more associated with a productivity improvement intent over the evaluation period, this was not formalised or codified in a way that could be used to influence behaviours practically on the ground.

Inputs and activities

7. SFA offers worth over £270m, via over 1,800 projects, to over 1,450 businesses were made in the evaluation period. This SFA offer value was matched to a further £2.5bn of other investment. By March 2020, actual expenditure was approaching £160m, equivalent to just under 60% of the offer value.

8. Almost all SFA awards were grant-based, and over two-thirds focused on revenue (i.e. employment support) activities. The scale of offers ranged substantially: there was a long tail of small projects (i.e. under £50k in value) which accounted for over two-thirds of the offers, but just 14% of the offer value; whereas over 40% of the total offer value went to 50 projects of over £1m in value, around two-thirds of which were led by externally-owned firms.

9. The profile of SFA deployment over the evaluation period was impacted materially by changes in eligibility rules, with restrictions placed on its use with large firms after mid-2014. This led to a more balanced portfolio in the second half of the evaluation period, with fewer large projects led by externally-owned firms, and more support to NI-owned SMEs.

10. The change in eligibility for large firms also appears to have created a significantly increased demand for SFA funding in the period leading up to this change, with projects being brought forward and over £55m of SFA committed in April-July 2014 alone; accounting for more than a fifth of the total offer value over the full evaluation period. This is concerning from an evaluation perspective, providing some uncertainty whether SFA funding was genuinely needed in all cases in this period.

11. SFA performed well in supporting growth in deprived areas, in line with strategic objectives on inclusive growth: nearly three-quarters of the offer value was to firms located in NI's 50% most deprived areas, and nearly half of jobs promoted in the 20% most deprived.

Gross outputs and outcomes

12. SFA projects were expected to create just over 32,000 new jobs and safeguard over 1,000 jobs. The evaluation estimates that most anticipated jobs were realised in practice, with a mid-point estimate of 29,950 gross jobs realised (new and safeguarded).

13. Approaching two-thirds of jobs were expected to have salaries over the Northern Ireland Private Sector Median (NIPSM), with higher salaries observed in externally-owned, services and/or large firms. Survey evidence suggests anticipated salary levels were met or exceeded in nearly all cases.

14. A high proportion of surveyed beneficiaries (over 80%) reported that SFA led to productivity improvement, and increases in the value of sales. A substantial minority (over 40%) of respondents also reported reduced costs as a result of SFA.

15. In addition to employment and business performance impacts, SFA delivered a wider range of capability and capacity benefits. At least two-thirds of survey respondents indicated that support from SFA had led to improved skills and technical capabilities, efficiency of productive processes, product quality and management of innovation processes, and the introduction of new/significantly improved products or processes.

16. More broadly, qualitative evidence suggested SFA support has encouraged firms to "think big" and "outside NI", and boosted confidence to invest in growth. By sharing risk with the business, SFA has encouraged businesses to invest, scale up more quickly and/or on a larger scale than originally intended (reflected in the partial additionality results below) – and thereby encourage growth for the NI economy as a whole. There is also evidence that SFA has supported businesses to pivot in response to new opportunities, and facilitated investments to reduce businesses' carbon footprints. By strengthening NI's businesses in these ways, SFA was seen by stakeholders to have built resilience and capacity for long-term growth. SFA has also encouraged and generated new export sales, including exports by locally owned SMEs.

Additionality and net impacts

17. Additionality was assessed through two methods: first, using self-reported evidence from the beneficiary survey, combined with qualitative evidence from consultations/case studies;

second, using econometric analysis of survey results (comparing beneficiaries to non-beneficiaries) and data-linking (comparing beneficiaries to firms in the wider UK business population).

18. The self-reported evidence suggests that SFA realised positive additionality. The survey found very low levels of deadweight (where the benefits would have been achieved anyway at the same speed, scale and quality without SFA), and over two-fifths of survey respondents stated that benefits were 'fully additional' (where the benefits would not have been achieved at all without SFA). For approximately half of businesses surveyed, SFA accelerated, scaled-up and/or (to a lesser extent) improved the quality of benefits.

19. Applying quantitative estimates of additionality from the survey to the population of supported firms suggests that by March 2020 the impact of all SFA awards over the evaluation period can be estimated at 10,700 net jobs, and £494m net GVA.

20. The survey-based econometric analysis (comparing beneficiaries to non-beneficiaries) found:

- A positive and statistically significant impact on employment growth for SFA beneficiaries in both a three-year model (over 2017-20) and one-year model (over 2019-20). Quantitatively the three-year model estimated that 5,400 net additional were created across the SFA population, equivalent to net GVA of £252m over this three-year period.
- A positive and statistically significant impact on turnover growth for SFA beneficiaries in a one-year model (over 2019-20). No significant effect on turnover growth was found in the three-year model (over 2017-20).
- No differential impact on productivity growth overall. Productivity impacts typically take time to work through**,** but this may also reflect there were no formal objectives relating to productivity, and difficulties created by cost per job metrics in the appraisal process.

21. Statistically significant productivity effects were found in the econometric analysis using data-linking (comparing beneficiaries to firms in the wider UK business population), but only at the top end of the distribution. This suggests that SFA's effects on productivity may only be evident to date on those firms growing more quickly.

22. Taken together, the econometric analysis supports the proposition that it is the fact of being assisted in itself that drives the impact rather than the actual amounts paid out. In other words, SFA payments in themselves do not create a net impact, but payments along with the associated support from Client Executives is what makes the difference.

Value for Money

23. In terms of Economy, improvements have been made to more explicitly and consistently record that SFA funding is provided at minimum cost in casework documentation; Client Executives play an important role in negotiating down the amount of finance required where possible. However, the lack of evidence to quantify this makes it difficult to fully assess SFA's

performance against economy. Further, the volume of small projects by offer value creates a significant administrative burden and cost, with implications for overall economy in delivery.

24. In terms of Efficiency, SFA performs well, with an estimated cost per net job of £27k based on total offer value, or £16.6k based on payments; this compares favourably to benchmarks. SFA has also generated a positive GVA Return on Investment, of £1.7:1 based on total offer value, and £2.7:1 based on payments. To note, this excludes any future projections and therefore the Return on Investment is likely to increase in the years after the evaluation period.

25. In terms of Effectiveness, SFA has delivered strongly against most of its core objectives. SFA has been highly effective creating jobs in the private sector, and translating this into sales and GVA. It has also helped to secure inward investment and encouraged local businesses to be more ambitious and outward looking. However, performance against important – albeit not formally stated – productivity objectives has been less pronounced than expected, especially given the increasing policy emphasis on productivity in the evaluation period. This arguably reflects the design and deployment of SFA, not its potential as a tool to raise productivity.

Process perspectives

26. Substantive efforts were made in the current evaluation period to implement changes to improve how SFA was managed and deployed, relative to earlier periods. The introduction of a dedicated management team was helpful in providing greater clarity of SFA ownership. This also facilitated continuous improvement in implementation, notably in guidance, casework and appraisal processes, responding to feedback and changing conditions.

27. Levels of satisfaction with SFA were high amongst supported firms, with more positive than negative feedback on the offer/approval and ongoing monitoring processes. Views on the application process and payment and claims process were less positive overall, although still 'net positive'. However, evidence on the application process from both businesses and Client Executives suggest there may be further scope to streamline the process.

28. The evaluation identified aspects of SFA that work well and should be retained going forward, notably: the use of SFA as part of a 'package' of support; the flexible and responsive approach, tailoring the offer to business needs; the added value role of Client Executives, particularly in building a holistic understanding of businesses to ensure SFA is invested appropriately, and negotiating the SFA offer on a case-by-case basis, challenging firms where necessary; and the three/five year commitment of firms to report outputs, alongside ongoing engagement of Client Executives, to embed and retain growth in NI.

29. Four key areas where changes might be considered going forward were identified:

- The assessment of the rationale for intervention and additionality at a firm level, including the extent to which market or other failures (notably in relation to finance gaps) are explored, challenged and evidenced in the application has been sub-optimal.

- The emphasis on job creation and cost per job metrics in the appraisal process may have hindered SFA's ability to support productivity-related investment.
- There remains a lack of a clear and current articulation of SFA's aims, with SMART and prioritised objectives, through which implementation and investments can be guided. It is also difficult to obtain a strategic overview of the nature of the SFA portfolio in real time.
- The project delivery model associated with SFA (e.g. the need to commit to jobs targets in advance, with payment in arrears) has made it difficult to support capital investment projects where future productivity gains are uncertain/difficult to quantify at the outset.

Recommendations

30. Overall, the findings from the evaluation are positive. Subject to wider policy, legal and funding decisions, the view of the evaluators is that SFA as an instrument should be continued going forward. In this context, the following recommendations are made to INI.

Overall intervention design
R1: Develop and review periodically a formal Theory of Change for SFA
R2: Develop a set of SMART objectives for SFA
R3: SFA leadership team to consider formally the role and future utilisation of SFA in the context of the 10X Vision
R4: Undertake a review of the finance market and SFA's role within this to better identify key gaps and failures to be addressed
Management and delivery
R5: Consider the case for development of an annual SFA business plan or equivalent
R6: Consider mechanisms to test more consistently and formally that other forms of finance have been considered in advance of SFA. Invest NI and DfE should review the guidelines on the role of SFA. Consideration should also be given to whether the 'assistance of last resort' remains valid as to how SFA is best deployed and aligned with policy objectives and departmental priorities, whilst ensuring the minimum assistance is provided as per Section 4.1.7 of Northern Ireland's Guide to Economic Appraisal and Evaluation.
R7: Consider the scope to move away from, or reduce the emphasis on, 'cost per job' assessments in the appraisal process
R8: The potential 'added-value' role of the Client Executive role in project development should be emphasised and encouraged
R9: Review the scope to streamline the application and claims processes associated with SFA
Monitoring and ongoing evaluation
R10: Capture data on the number of actual jobs created at firm level
R11: Ensure evaluations have access to firm-level information and comprehensive data across support mechanisms
R12: Collate data on the initial 'ask' and the subsequent offer

R13: Develop and record metrics for wider outcomes associated with SFA projects, including related to productivity

Source: SQW

1. Introduction

1.1 SQW Limited, in partnership with Aston Business School, the Economic Policy Centre at Ulster University and BMG, was commissioned by the Department for Economy (DfE) and Invest Northern Ireland (INI) in June 2020 to undertake an evaluation of Northern Ireland's Selective Financial Assistance (SFA) over 2011/12 to 2018/19. SFA provides direct financial support to businesses to secure increased private sector investment and employment growth in Northern Ireland.

1.2 This final report sets out the findings and conclusions of the evaluation, and its recommendations for going forward.

Evaluation aims and objectives

1.3 The overarching purpose of the evaluation was to provide an independent and robust assessment of the economic impact of SFA, which will "*inform the future direction of one of the most important tools to support business growth and competitiveness in Northern Ireland.*"[1]

1.4 The key Evaluation Questions are presented below. They are based on the original Terms of Reference for the evaluation, and were agreed with the Client Steering Group that comprised representatives from Invest NI and DfE, following an initial scoping stage.

- To what extent have the lessons learned from earlier evaluation work (covering 2004/05 -2010/11) been addressed in the 2011/12 to 2018/19 delivery period?
- How effective are SFA processes and management arrangements in enabling intended outcomes/impacts to be delivered?
- How has SFA performed in terms of financial and output performance, and what are the characteristics of businesses supported?
- Is there an ongoing rationale, need and demand for the SFA instrument?
- What is the overall net economic impact, value-for-money and performance of SFA relative to benchmarks?
- Is SFA aligned with, and contributing to, wider strategic priorities in Northern Ireland, and how effectively does SFA fit with other business support programmes**?**
- What are the key lessons learned and recommendations for improvement?

1.5 In addition to these core Evaluation Questions, the evaluation also sought to explore:

[1] Invest Northern Ireland's Specification for the Evaluation of SFA

- What works well and less well in delivery of SFA, to help DfE/INI to identify which types of interventions are best at supporting which particular policy objectives.
- The extent to which SFA contributes to productivity objectives, and any links between SFA and the wider suite of interventions that might support the productivity agenda. Also, SFA's contribution to the growing emphasis on exports.
- Whether the impacts of SFA support differ depending on beneficiary type, for example, between new inward investors and businesses already established in Northern Ireland.
- Whether the flexibility of SFA use remains appropriate in the longer term (for example, in the context of EU Exit), to inform the direction of business support policy.

1.6 The evaluation's focus was on SFA offers made in the eight financial years over 2011/12 and 2018/19 (i.e. from April 2011 to March 2019). A high-level assessment of the Gaining Access to Employment (GATE) pilot was also within the scope of this evaluation; the findings related to GATE are set out separately in a supporting annex. The Jobs Fund, which was delivered utilising SFA resource, and which operated alongside the 'standard' SFA support between 2011 and 2015, was *not* within the scope of this evaluation, as the Jobs Fund was evaluated separately in 2018 as a standalone time-bound scheme.

Structure

1.7 The remainder of this report is structured as follows:

- Section 2: Methodology
- Section 3: SFA profile and evolution
- Section 4: Assessment of context, rationale and objectives
- Section 5: Assessment of inputs and activities
- Section 6: Assessment of gross outputs and outcomes
- Section 7: The additionality of SFA: view 1, focused on self-reported additionality
- Section 8: The additionality of SFA: view 2, focused on econometric modelling
- Section 9: Impact and Value for Money analysis
- Section 10: Process perspectives
- Section 11: Conclusions and recommendations.

1.8 The main report is supported by the following annexes: Annex A lists the individuals consulted for the evaluation; Annex B contains further details on the business survey samples; Annex C sets out the findings related to the GATE pilot; Annexes D and E set out the detailed findings from the econometric analysis of survey results and data-linking respectively; and Annex F sets out the spatial distribution of beneficiaries across Northern Ireland.

2. Methodology

2.1 This Section provides an overview of the evaluation approach and methodology, and the challenges and limitations that should be considered when interpreting the findings.

Overall approach

2.2 To address the Evaluation Questions and be consistent with UK Government evaluation guidance, the study has been framed by a Logic Model approach. This involved developing and then testing a Logic Model for SFA, which sets out the rationale for intervention, the inputs to be deployed, the activities delivered, the outputs generated, and the resulting *net* outcomes and impacts realised, the latter considering the 'additionality' of SFA (i.e. the extent to which the outcomes and impacts may have been realised in any case), and both quantitative and broader strategic contributions to the NI economy.

2.3 A crucial element of this approach is considering the linkages *between* the components of the Logic Model, which can inform an assessment of the effectiveness of delivery processes and management arrangements. The Logic Model used as the framework for the evaluation is presented in Section 3.

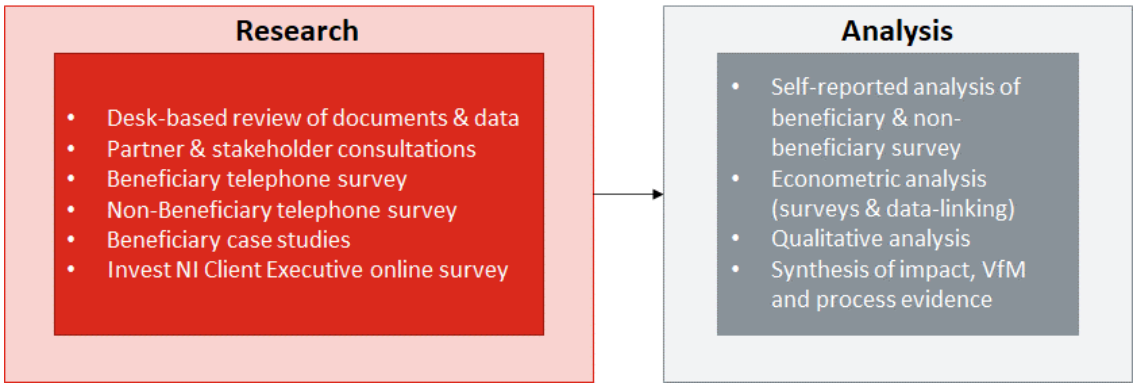
2.4 Importantly, reflecting the scale of investment associated with SFA and its crucial role in the business support landscape in NI, the evaluation has assessed additionality and impact using two complementary perspectives:

- first, a 'self-reported' perspective, based on primary evidence from businesses securing SFA offers on what would have happened (in their view) without this support
- second, econometric modelling, comparing the performance of businesses securing SFA to comparison groups of non-supported businesses drawn from a non-beneficiary survey and through data-linking to secondary national datasets.

Methodology

2.5 The methodology comprised a combination of desk-based analysis and primary research to gather quantitative and qualitative evidence. The research tasks and analysis completed are summarised in Figure 2-1 and described in the paragraphs that follow.

Figure 2-1: Overview of research tasks and analytical approaches



Source: SQW

Desk-based review

2.6 Drawing on information provided by Invest NI, this included: a detailed review of SFA monitoring data, covering approved and recorded expenditure and contracted gross jobs at a project level; a review of SFA documents, including case work templates and guidance; and a focused review of key strategic and policy documents to establish the original and evolving strategic context for SFA. Data on other Invest NI support secured by SFA beneficiaries was also reviewed to inform the assessment of how SFA fits with other business supports delivered by Invest NI.

Partner and stakeholder consultations

2.7 In-depth consultations were completed (via Teams/telephone) with 12 senior representatives from across NI's business, finance, and policy communities whose activities involved strategic or operational exposure to SFA. This included six individuals from INI/DfE with strategic oversight or delivery responsibilities for SFA, and six representatives from stakeholder organisations, including sector representative bodies, accountants and solicitors in Northern Ireland (see Annex B).

Telephone surveys of beneficiaries and non-beneficiaries of SFA

2.8 A survey was completed with 208 businesses supported by SFA over the evaluation period of 2011/12 to 2018/19 (i.e. beneficiaries). This represented a response rate of 29% from 727 'usable' contacts provided by INI.

2.9 The survey focused on businesses that had received one or two SFA offers in the evaluation period, and the combined effects of both offers (where relevant). A census approach was adopted to the survey to maximise responses.

2.10 Overall, the survey sample was well matched to the population in terms of funding mix and type (i.e. capital/revenue), business ownership (i.e. Northern Ireland/Non-NI) and sector grouping (i.e. manufacturing/services). However, weightings have been applied in the impact and additionality analysis to account for some variations, specifically:

- businesses in the sample were smaller on average, with more micro firms and fewer large firms than the population
- respondents had secured their first (or only) offer of SFA more recently, with more first/only awards in the second half of the evaluation period (73% of respondents compared to 63% of the population); to account for this in the analysis, impacts from the survey for the second period were applied to the relevant sub-set of the population.

2.11 In parallel to the beneficiary survey, a survey was undertaken with 261 businesses in Northern Ireland that had *not* been supported by SFA (non-beneficiaries). This was based on a commercial database of NI-based businesses, sampled to reflect the size (number of employees) and sector of SFA supported businesses (based on SICs), as far as possible reflecting the available population of businesses in NI. Businesses supported by other key Invest NI supports also subject to evaluation in 2020/2021 (via International Business activities and the Grant for R&D programme) were also excluded from the non-beneficiary population.

2.12 The non-beneficiary respondents were well matched to the beneficiary survey sample overall, including in terms of ownership, sector grouping and size: 93% NI-owned for both groups; 45% (approx.) were manufacturing in both groups; and 85% (approx.) were SMEs in both groups. This provides confidence in the comparisons between the beneficiary and non-beneficiary groups in the econometric analysis (discussed below).

2.13 Further details on the survey samples are provided in Annex B.

Case studies with beneficiaries

2.14 Case studies were undertaken with nine beneficiary businesses to understand more fully the nature and scale of SFA impact. The case studies focused on two groups; businesses in receipt of three or more SFA offers within the evaluation period, and businesses that secured some of the largest total offer values in the evaluation period (from a group of businesses that secured offers of at least £3.5m). Case study candidates were selected at random from these groups: five were completed with businesses in receipt of three or more offers, and four with businesses with offer values of at least £3.5m. Together, the businesses covered by the case studies accounted for £23.4m (or 9%) of the total value of SFA support offered across the evaluation period.

2.15 Each case-study involved a desk-review of the final casework submission for the relevant project(s) and Post Project Evaluation(s) (where available), and an in-depth consultation.

Invest NI Client Executives survey

2.16 An online survey was undertaken with Client Executives who worked with businesses in progressing/delivering SFA projects in the evaluation period (i.e. between 2011/12 and 2018/19 only). The survey was distributed to 103 Client Executives via INI and generated a total of 30 responses. Respondents were engaged with SFA throughout the evaluation period,

and around half of respondents had responsibility for more than 40 clients that had sought SFA support. The respondents also included a mix of Client Executives that had been responsible for bringing forward/developing/monitoring projects under SFA since the start of the evaluation period (with 16 first involved since 2011/12), and that had become involved with SFA more recently.

Self-reported analysis of beneficiary survey

2.17 The beneficiary survey captured primary data on outputs and outcomes observed from the SFA project(s), including whether jobs promoted had been realised in practice and turnover effects attributed directly to SFA, and views from beneficiaries on so-called 'self-reported additionality'. This includes whether beneficiaries believe that the outputs and outcomes attributed to SFA may have occurred without this support, and if so any effects on their scale, timing and quality. Evidence on substitution (whether involvement in SFA may have prevented engagement in other business development activities) and displacement (considering the location of markets and competition) were also collected.

2.18 The responses were used to derive 'additionality ratios' at the level of individual survey respondents, which were then applied to the 'gross' firm-level outputs/outcomes (e.g. gross jobs created, gross sales generated) to provide net outputs/outcomes for that beneficiary. These individual net output/outcome data were aggregated to provide net outputs/outcomes data at an overall survey sample level, and subsequently, scaled-up to the population (weighting the results as appropriate to account for variance in the characteristics between the survey sample population of supported projects). Data on net sales was then converted to GVA to inform an assessment of Value for Money based on the survey evidence.

2.19 In addition to estimating additionality at the overall level, analysis was also completed by beneficiary characteristics including timing of first support, firm size, ownership status, and broad sector to provide insight into whether the impacts of SFA support differ depending on beneficiary type. Data on support characteristics were also considered including any variation between businesses with one or two SFA offers in the evaluation period, by scale of SFA offer, and other Invest NI support received. The survey also provided wider evidence on the experience of, and benefits from, SFA support to inform the broader evaluation analysis.

Econometric analysis

2.20 The econometric analysis involved two methodological approaches. The first method used survey data of SFA beneficiaries and non-beneficiaries to undertake two-stage selection and assistance econometric modelling to assess the impact of SFA assistance and derive VfM estimates based on the assistance effect in the outcome model. The second method used data-linking to construct a wider database of the population of SFA beneficiaries and non-beneficiaries. This newly constructed panel database for this evaluation linked the SFA client data to the ONS Business Structure Database (BSD). A range of econometric approaches were used to provide estimates of impact and VfM: 2-stage Heckman (selection and assistance

models); Treatment models with Propensity Score Matching (PSM) and Quantile Regression. The econometric models from these two approaches provide a range of estimates of impact, complementing the self-reported analysis. Further details of each method are described below.

Approach using survey results

2.21 We estimated growth models on the bespoke business survey respondents (i.e., SFA beneficiaries and non-beneficiaries) undertaken for this evaluation. As well as the standard OLS model we ran the more robust 2-stage Treatment model to derive an estimate of the effect of being an SFA client on growth performance – employment, turnover and turnover per employee (proxy for labour productivity)[2]. We also ran a 2-stage Heckman selection model to derive an estimate of the impact of SFA payments on growth performance. Both these approaches deal with the fundamental problem associated with the effects of programmes or treatments, that the counterfactual outcome for individual entities had they not received the treatment, is unobservable. Utilising two-stage models, in which selection into assistance is first modelled and then controlled for in the growth estimation means that the estimated impact of SFA can be isolated from other firm-level attributes which may be contributing to any growth.

Approach using the SFA-linked Database

2.22 We created a panel dataset by linking the SFA client database with the ONS Business Structure Database (BSD), accessed via the UK Data Service Secure Lab. The advantage of the BSD is that this is the UK business demography database and includes all firms (and plants) registered for VAT and/or PAYE. This enabled us to construct a number of control groups for counterfactual evaluation purposes.

2.23 The BSD is derived from the Inter-Departmental Business Register (IDBR) which holds a unique identifying reference number for each individual firm. Prior to linking to the BSD, the SFA client data was sent to the ONS in order for them to attach these unique enterprise reference numbers; in total 945 of the SFA client firms were able to be matched to a reference number by ONS. Once this reference number was attached to the SFA client data, the dataset was then linked to the longitudinal version of the BSD created by the research team in the Enterprise Research Centre (ERC), containing the private sector only. In total 638 of the SFA client firms were matched to the longitudinal BSD.

2.24 The longitudinal BSD links together the annual 'snapshots' from the BSD using firm-level identifiers to form a longitudinal firm-level database for the UK and have devised algorithms to produce firm-level demographic markers for 'birth' and 'death'. The birth of a firm is dated

[2] Note: given that NI-owned firms dominated the SFA clients, no separate analysis was undertaken on FDI inward investment SFA projects due to the limited sample size for non-NI owned firms.

by the first appearance of non-zero employment and its death is treated symmetrically and dated by the disappearance of the last employee. The data do not distinguish between a totally new business venture and those 'new firms' which result from the break-up of an existing firm, similarly the data do not distinguish between the closure of a firm and its disappearance due to merger. Firms are classified as either 'private' or 'public' sector and this split is made using the classification by industrial sector (SIC). For the purpose of this study, we focus only on the 'private' sector.[3]

2.25 Use of such a panel dataset is important as it enables firm heterogeneity to be controlled for; in a cross-section there are a number of unmeasured explanatory variables that affect the behaviour of firms, similarly there are variables that affect firms uniformly but differently in each time period. Omitting these variables causes bias in the estimation, which is corrected using panel data. The use of such a dataset also creates more variability, by combining variation across plants with variation over time, thus alleviating problems of multi-collinearity and also permitting a more efficient estimation.

2.26 As with the estimation on the survey data, a number of econometric techniques were used to estimate the impact of SFA on growth:

- Matching programme users with non-users who are similar in observed characteristics. This was undertaken with propensity score matching (PSM) where the propensity score is an estimated probability given observed variables that a given entity will be an SFA client. Here, firms in Scotland, Wales and the North East of England were separately matched against the group of SFA beneficiaries based on a range of characteristics (size, sector, ownership, age, prior growth) using nearest-neighbour matching. This approach constructs control groups based on similar characteristics to the SFA clients, to enable a counterfactual to be observed. Once matched a treatment effect model was run to estimate the average treatment effect (ATE) on the growth outcomes.

- As with the approach used in the survey analysis; explicitly modelling selection into receipt of SFA and controlling for it in the growth outcomes. This was undertaken via the above treatment model and also via the two-stage Heckman selection model (for the payment data). Essentially these models comprise three equations: one explaining economic outcomes for beneficiaries; a second explaining economic outcomes for non-beneficiaries; and a third explaining whether a given entity is a beneficiary. The estimation of the third equation allows a selection bias correction term to be added to each of the first two equations, which in theory corrects for the bias caused by unobserved variables that affect economic outcomes and are correlated with SFA use. To be correctly specified the third equation must also include an instrumental variable to 'identify'

[3] Employees in public administration and defence; education; and health and social work are classified as public sector. Some firms in these sectors are private, and some firms in the private sector are public, but it is a reasonable approximation. In linking SFA data to the longitudinal BSD it is likely we will exclude some private sector firms whose SIC codes are within public sector activities, however this will have a modest effect given the sector mix of supported firms (see Annex B).

selection into SFA, which is not correlated with growth. Due to the limited number of variables available, the models were identified using a variable for level of productivity in the base year.

- Quantile regression was used to gain a fuller understanding of the impact of SFA across the growth distribution rather than that based only on the mean, as per standard linear regression techniques. Linear regression provides only a partial view of the relationship between SFA and growth, while quantile regression describes the relationship at different points in the conditional distribution of growth. Quantile regression therefore provides a richer understanding of the impact across the growth distribution and is also more robust to outliers.

2.27 The evaluation team considered using an NI-based control group. However, this was not possible for the following reasons. First, following the ONS matching process, data returned for analysis is anonymised; as noted above, ONS matched data for 945 of 1,464 unique SFA beneficiaries, which means that there is a high likelihood that the remaining 'un-matched' 519 SFA beneficiaries could have been on the longitudinal BSD and therefore potentially been attributed as non-beneficiaries in the NI business population, which would have contaminated the results. Second, using the NI business population may also have included INI beneficiaries in receipt of other support; whilst some data was available (from INI) on these businesses, a Companies House number was not available for a significant proportion (over 20%) of businesses securing other support, and therefore it would not have been possible to identify and exclude these, leading to further contamination in an NI-based control group. Third, even if beneficiaries of SFA and other INI support could have been excluded from the NI business population, the remaining NI business-base was considered unlikely to be sufficient in number to provide a strong match (particularly for larger firms), reflecting the scale and breadth of SFA support. Using non-NI businesses as control groups enabled the econometrics to achieve a much more robust match to those with similar characteristics of firms in receipt of SFA support and ensure that the sample was not contaminated.

Qualitative analysis and synthesis

2.28 The findings from the consultations with partners and stakeholders, online survey of Client Executives and case studies were analysed against the framework provided by the Logic Model components and linkages. The case study evidence was used in particular to understand in greater detail *how* SFA has realised benefits, and the key factors and drivers influencing outcomes for businesses.

2.29 The qualitative evidence has been synthesised with the self-reported additionality and econometric data to provide an integrated assessment of SFA delivery, impacts and Value for Money drawing on this range of perspectives. The synthesis also sought to draw out the lessons learned to inform future policy design.

Challenges and limitations

2.30 Key methodological challenges/limitations, and how we have responded, are outlined below.

Table 2-1: Evaluation challenges, implications and responses

Challenge	Implications / response
The disruption caused by the COVID-19 pandemic, with implications for both the process of delivering the evaluation, and the analytical approach	In terms of process, the surveys were delayed until late 2020/early 2021 due to the Covid-19 pandemic, this was around six months later than originally anticipated and reflected concerns from Invest NI over the appropriateness of contacting businesses during the period of the initial disruption in Summer/Autumn 2020. Further, the uncertain business and wider societal environment during the survey period did create challenges in securing participation in the survey, which may have influenced the overall response rate (of 29%), and also contributed to fewer large firms responding, as it proved very challenging to secure completions with representatives from this group of beneficiaries. From an analytical perspective, the impact of the pandemic on business performance may be pronounced, and so it was agreed with INI that seeking data from businesses on 'current' and 'anticipated' performance was not appropriate or meaningful at the time of the fieldwork. In response to these issues, the survey focused on effects of SFA to the end of March 2020 and did not seek to quantify the expected future effects (e.g. in terms of anticipated future sales). This will mean that firms supported in the latter part of the evaluation period will have had less time to realise benefits with regards to the evaluation; this needs to be taken into account when considering the overall scale of impact and value for money.
Issues relating to response bias in the beneficiary survey	Response bias is typically a challenge in evaluations, whereby surveys can attract participation by those with strongly positive or negative experiences. Quantifying the level of response bias is challenging – put simply, we do not know how those businesses who did not participate in the survey have performed. This needs to be taken into account when considering the results from the analysis, particularly that based on 'self-reported' evidence. The econometric analysis, which compares performance of beneficiaries to a comparison group and via data-linking provides an alternative approach, has been used to triangulate the findings from the 'self-reported' analysis, mitigating the risk of response bias in the conclusions.
Survey contacts and coverage alongside parallel evaluation studies	This evaluation of SFA was delivered in parallel to evaluations of International Business activities and the Grant for R&D programme (GRD). The majority (62%) of the 1,464 businesses supported by SFA over the evaluation period also secured support from GRD and/or International Business activities. On instruction from INI, no organisation could be contacted more than once across the three evaluations for the purpose of primary research, and so the beneficiary databases from the three evaluations were integrated, with organisations allocated to a single evaluation. This reduced the number of business contacts available for the SFA evaluation. Statistical testing of the SFA allocation was undertaken (both on the full allocation, and businesses only in receipt of one/two offers) to test if the 'allocation' was representative of the full population. This analysis indicated that the sample was representative, which provides confidence that the allocation process is unlikely to have led to any systematic variation or bias in the businesses contacted for the purposes of the evaluation.

Challenge	Implications / response
Monitoring data limitations	INI was unable to provide data on the number or proportion of actual jobs created at a firm level for the SFA population (this was only available for SFA in aggregate, and only as a proportion of planned jobs). Therefore it was not possible to assess comprehensively differences in job created performance by size of firm or other characteristics e.g. by timing of support. Data was collated via the survey on this issue and has been used to estimate total jobs created, however, it is noted this involves estimating the total for the population from a sample; data has been weighted to account for differences between the survey sample and the population.
Memory decay, making it difficult for businesses and stakeholders to recall information, particularly for businesses supported during the early years of the evaluation period	The evaluation required businesses (notably those supported early in the evaluation period) and consultees to consider the role and effects of SFA going back as far as 2011. Balancing the need for sufficient time to pass in order to observe effects against issues associated with memory decay is a generic issue for evaluations of this nature. From a process perspective, introductory emails were sent from INI outlining the information that would be covered in interviews/consultations, and for businesses information was also provided on the specific projects/values/dates that would be discussed in advance. From an analytical perspective, the data-linking and econometric analysis provides complementary evidence on impact from national datasets, and therefore does not rely on individuals' memory.
Potential issues associated with 'sample selection effects' and 'endogeneity problems' in the econometric analysis	These types of sample selection effects can arise for two reasons. First, there is the possibility that better performing firms are more successful at obtaining support, (or alternatively that support "props up" under-performing firms) so that any apparent link between support and performance is erroneous. Second, there is the structural consideration: to evaluate the impacts of a policy initiative ideally the whole population of potential recipients would be surveyed to determine the relationship between the policy instrument and firm performance. While one can seek to obtain a stratified sample of non-recipients that matches closely the recipient group, this can never be perfect as there are essentially an infinite number of firm level characteristics many of which are unobserved. The econometric analysis tests for this using the Heckman 2-stage model, and the similar 2-stage Treatment model, both of which control for selection bias before estimating an outcome model for assistance effects.
The lag time to impact, with implications for findings/VfM assessments	Previous work has indicated that effects on employment, turnover and productivity can continue to build in the period after evaluation research, with benefits not realised fully for potentially at least five years post-assistance. The importance of this issue cannot be overstated, and although the construction of the panel dataset in the econometric analysis aims to partially overcome that by analysing growth in the periods after assistance, the latest datapoint available is 2020 which may be too early for many firms to see the full impact. Again we caveat the results on this basis.
The potential effects of the external factors on the context, operation and impact of SFA	The potential effects associated with recovery from the recession during the early years of the evaluation period, and then effects associated with the EU Exit decision during the later years are complex. These wider factors have been important considerations during the fieldwork, and have been taken into account in the interpretation of findings presented in this report.
Relationships with other business	SFA is often used as part of a 'package' of support for client managed companies. This had two implications for the evaluation (i) the need to seek

Challenge	Implications / response
support programmes delivered by INI	to account for the potential influence of other support on the outcomes associated with SFA and (ii) the need to consider the extent to which SFA aligns with, and reinforces (or not) other funding streams and support programmes within Invest NI's portfolio, and particularly those focused on supporting competitiveness and productivity enhancement. Given the challenges in securing primary evidence on the potentially very wide range of support received by businesses alongside SFA, the first issue was addressed via quantitative analysis, drawing on data from INI support provided to businesses. Issues related to alignment were covered via qualitative research with businesses, Client Executives and stakeholders.

Source: SQW

2.31 Two other points are noted in this context. First, as discussed in Section 3, there were important changes in the way that SFA could be used by Invest NI over the evaluation period, notably in relation to its ability to support large firms. To some extent, the period covered by the evaluation therefore includes two very different operating periods for SFA at an overarching and strategic level (although its use within individual businesses retained a high-level of continuity). This shift in the use of SFA needs to be recognised fully, and is commented on throughout this report.

2.32 Second, and reflecting the range of challenges set out above, the scale and breadth of SFA, and the extended time-period covered by the evaluation (including changes in eligibility for large firms), it is important to recognise there is inherent uncertainty in evaluating the impact of SFA, and there is no one single 'answer' in terms of the impact, additionality and Value for Money respectively. For each of these issues, there are ranges of likely effects/results, which draw on the varied perspectives and analytical approaches completed for the evaluation. This does not mean that it is not possible to provide firm conclusions on SFA – and we have sought to provide these in the evaluation – rather that these conclusions need to be seen in the context of SFA as a highly flexible instrument, which is used to support a diverse population of businesses, in a variety of ways, which is likely to lead to a range of different results.

3. SFA profile and evolution

3.1 This Section provides an overview of SFA, including how the instrument has evolved over time during the evaluation period. The section also includes the Logic Model that provides the framework for the evaluation.

Context and rationale

3.2 SFA was the principal support mechanism used by the public sector in Northern Ireland (NI) to provide direct financial assistance to private firms for investment and employment projects over the evaluation period. A form of Regional Aid, SFA operated in Northern Ireland under Article 7 of the Industrial Development (NI) Order (1982); "*State aid that supports investment and job creation in "assisted areas" across the European Union.*"[4] Northern Ireland is designated a 100% Assisted Area until December 2021.[5] SFA could be used to support investment and employment projects in all 11 Local Authority Districts across Northern Ireland, led by both NI-owned businesses and externally-owned businesses (including both existing and new inward investors). However, SFA was not principally EU funded – it comprised of, for the most part, Northern Ireland block funds with a small amount of ERDF monies allocated to SME capital investment projects.

3.3 Within this context, the key market failures which supported the rationale/case for SFA are:

- **Uncertainty/lack of information leading to risk aversion/missed opportunities,** whereby **"**firms do not have enough information to make efficient decisions or may be reluctant to make an investment or a purchase because they cannot be confident of its value to the business."[6] For example, SFA could help an indigenous SME to progress an ambitious growth opportunity involving obvious uncertainties/risks.
- **On the supply side, gaps exist in the provision of private sector finance, particularly for SMEs,** which means that firms are often unable to raise finance for growth. Again, information failures are an issue for private sector investors, where a lack of information leads to risk aversion and underinvestment in SMEs.
- **Inequality/social priorities** (e.g. unemployment and inactivity levels), where an intervention is designed to achieve social, regeneration or equity objectives, e.g. tackling unemployment and inactivity in areas of deprivation/disadvantage, recognising that the market is not delivering outcomes of its own accord.

[4] SFA Regional aid guidance (2019)
[5] The 2014-2020 UK Assisted Areas Map came into force on 1 July 2014, see here: http://www.ukassistedareasmap.com/. The regulation has been extended to 2023.
[6] SFA Casework Submission Template (2018)

- **Mobility,** whereby an investment is globally mobile, and public sector support will secure investment in NI that would otherwise not occur in NI/would be lost to another non-NI location. Note, SFA could not be used to support projects that involve the closure of the same activity elsewhere in the EEA (within two years prior to or post a project's completion).

3.4 In this context, SFA was intended to be **assistance of last resort**. All commercial sources and other public-sector funding options should have been explored fully by firms before applying for SFA, to ensure additionality and Value for Money. This is set out explicitly in the scheme's Guidelines:

> *"The general rule is that SFA is provided as assistance of last resort. This means that all commercial sources and other public sector funding should be explored fully before considering eligibility for SFA" (Guidelines on Invest NI's SFA Scheme, 2014-20, Section 6)*

Aims and objectives

3.5 The overarching aim of SFA was to support projects that are "likely to provide, maintain or safeguard employment in any part of Northern Ireland" in order "to achieve higher levels of business growth leading to long-term high quality employment."[7] In doing so, SFA was designed to deliver against Northern Ireland's strategic goals set out in the Programme for Government, the NI Industrial Strategy 2030 and Invest NI's 2017-2021 Business Strategy, namely to become "a globally competitive economy that works for everyone", drive inclusive and sustainable growth, and grow the private sector and enhance its competitiveness.

3.6 Whilst the primary intended outcome of SFA was to create new or safeguard existing jobs (as mandated by the 1982 ID Order and allowed by Regional Aid)[8] across locally owned companies, externally owned companies or first time foreign direct investment (FDI), SFA could also support capital investment projects. In addition, the scheme was expected to[9]:

- raise the quality of jobs (i.e. salaries/wages)
- improve productivity, an important measure of long-term competitiveness
- encourage internationalisation of the business base, enabling businesses to enter and succeed in global markets, leading to new export sales.

[7] Guidelines on Invest NI's SFA Scheme 2014-2020

[8] Job creation is defined as "a net increase in the number of jobs in a particular establishment created as a result of the initial investment". Any jobs lost during that period must therefore be deducted from the apparent number of jobs created during the same period. See Guidelines on Invest NI's SFA Scheme 2014-2020

[9] As set out in the Evaluation Specification

3.7 These objectives are related: for example, engagement and success in international markets is recognised as an important measure of business competitiveness and contributes to wider productivity gains. SFA can support internationalisation by both supporting businesses delivering projects that will lead to exports/external sales, and by attracting new to NI inward investment (including further investments or expansion by existing FDI companies).

3.8 However, there are also potential trade-offs, particularly in the relationship between the employment and productivity intents. Over time, qualitative feedback suggested that SFA adjusted its focus to reflect the economic cycle, e.g. a greater focus on supporting projects intended to support productivity improvements during periods when there are high levels of employment in the economy, and by contrast being used in times of economic difficulty to help rebuild the economy through employment creation projects, even if the jobs may not represent high value jobs.

3.9 These relationships are important given that this evaluation covers a period from early-2011 when employment was a key policy focus, to early-2019 when the emphasis was more on productivity. Further, there can be firm-level trade-offs between employment and productivity, with the potential for the latter to be realised via reductions in employment. This has implications for assessing the impact and Value for Money of SFA, with the potential for some objectives (e.g. job creation and growth) to be realised instead (and potentially at the expense) of others (e.g. productivity and job quality).

Design and operation

3.10 In both its design and operation, SFA was a highly flexible instrument to provide direct financial support to private profit-making firms to support business growth and competitiveness. Key features include the following:

- **Inputs**: The main types of funding awarded under SFA were capital and revenue grants (including employment grants)[10]. Loan capital (with Invest NI acting as a secondary lender), loan guarantees or share capital (if repayment is a reasonable expectation) were possible, but rarely used. It is worth recognising that INI did introduce circa £170 million of debt and equity funding through its range of ***Access to Finance*** funds since 2011. SFA assisted jobs and outcomes need to be maintained for three years post-investment for SMEs and five years for large firms. SFA operated on the basis of a rolling application process, open throughout the year.
- **Eligibility:** SFA was available to Invest NI account managed customers[11] and to firms of all sizes, although particular restrictions on the ability to support investments by large firms were put in place in July 2014. Large firms could only be supported after July 2014

[10] SFA Regional aid guidance (2019)
[11] Either existing NI businesses or foreign direct investors, who meet a set of criteria relating to sector, size and growth potential

if SFA was intended to support "new economic activity" which covered: a first time investment in NI; a new establishment in NI; a new principal or secondary economic activity of an existing firm in NI; or developing a new product or process innovation (the latter requiring EU Commission approval)[12]. Before July 2014, SFA could support large company follow-on investments, and was not limited to new economic activity.

- **Matched funding:** SFA provided direct financial support to businesses, but in all cases required match finance from the supported business, be this internal or external finance. The European Commission imposes ceilings on the amount of aid for individual projects based on business size, with a maximum contribution from SFA of 10% of project costs for large firms, 20% for medium firms, and 30% for small firms[13]. Maximum intervention rates were set at these levels in 2014. Prior to 2014, intervention rates were the same as those above for firms in Belfast, but 5% higher for firms outside of Belfast. These limits applied to either project capital expenditure or the first two years' wages of the new jobs created by the project.

- **Non-displacement**: SFA could not be used to support businesses that cater purely for a Northern Ireland market if it is already well served, because of the risk of high levels of market displacement. In the context of SFA, displacement refers to the likely impact on NI and GB competitors' sales *or* labour force. Hence the focus of SFA on the development of export markets by local companies.[14]

- **Activities:** SFA supported projects that deliver, create or safeguard jobs, and projects designed to develop or modernise an industry, promote efficiency, and/or create, expand or sustain productive capacity. For example, SFA provided capital grants for expenditure on fixed assets (e.g. property, plant machinery, patents, operating or patented know-how licences, and unpatented know-how); and revenue grants to support the employment costs associated with setting up a new business, expanding an existing business, developing a new product/production process (e.g. to diversify or modernise) or purchasing a business that has closed or would have closed had it not been purchased.[15] Some examples of the types of activities supported practically by SFA from our evaluation case studies are set out below.

Figure 3-1: Case Study Evidence – Activity examples

- Several SFA grants supported *Firm A* to invest in machinery and equipment. The firm purchased state-of-the-art technology to improve its product offer, and latterly refurbished its premises to overcome capacity issues.
- SFA supported *Firm B* to increase its headcount, including employment of a project manager responsible for the deployment of new software. The finance was also used to fund a range of

[12] SFA Regional aid guidance (2019)
[13] SFA Regional aid guidance (2019)
[14] Guidelines on Invest NI's SFA Scheme 2014-2020
[15] Guidelines on Invest NI's SFA Scheme 2014-2020

market development activities, including market visits, exhibitions, website development, and sales collateral in order to generate new sales.
- SFA supported *Firm C* to recruit twelve employees to increase capacity, allowing the firm to capitalise on new market opportunities and bring its online customer support in-house.

- **Management and delivery arrangements**: Responsibility for SFA's deployment rested with INI, overseen by the Department for Economy (DfE)[16]. Within INI, the Business Solutions Development and Compliance Team managed SFA policy and performance over the evaluation period, having put the team in place in response to recommendations from the previous evaluation of SFA (see Section 10). Client Executives from across three other INI teams (Business and Sector Development, International Investment, and Regional Business) engage directly with businesses to develop, appraise and support the delivery of SFA projects on the ground.

- **Appraisal processes**: SFA operated on a discretionary basis, based on appraisal judgments rather than a set of 'tick box' criteria. Applications were assessed against INI's intervention principles, which include strategic fit, market failure, risk, viability, additionality (full or partial; scale/scope/speed/spend), mobility, displacement, economic efficiency (i.e. net additional benefit to the NI economy), cost effectiveness (cost per job), and an overall Value for Money judgement. Aid intensity and Cost per Job criteria are applied in the project selection and appraisal process. This restricts funding to a maximum of £50k per new/safeguarded job for mobile projects, and £40,000 per new/safeguarded jobs for non-mobile projects[17]. However, SMEs seeking grants of less than £100k are exempt from this restriction. Different approval/assessment procedures operated at different funding levels (see Section 10 for further details).

Logic Model

3.11 Figure 3-2 sets out a Logic Model for SFA which provides an assessment framework for answering the Evaluation Questions. The Logic Model was developed by the SQW-led team (and agreed with the Client Steering Group) based on scoping consultations, a review of contextual and SFA documents, and analysis of monitoring data.

3.12 Five points are noted in relation to the Logic Model:

[16] A comprehensive Management Statement and Financial Memorandum exists between DfE and INI, which includes performance, financial and risk management arrangements, delegations, and respective roles of the two organisations. Also, DfE's Internal Audit Service routinely reviews SFA to ensure that applicants are properly assessed, there is adequate segregation of duties throughout the appraisal and payment processes, all projects are appropriately monitored and performance reported as necessary, and there is an adequate audit trail throughout the programme.

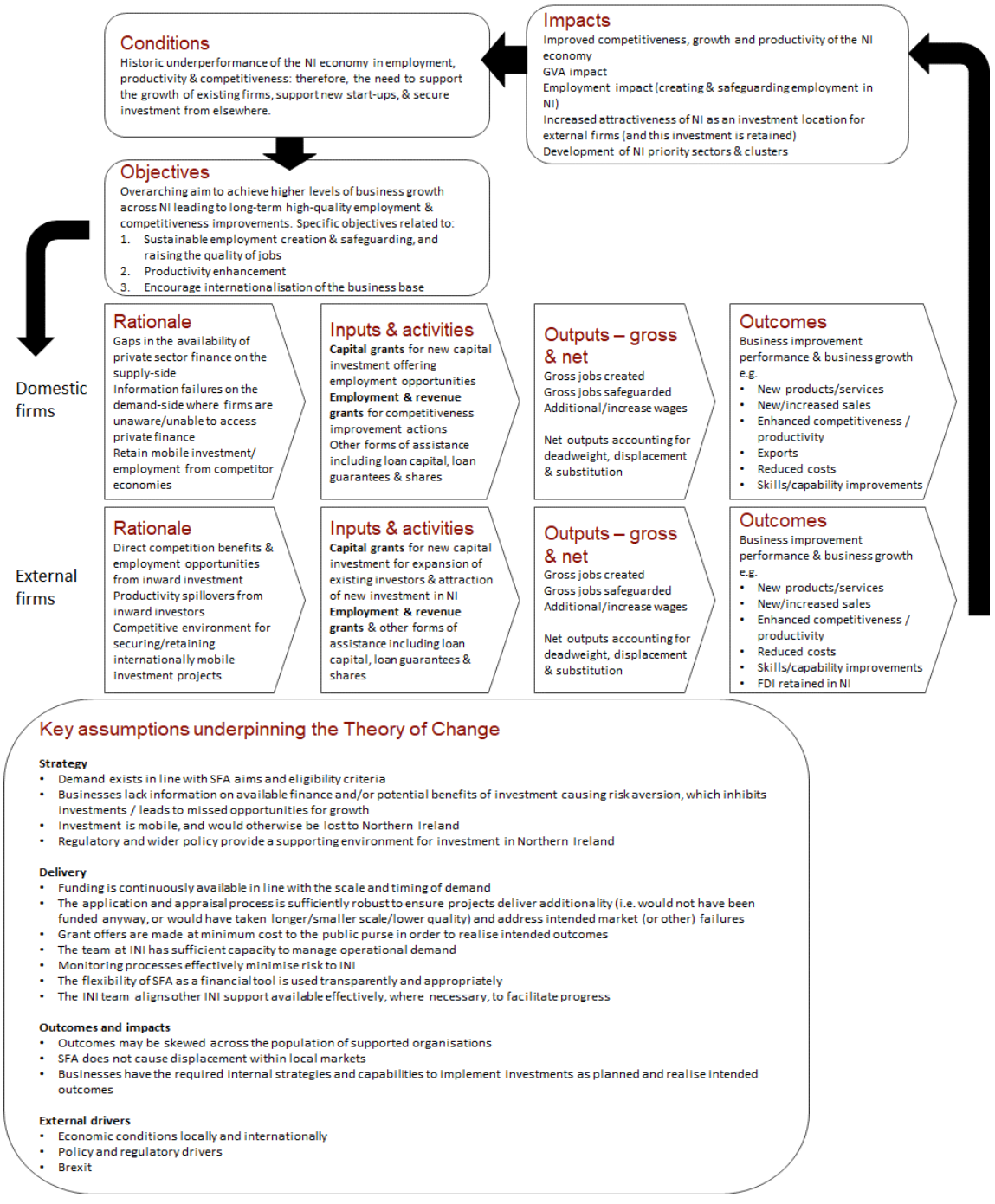
[17] DfE/Invest NI (2020) Specification for the Evaluation of SFA

- The Logic Model highlights the increasing importance of SFA as a tool to facilitate internationalisation and productivity improvements over the period covered by the evaluation; this was identified as an important issue in the initial evaluation scoping consultations.
- As noted above, SFA's criteria and usage have evolved over the evaluation period, including in relation to the support provided to large firms. The Logic Model does not explicitly seek to capture these changes (many of which are highly technical and specific). Rather it provides an overall framework for the evaluation against which the changes in emphasis, delivery, and impact can be assessed, and their role understood.
- The underpinning rationale for supporting domestic and external firms (involving inwards investment projects) via SFA is different, and there are also some differences in the nature of outcomes realised through support to these types of businesses. This is highlighted explicitly in the structure and content of the Logic Model, informing the impact analysis and interpretation.
- The Logic Model includes both jobs created, and jobs safeguarded as outputs. In practice, SFA focused on the former over the period covered by the evaluation, with very few projects seeking to deliver safeguarded jobs. However, whilst relative to jobs created the number of expected jobs safeguarded in the evaluation period is modest, in absolute terms it is not insignificant, at around 1,000 jobs. Jobs safeguarded has therefore been retained in the Logic Model, with these jobs also considered in the impact and Value for Money assessment provided subsequently.
- Key assumptions underpinning the SFA 'Theory of Change' (that is how and why SFA is anticipated to deliver as set out in the Logic Model i.e. the links between the components) have been drawn out explicitly. These assumptions have been tested through both the impact and process evaluation analysis, and they provide important context for thinking through how and why SFA is expected to realise benefits for supported businesses and the NI economy. The assumptions include a recognition of the importance of external drivers on the implementation and potential impacts of SFA, and the corresponding policy and regulatory context that may react to this. EU Exit is also noted explicitly given its potential role in influencing decision making by businesses, and particularly potential inward investors over the evaluation period: by way of context, analysis by DfE estimated that an additional 1,000 FDI-related new jobs could have been created in NI between 2016 and 2018 if the EU Exit vote had not taken place[18]. The purpose of the evaluation is not to assess specifically the effects of EU Exit on SFA quantitatively (or NI more broadly). However, it is important to recognise that the EU Exit may have influenced SFA's operation and effects, particularly after 2016.

[18] Department for the Economy (2019), The Impact of Brexit Uncertainty on FDI-related New Jobs in Northern Ireland

- In this context, it is noted that Covid-19 is *not* included in the Logic Model, given the time-period covered by the evaluation (with the latest offers within scope from end-March 2019), and the focus of the impact assessment on business performance to March 2020 (i.e. before the substantive effects of the pandemic had been realised). The response and recovery to Covid-19 forms an important backdrop to the *future* of SFA (and this is reflected in the evaluation's recommendations), but it did not impact on the delivery or impact of SFA over the evaluation period.

Figure 3-2: SFA Logic Model and assumptions underpinning the Theory of Change



Source: SQW

4. Assessment of context, rationale and objectives

4.1 This Section summarises SFA's economic and policy context over the evaluation period. We also provide an assessment of SFA's rationale and objectives, drawing on evidence from the beneficiary survey, Client Executive survey and stakeholder consultations.

Contextual conditions and strategic fit

Economic conditions

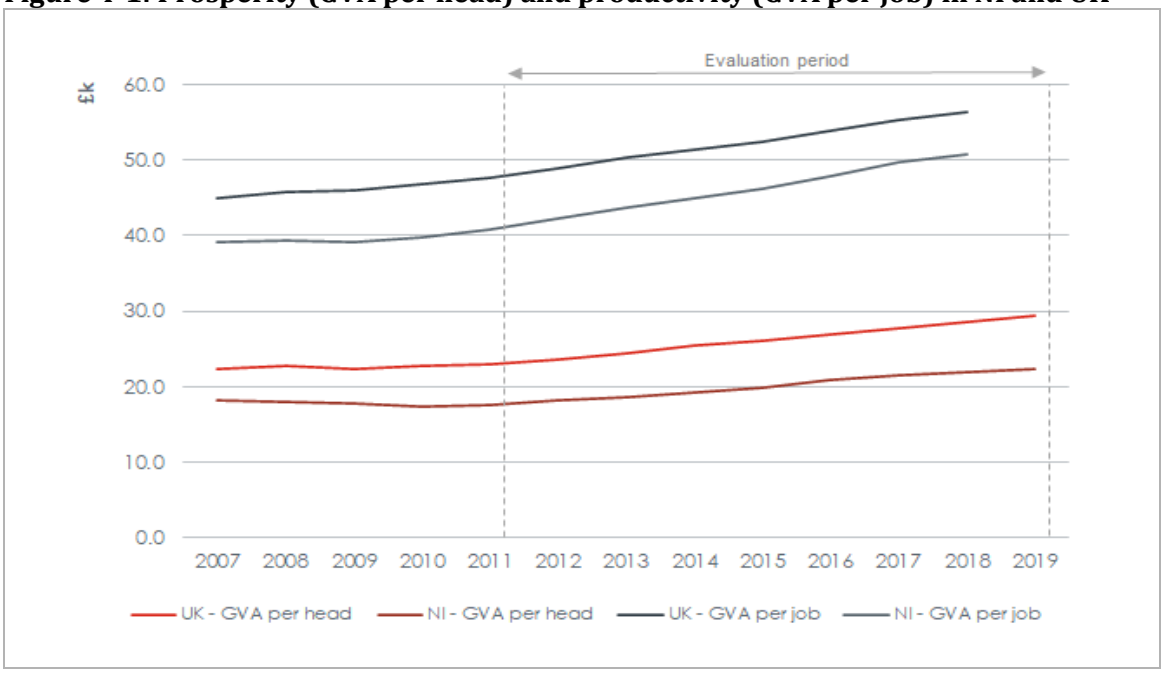
4.2 Economic conditions shifted substantially over the period from 2011 to 2019, and it is important to understand how this context shaped the focus, priorities and implementation of SFA over that time. The wider economic context should also be taken into account in the interpretation of findings on SFA's impact later in this report.

4.3 In the early years of the evaluation period, NI was still recovering from the global financial crisis, with continued decline in total jobs in the economy to 2012. From 2012 onwards, the number of jobs in NI gradually increased and returned to pre-recession levels by 2017.[19] Despite this, levels of prosperity (as measured by GVA per head) in Northern Ireland remained low and the gap with the UK has gradually widened over time; as shown in Figure 4-1 by 2019, GVA per head in NI was three-quarters of the UK average.

4.4 A key driver was under-performance in productivity. As stated in Northern Ireland's Independent Review of Economic Policy in 2009, "*the widening productivity gap had been identified by DETI as NI's main economic challenge*" and therefore the priority was "*to stimulate convergence in productivity and ultimately living standards between NI and the rest of the UK*". Even though productivity has improved since 2011 and NI has made some progress in narrowing the gap (to approx. 90% of the UK average by 2018) productivity issues remained by the end of the evaluation period (see Figure 4-1).

[19] Source: NOMIS workforce jobs

Figure 4-1: Prosperity (GVA per head) and productivity (GVA per job) in NI and UK



Source: ONS. Note: Latest sub-national productivity data is 2018

4.5 Considering some of the underlying issues in more detail, Table 4-1 presents key economic indicators for NI compared to the UK. This highlights the structural challenge faced in relation to the over-reliance on the public sector for employment. For example, the gap with the UK in the proportion of employees in the private sector has widened between 2011 and 2019, and business start rates have remained very low compared to the UK. There has been notable improvement in higher level skills (as reflected in degree-level qualifications), but R&D expenditure per business remains low relative to the UK.

Table 4-1: Key economic conditions and changes in NI and the UK over 2011-2019

	2011		2019		NI Index to UK	
	NI	*UK*	*NI*	*UK*	*2011*	*2019*
Annual earnings (£k)	23.0	26.1	27.5	30.4	88	90
Employment rate (%)	67.1	70	71.9	75.6	96	95
Employees in private sector (%)	71.3	78.5	72.8	83.5	91	87
Business starts per 10k working pop	32.4	65.1	56	94.5	50	59
R&D Expenditure per business (£)*	6,136	7,431	10,648	14,032	83	76
NVQ4+ Qualifications (%)	25.7	32.7	36.2	40.2	79	90

*Source: ONS and Northern Ireland Statistics and Research Agency, including Annual Survey of Hours and Earnings, Annual Population Survey, Business Demography; Gross Expenditure on R&D (GERD). Notes: * latest data available is 2018*

4.6 As noted previously, it is also important to recognise that the EU Exit influenced the economic context during the evaluation period, including in the run up to the referendum in 2016 and subsequently during the transition period. This includes in relation to FDI and business investment more generally across NI, as well as additional costs and general market and supply chain disruption.

Policy conditions

4.7 The evaluation period also witnessed significant shifts in the strategic and policy landscape. The period covered the transition from DETI to the DfE in May 2016, two Corporate/Business Plans for INI, two Programmes for Government, the draft Industrial Strategy "Economy 2030", as well as the suspension of the Northern Ireland Assembly between 2017-2020.

4.8 Despite these shifts, across the evaluation period there was a consistent focus on economic growth driven by increased global competitiveness, exports, and inward investment. Increased employability and employment were also key policy themes. This said, during the early years of the evaluation period, strategy remained heavily focused on "rebuilding" and "rebalancing" NI's post-recession economy. In contrast, during the latter half of the period there was greater emphasis on inclusive, sustainable growth and productivity, which aligned with the broader shift in the strategic landscape across the UK. Given its inherent flexibility, SFA sought to respond to these changing priorities, whilst at the same time maintaining its focus on addressing underpinning structural challenges (as discussed later in this report).

4.9 In this context, SFA closely aligned with the priorities *"Driving inclusive, sustainable growth"* and *"Succeeding in global markets"* of the draft Programme for Government 2016-2021, the Industrial Strategy, and as reflected in Invest NI's Business Strategy: a key indicator of competitiveness is increased productivity, which is one of SFA's key aims.

4.10 A summary of the evolving policy context over time is set out in the table below.

Table 4-2: Policy priorities in NI during the 2011-2019 period

	2011-2015
DETI plans	• The aim of the DETI Corporate Plan 2011-2015 was *"to **promote the growth of a competitive and export led economy**"*. Underpinning priorities identified included encouraging business growth, supporting firms to compete globally and improving employment opportunities.
Invest NI plans	• The Corporate Plan for Invest NI 2011-2015 sought to **support the key drivers of economic growth**, including employment growth, private sector growth, and inward investment and exports.
Other NI priorities	• The 2011 to 2015 Programme for Government (PfG) sought to achieve **sustainable economic growth** by improving competitiveness and encouraging a stronger and more export-driven private sector. It committed to supporting the promotion of 25,000 new jobs. • The Northern Ireland Economic Strategy 2012 set the overarching **goal of improving economic competitiveness,** through a focus on export led economic growth**.** The plan sought to tackle the twin challenges of **rebalancing and rebuilding** the economy.
	↓ ↓ ↓

	2016-2019
DfE plans	• Export Matters Action Plan (2016) was developed with the key goals of **growing the value of exports and external sales outside Northern Ireland**, and increasing the number of businesses engaged in exports. • DfE Business Plan 2016-17 prioritised key areas of activity such as skills, STEM, leadership & management, and exports. • DfE Business Plan 2019-20 **aligned with the draft Industrial Strategy vision** and set out 54 actions it would deliver during 2019-20 focused on skills, economic infrastructure, research and innovation, and business development. • DfE's 'Economy 2030' – draft Industrial Strategy outlines a plan to build a ***"globally competitive economy that works for everyone",*** based around five pillars for growth including "*Succeeding in Global Markets" and "Driving Inclusive, Sustainable Growth".*
Invest NI plans	• **Employment, inward investment, and external sales growth** are key priorities in the Invest NI Business Strategy 2017-2021 in order to transform NI into a *"leading internationally competitive economy".*
Other NI priorities	• The draft PfG Framework 2016-2021 identifies **14 societal outcomes**, supported by 42 indicators such as *"reduce underemployment", "increase the competitiveness of the economy"* and *"increase the proportion of people in work".*

Source: DETI (2012) Corporate Plan 2011-2015; Invest NI (2012) Corporate Plan 2011-2015; NI Executive (2011) Programme for Government 2011-2015; NI Executive (2012) Northern Ireland Economic Strategy; NI Executive (2016) Draft Programme for Government Framework 2016-2021; DETI (2016) Export Matters; Department for the Economy (2017) Economy 2030: A consultation on an Industrial Strategy for Northern Ireland; Invest NI (2017) Business Strategy 2017-2021; Department for the Economy (2019) Business Plan 2016/17; Department for the Economy (2019) Business Plan 2019/20

The business support landscape

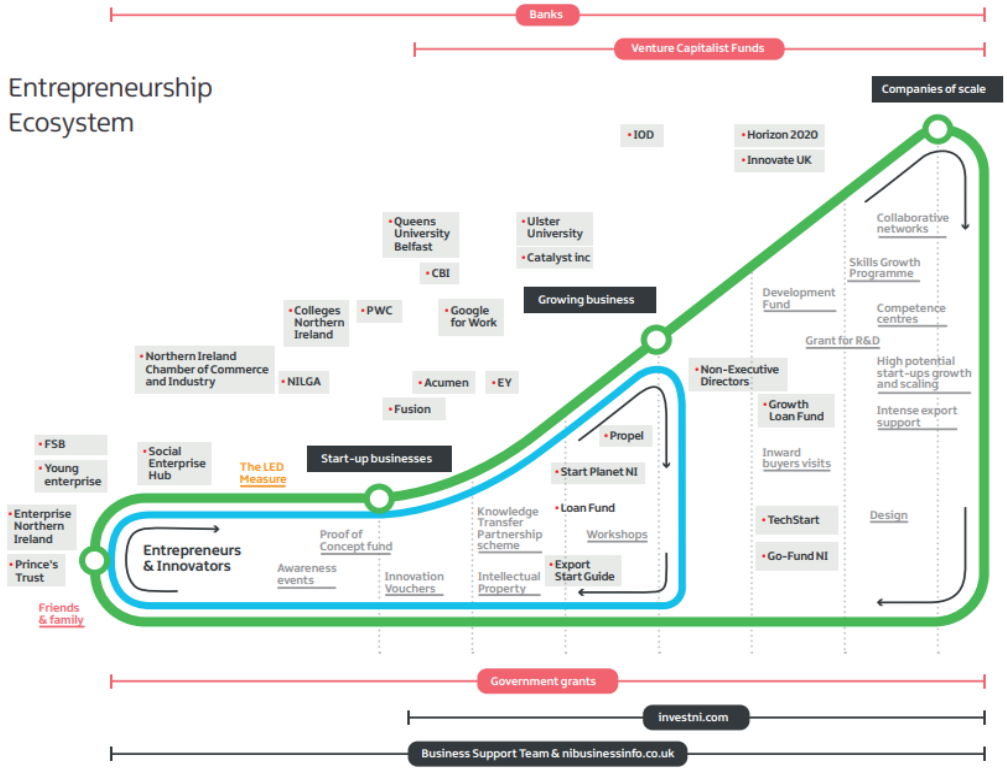
4.11 The NI business support ecosystem is complex, INI is both one of a number of organisations providing support to businesses (including both NI-specific and UK-wide organisations), and delivering a very broad range of support itself. It is also difficult to be too prescriptive about SFA's 'position' within this ecosystem because its flexibility allows the instrument to support businesses of all sizes to grow and improve competitiveness, and thereby it operates alongside a very wide range of other support mechanisms in practice.

4.12 That said, Figure 4-2 from INI on the 'entrepreneurship ecosystem' illustrates that SFA is operating in the same space as other finance providers, including banks and (to some degree) venture capital funds, as well as other Government grant schemes. The general consensus across consultees for this evaluation was that SFA is distinctive in this landscape, complementing not duplicating the wider offer. However, reflecting its expected status as 'assistance of last resort', it is particularly important that SFA is used to fill gaps rather than duplicate or crowd out existing private sector provision.

4.13 Within NI, SFA is positioned as a key lever for growth and investment, as shown in Figure 4-3. Alongside SFA, key sources of financial support to businesses included interventions within the 'Access to Finance' programme which was introduced as an integrated programme during the evaluation period and comprises a mix of debt and equity funds, and the Grant for R&D

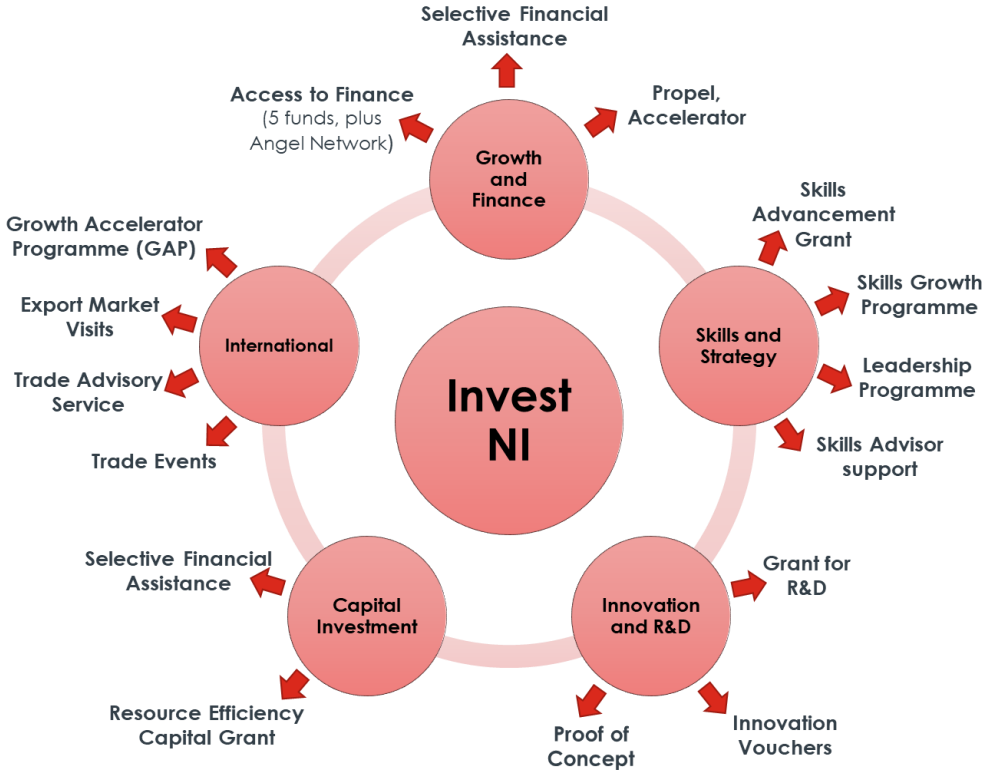
Programme which aims to support businesses to develop and commercialise new products, processes and services.

Figure 4-2: Northern Ireland Entrepreneurship Ecosystem



Source: Invest NI (2017) Business Strategy 2017-2021

Figure 4-3: Illustration of key Invest NI programmes (not exhaustive)



Source: SQW drawing on information from Invest NI

4.14 The evaluation indicates that SFA is seen as an important 'entry route' for Invest NI into businesses, opening up opportunities to provide wider support. Reflecting this, in practice, SFA was typically offered as part of a wider package of support to businesses, and often used in combination with other programmes such as skills, R&D and trade. This was supported by the evaluation evidence, which found that SFA beneficiaries commonly received other forms of Invest NI funding/support before, alongside or after SFA**.** Notably, 85% of SFA supported firms in the evaluation period also received other Invest NI support, notably Skills (financial), Innovation & Technology support, and Grant for R&D (see Table 4-3)

Table 4-3: Other forms of Invest NI support provided to SFA firms (n=1,464)

Other support provided to SFA firms	% SFA firms supported	Value other support (£m)
Grant for R&D	21%	84.3
Skills (Financial)	41%	63.2
VC Fund	12%	48.2
GAP (Financial)	36%	21.8
Innovation & Technology (Financial)	56%	16.2
Innovation & Technology (Intervention value)	36%	12.7
Trade (Intervention value)	48%	9.7

Source: SQW analysis of monitoring data from Invest NI Note: other support covers 2011-12 to 2019-20 period

4.15 However, there was some variation amongst the population, with lower rates of other support for micro (77%) and large firms (72%). Further, whilst the incidence of other support was not linked to lower SFA offer value (i.e. SFA does not appear to have been used 'instead' of other support), the average SFA offer was higher for those companies that secured other forms of Invest NI support and firms with 'multiple SFA' awards were more likely to secure other support (82% for 'single SFA' award firms vs. 96% for 'multiple SFA' awards firms).

4.16 The implications of this other support for attribution and additionality are considered in a subsequent section of this report. However at this point it is highlighted that the data indicate that SFA is in nearly all cases part of a broader mix of Invest NI support to the businesses supported over the evaluation period.

Assessment of SFA's rationale

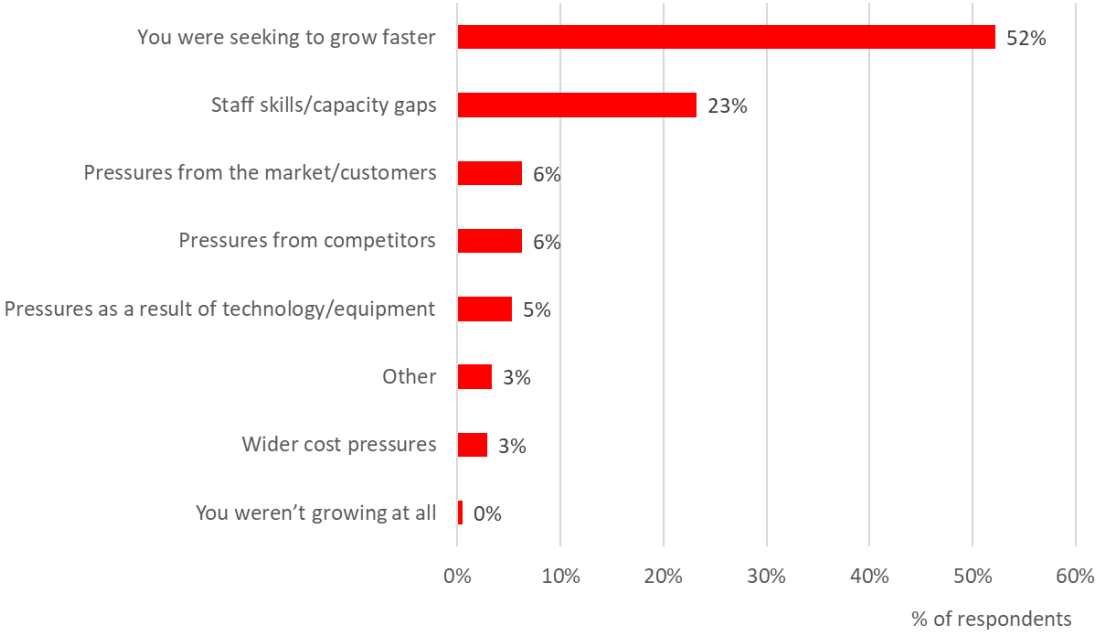
4.17 As detailed in Section 3, the rationale for the use of SFA centred upon uncertainty or a lack of information which leads to risk aversion and missed growth opportunities, particularly when combined with gaps in the availability of private sector finance. In addressing these issues, there is scope for SFA to contribute towards regeneration or equity objectives. Securing and embedding globally mobile investment in NI – and the associated private sector led growth opportunities that generates – was also a key driver underpinning the rationale for SFA.

4.18 There was strong and consistent evidence from those consulted for the evaluation regarding the importance of the need for SFA to attract and secure FDI to NI. As we illustrate in Section

7, the financial incentive of SFA has "opened doors" with businesses and "tipped the balance" in making NI a cost-effective location and, particularly when combined with wider support, facilitated business growth. It is worth noting that the case study evidence suggests that securing highly mobile investment has necessitated some very large SFA awards.

4.19 The evaluation's fieldwork also suggested that SFA has been used to facilitate/accelerate business growth across the existing business base. As illustrated in Figure 4-4 faster growth was identified as the only or most important reason for applying to SFA for 52% of beneficiary respondents in the survey, followed by its role in expanding staff capacity for 23% of respondents. The case studies corroborated this, with consultees describing how SFA was sought to accelerate growth, diversify and exploit new market opportunities.

Figure 4-4: Business survey: Which of the following is the only or most important reason for applying for Selective Financial Assistance? (n=207)



Source: Analysis of beneficiary survey

4.20 Critically, both Invest NI staff and external stakeholders argued that SFA plays an important role not only in enabling/accelerating growth, but in raising the *quality* of investments made[20] and businesses *ambitions* for growth, including by venturing into/expanding in export markets. Stakeholder consultees (internal and external) felt that SFA had "changed mindsets", prompted "behavioural change" and encouraged firms to "think big" and "outside NI". The rationale for SFA has therefore been to encourage businesses to take more risks, scale up more quickly and/or on a larger scale than originally intended. SFA has achieved this by

[20] For example, in terms of investment in technology or specialist equipment

effectively sharing the risk with the business, encouraging greater growth for the benefit of the Northern Ireland economy. This was described by one Client Executive as follows:

"The SFA support enabled the client to look strategically at the business … rather than [taking] a piecemeal approach to growing the business."
Client Executive

4.21 The beneficiary survey also explored whether businesses would have gone ahead with the SFA-funded project at the same location, at a different location, or abandoned it altogether in the absence of SFA financial assistance, in order to test the rationale for intervention further i.e. was SFA *needed* in all cases in order for the activities ultimately supported to progress? Overall, 61% of surveyed firms reported they would have gone ahead with the project in NI (nearly always at the same location) in the absence of SFA financial assistance[21]. Of these, the majority were micro/small businesses, NI-owned and received one award (most commonly for revenue grants). This is, in part, explained by the finding that most survey respondents used internal funds only to match SFA (71%) which may have given them resources to pursue *some* activities (note, only 6% used other external funding such as bank loans, grants or equity)[22]. That said, when considered alongside the evidence above from consultees regarding scale and speed, it appears unlikely this activity would have taken place in the same form – with potential implications for the scale and nature of outcomes observed to date. As illustrated by the case studies and stakeholder consultations, SFA played a critical role in ensuring that businesses invested in a timely fashion, otherwise new business opportunities would have been missed. Later in the report we consider additionality of outcomes quantitatively to inform the assessment of net economic impact.

4.22 The evidence above suggests that an opportunity-led approach is an important element of the rationale: SFA can support and accelerate opportunities for growth in the private sector, delivering positive externalities and helping to address the structural challenges in NI's economy. However, ensuring that SFA also addresses market failures, particularly in terms of gaps in the private finance market, is critical to justify public sector intervention. As set out in its Guidelines, the general rule is that SFA is provided as 'assistance of last resort', which means that all commercial sources and other public sector funding should be explored fully by businesses before considering eligibility for SFA.[23] This is important to ensure that public sector funding is being used to genuinely fill gaps in (not crowd out or duplicate) the market; for context, concerns were raised in the previous evaluation of SFA covering the 2004/05 to 2010/11 period, that it 'was not consistently, and evidentially, the funder of last resort'.[24]

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[21] This is a slightly higher proportion of respondents than in SQW's earlier evaluation of SFA, which found 47% of respondents (n=308) would have gone ahead with the project in NI in the absence of SFA financial assistance (similarly, nearly all in the same location).
[22] The remainder used a mix of both internal and external funding.
[23] Invest NI, Guidelines on Invest NI's SFA Scheme 2014 – 2020
[24] SQW (2013), An evaluation of Selective Financial Assistance in Northern Ireland 2004/05 to 2010/11

4.23 The findings from this evaluation provide a mixed picture on whether SFA has consistently, been used as the assistance of last resort, particularly where SFA is used to facilitate growth through existing businesses (as opposed to attracting highly mobile FDI, where the case for intervention is different). From the beneficiary perspective, the survey evidence shows a *perceived* lack of alternative finance, supporting the rationale above regarding gaps in the market to some extent. This was supported in the case studies, where firms had experienced challenges in securing other finance, particularly where banks were reluctant to lend to early stage SMEs, or where firms had reached lending limits prior to SFA. External stakeholders also reported ongoing finance gaps for risky propositions during the evaluation period, and a reluctance to lend for forward cashflow or where there was market uncertainty. However, the beneficiary survey also found that, of those businesses who considered alternative sources available, very few had actively pursued alternative options prior to applying for SFA. It is worth noting that risk appetite is likely to vary across different business owners. particularly for indigenous companies, which will influence their willingness to pursue other funding sources. Of the small number who did pursue alternatives, SFA was considered by most as a more attractive option commercially.

Table 4-4: Survey findings on alternative finance considered / actively pursued

Of all beneficiaries surveyed … (n=208)	
If SFA had not been available, were there any viable alternative sources of finance available for the project	76% said no
Of those that identified other sources … (n=37)	
Did you actively pursue these options prior to SFA financial assistance?	70% said no
Of those that did pursue other sources … (n=13)	
Why were these viable sources of finance not progressed in place of the SFA scheme?	10 out of 13 said "*SFA offered a more attractive option commercially*"

Source: Analysis of beneficiary survey results

4.24 Further, the extent to which alternative sources of finance have been considered does not appear to have been consistently tested by Client Executives in the application process. As illustrated below, Client Executives clearly place importance on safeguarding the use of public monies, ensuring that projects meet INI's objectives, and providing challenge to applicants (which we discuss further in Section 10). Justifying the SFA support is also important, but fewer Client Executives prioritised the need to ensure all avenues of commercial finance were explored before the SFA application; indeed, one quarter of respondents to the Client Executive survey stated this was moderately or of little importance in their role working with firms seeking assistance from SFA, and none identified it as the most important area.

4.25 Further, when asked whether clients had exhausted all commercial and other public sector sources of funding before approaching Invest NI for SFA, only around half of Client Executives responding believed that 'all' (n=4) or 'most' (n=11) of their clients had done this; the

remainder thought that 'some' (n=8) or 'none' (n=3) had exhausted other sources (two did not know).

Table 4-5: Client Executive Survey evidence on their role

How important do you consider the following areas to be in your role as Client Executive in Invest NI working with firms seeking assistance from SFA?	Importance: Net positive (n=28)	Most important: no. respondents (n=27)
Managing client expectations	100%	3
Safeguarding the use of public monies	96%	4
Challenging client assertions and assumptions	96%	2
Justifying the assistance proposed in casework submission	96%	3
Securing projects that meet Invest NI's objectives	93%	9
Providing follow up advice/support/guidance to clients post-approval	93%	3
Securing funding for the client	75%	3
Ensuring that all avenues of commercial finance were explored to negate the need for SFA finance	64%	0
Considering non-grant forms of assistance (e.g. loans or shares) to de-risk the public investment	21%	0

Source: Client Executive E-Survey. Net positive = the proportion of respondents stating "important" or "very important" minus those stating "of little importance" or "unimportant"

4.26 There also appears to be some inconsistency in the extent to which Client Executives sought evidence from clients that all other funding sources had been explored fully before considering eligibility for SFA. Half of Client Executives either said they sought evidence "in some cases" (n=10) or did not seek this evidence at all (n=4). Where evidence was not sought, the main reasons were that they trusted clients/took them for their word, with a reliance on self-declarations and not wanting to be seen to challenge this, alongside perceived difficulties and time burden for firms to gather evidence on other forms of finance explored, and Client Executives drawing on their wider knowledge of finance markets. In some cases, the mobile nature of the project was cited. It is important to recognise in this context that applicants were required to identify other funding considered in their business plan/application, which meant that some Client Executives did not think it appropriate to seek evidence for this more formally. Examples of feedback on why Client Executives did not seek evidence from clients that all commercial sources/other public sector funding had been explored fully before considering eligibility for SFA are set out below:

"I knew the company and their finances/banking facilities so well that I knew that Invest NI 'bank of last resorts' was the only reasonable mechanism to ensure the project proceeded."

"I took them at their word as confirmed by signing the application form."

"It is a difficult thing to provide evidence for. If a client says they have and complete the declaration in the application we can't then effectively accuse them of lying by asking for evidence which would be difficult for them (and time consuming) to provide in most cases."

"There was a need to demonstrate that Invest NI was supporting the client/sector and leveraging economic improvements for NI PLC."

4.27 This does highlight an arguable tension in the role of Client Executives to, on one hand, build relationships with businesses, and on the other, challenge businesses where necessary in demonstrating fully the case for public sector (and in this case SFA) financial support. The evaluation evidence suggests that for some Client Executives, the role of SFA in leveraging benefits for the NI economy and maintaining strong relationships with clients, may be seen as outweighing the need to have explored alternative funding in the case of specific projects.

4.28 In the round, the evaluation evidence suggests that there is a consistent recognition of the case for the use of SFA, in principle, as a mechanism to address market failures and enable businesses to exploit growth opportunities, including in relation to FDI. However, there remains an issue on whether in all cases SFA finance is really needed, with some evidence that projects would have progressed anyway in some form, and that other finance options were not tested consistently and formally in the project casework and approval process; this means that the use of SFA as the assistance of last resort is not in practice currently evidenced strongly. This has implications for additionality, in terms of whether the benefits may have been realised in any case, which we discuss further in Section 7, and ultimately value for money. As suggested in the previous evaluation of SFA, the development – and subsequent deployment as part of the project development and assessment process – of a Theory of Change to articulate explicitly the market or other failures that SFA is seeking to address may help in the assessment of the nature and strength of the rationale for the use of SFA, in practice.

Assessment of SFA's objectives

4.29 The evaluation has found general clarity and consistency of views across those consulted on SFA's objectives, even though there was no formal SFA business plan or logic model in place over the evaluation period. This has been aided by greater clarity and communication of the strategic alignment between Invest NI's priorities and programmes internally within the organisation than was evident during previous periods in SFA's utilisation, enabled in particular (as reported by evaluation consultees), via presentations and a range of communication with colleagues across Invest NI.

4.30 Across those consulted, SFA was viewed consistently as a 'growth programme' and the *core* purpose was considered to be job creation. There was also a recognised shift in emphasis away from a job safeguarding intent which was more prominent in earlier delivery periods towards the creation of higher quality and sustainable jobs, reflecting the shift in economic

conditions as NI recovered from the recession. This shift is demonstrated clearly in the monitoring data, discussed in more detail in Section 6.

4.31 For example, Client Executives were asked to rank SFA's objectives from most important to least important, with a consistent trend visible: job creation was ranked most important by the majority of respondents (25/30, 83%). Moreover, a clarity of focus on job creation was seen as the core differentiator for SFA compared to other support available for 14 out of 24 respondents to the Client Executive survey. This said, productivity improvement was also clearly seen as important by Client Executives, as a secondary objective for SFA.

Table 4-6: Ranking of SFA objectives by Client Executives (N=30)

	Most important	Second most important	Third most important
Productivity improvement	5	18	7
Job creation	25	5	1
Job safeguarding	-	7	22

Source: SQW analysis of SFA Client Executive Survey 2021

4.32 Strategic consultees also recognised SFA's role in delivering against a range of other objectives, particularly in relation to improved productivity, global competitiveness, innovation (particularly through capital investment projects), exports, and inward investment. These wider objectives have become increasingly prominent during the evaluation period, in part reflecting the strategic prioritisation of productivity and generating added value through *external* sales to minimise displacement effects.

4.33 Whilst SFA was recognised as performing a number of functions at a strategic level, consultees argued this does not mean that individual SFA projects do not have clear and focused objectives. On this view, through the role of Client Executives, each project was tailored to meet the specific needs and objectives of the business, and shaped to ensure alignment with the overarching intent of SFA and INI (this is discussed further in Section 10). In doing so, the ability to use SFA's flexibly to serve different purposes as policy priorities and business needs evolve was seen as a strength of SFA by many of those consulted.

4.34 However, some consultees challenged the way in which the SFA portfolio was largely driven bottom up, determined by the objectives of individual projects, if they aligned with INI's strategic priorities. From this perspective, SFA was seen as insufficiently targeted and focused, with a risk that it became "all things to all people". For some consultees, whilst SFA was seen to have shifted in emphasis towards productivity improvement, this development was not sufficiently explicit. Crucially, there was no formal articulation of this intent that could be used to drive behaviours and strategic prioritisation by those responsible for the utilisation of the SFA resource within businesses.

4.35 Linked to this, there was limited strategic portfolio management and oversight to understand whether, in aggregate, the sum of the projects funded (and their respective objectives and activities) added up to deliver against SFA's ultimate goals. A key factor here is that there was

no annual business plan (or equivalent) or statement of SMART objectives providing a clear articulation of what SFA was seeking to achieve over the evaluation period, and how this may have evolved over time. As such, there is no formal statement against which an assessment of the SFA portfolio can be made, and there was no framework against which adjustments to targeting in real time could be enabled as necessary. The implication is that whilst there is a general consensus that SFA did become more associated with a productivity improvement intent over the course of the evaluation period, this was not formalised or codified in a way that could be used to influence behaviours practically on the ground.

5. Assessment of inputs and activities

5.1 This Section covers SFA's inputs and activities over the evaluation period. It presents an overview of the scale and pattern of SFA expenditure alongside key characteristics of the SFA portfolio and supported businesses. More detailed data tables are presented in Figure 5-1.

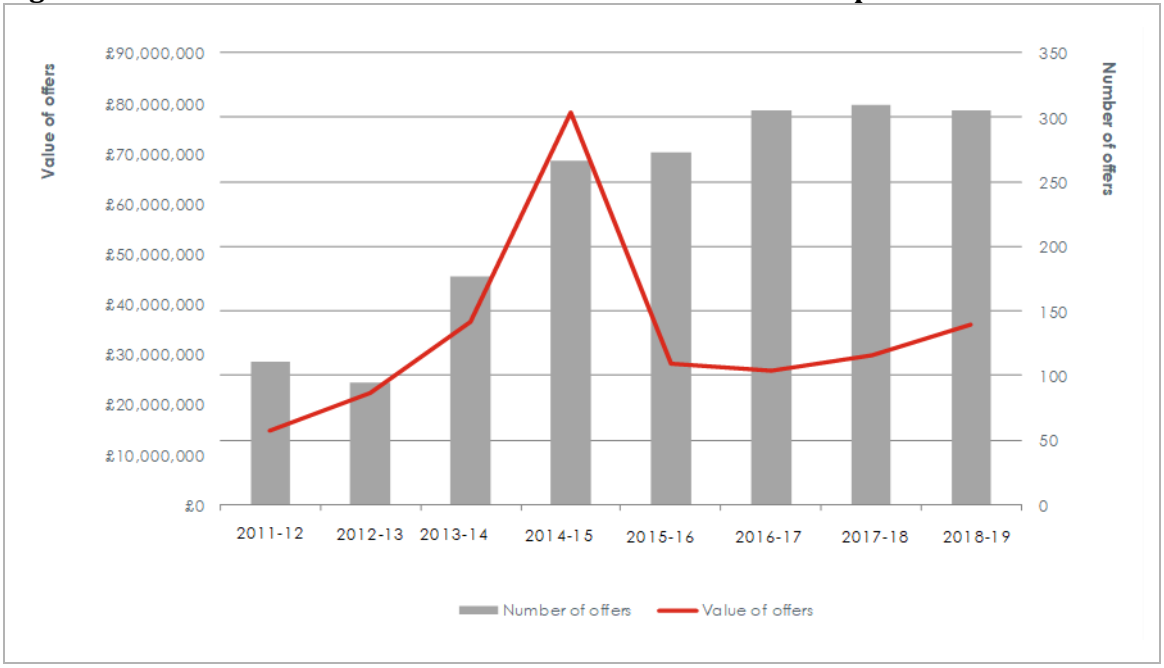
Approved offers

5.2 This sub-section sets out data on approved SFA offers over the evaluation period. The data represents the number and value of SFA offers that Invest NI agreed with firms, not what has actually been paid to firms, which is discussed subsequently below.

5.3 The total offer value over the evaluation period was £271.6m, via 1,841 individual offers to businesses (i.e. 1,841 SFA projects). As illustrated in Figure 5-1, there was an upwards trend in the number of offers between 2012/13 and 2016/17, which levelled off in the two subsequent years. In terms of offer value, there was a marked increase in 2014/15 (when the average offer value was £293k, almost double the average across all years).

5.4 This spike is explained by changing eligibility criteria for large firms after July 2014, as firms likely sought to accelerate their expansion/growth plans to secure SFA support under the prevailing eligibility rules. Looking in more detail at the approval dates in 2014/15, the data show a clear rise in support to large firms prior to the criteria change: in 2014/15 overall, £64.4m was approved to large firms, of which c.90% (£57.8m) was approved in the first four months of the year (i.e. April to July), and just 11% (£6.6m) in the months that followed.

Figure 5-1: Number and value of SFA offers over the evaluation period

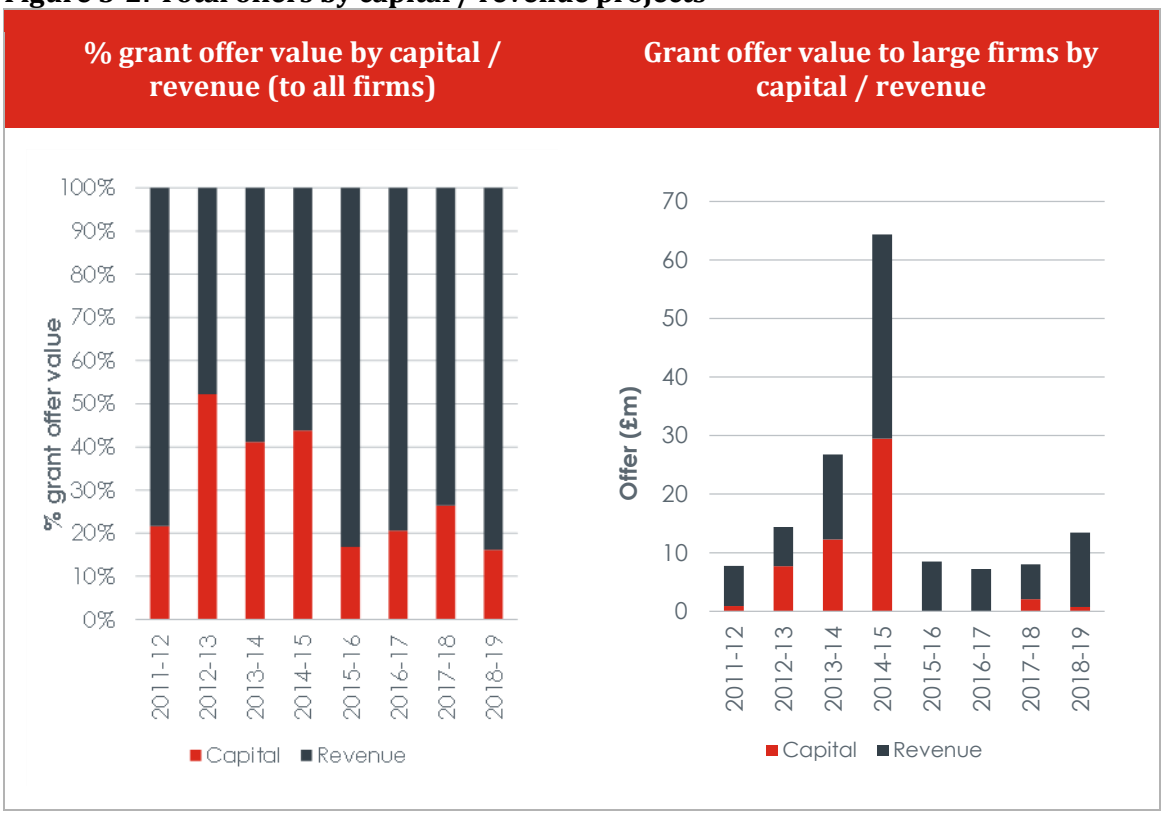


Source: SQW based on monitoring data provided by Invest NI

5.5 As outlined in Section 3, the main types of funding awarded under SFA were capital and revenue grants (including employment grant), with other finance mechanisms rarely used: of the £271.6m, 99% was in grant form, with £2.2m of SFA support offered via repayable finance.

5.6 Over the evaluation period, SFA was principally focused on revenue (employment support) activities, which accounted for over two-thirds (68%) of total grant offer value (see Figure 5-2). In terms of capital grants, Figure 5-2 shows the value of offers varied over time, with a consistent uplift over 2012/13-2014/15, owing to capital offers to large firms. Notably, and linked to the discussion above regarding changing eligibility, in 2014/15, £29.5m of capital grant offers (via 21 projects) were made to large firms, which accounted for 55% of all capital grants to large firms over the full evaluation period.

Figure 5-2: Total offers by capital / revenue projects



Source: SQW based on monitoring data provided by Invest NI

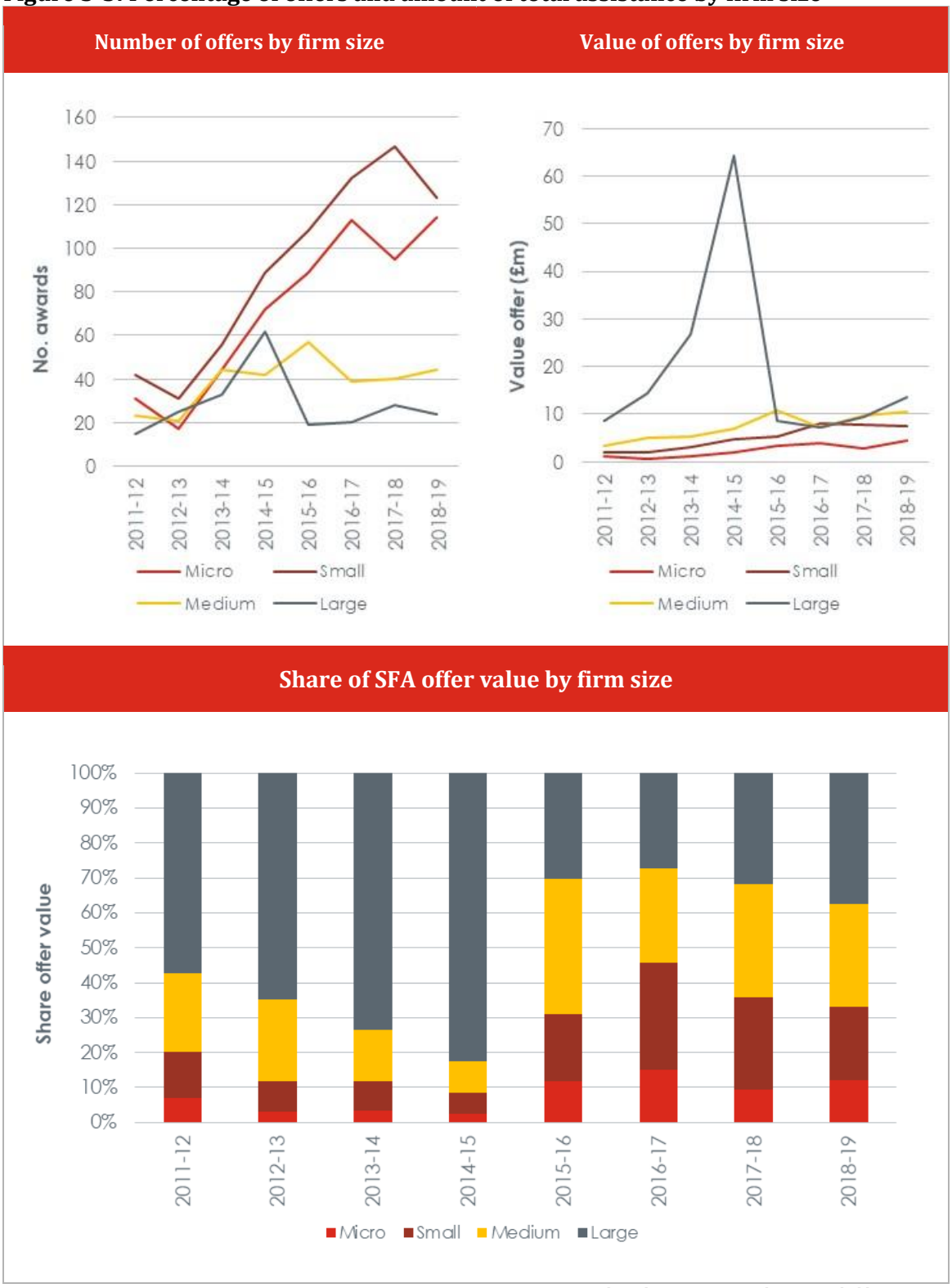
5.7 Note that individual SFA offers can have both revenue and capital elements. Grant offers that were 'revenue only' accounted for £167m of the total offer value, offers that were 'capital only' £59m, and offers that were 'both capital and revenue' for £45.5m.

Offers by business characteristics

5.8 Disaggregation of the data by firm size shows changeable deployment of SFA over the evaluation period, driven in part by the changing eligibility criteria for large firms. Preceding and up to the change in eligibility in July 2014, there was a marked increase in the use of SFA for large firms. However, the number and value of offers to SMEs and micro firms increased steadily in the second half of the evaluation period. This said, whilst the share of SFA offered

to large firms did reduce substantially post-changes in eligibility, large firms remained important to the SFA portfolio after July 2014; they accounted for 30-35% of the offers annually to the end of the evaluation period. Data illustrating these trends are in Figure 5-3.

Figure 5-3: Percentage of offers and amount of total assistance by firm size



Source: SQW based on monitoring data provided by Invest NI

5.9 It is also noteworthy that the average value of offers to medium sized firms was generally higher in the second half of the evaluation period (alongside an increase in the number of offers) compared to the first, as shown in Table 5-1. This may be owing to the ability of INI to meet demand from medium sized firms from mid-2014 onwards using resource that may have previously been used to support large firms. By contrast, although the number of offers to micro and small firms increased substantially over time (as per Figure 5-3 above), the average offer value did not vary materially, generally between £30-40k for micro firms, and £50-60k for small firms. The average offer value to large firms in 2014-15 of over £1m is also noteworthy and consistent with the trends discussed above related to the eligibility criteria.

Table 5-1: Average offer value by firm size over time (£k)

	Micro	Small	Medium	Large
2011-12	32.8	47.5	144.9	564.7
2012-13	40.9	62.7	244.6	575.7
2013-14	27.5	55.2	122.0	810.9
2014-15	25.7	52.8	167.2	1038.1
2015-16	37.2	49.9	191.3	446.4
2016-17	35.3	61.8	185.9	361.0
2017-18	29.4	53.2	241.9	337.7
2018-19	38.2	61.3	237.5	560.0

Source: SQW based on monitoring data provided by Invest NI

5.10 The value of SFA offers was broadly even between manufacturing and non-manufacturing (i.e. services) firms as shown in Table 5-2. The higher share of offer value relative to the number of offers set out below reflects that SFA offers to manufacturing firms were on average larger than non-manufacturing firms (at £166k compared to £134k).

Table 5-2: Share of offer value by business type

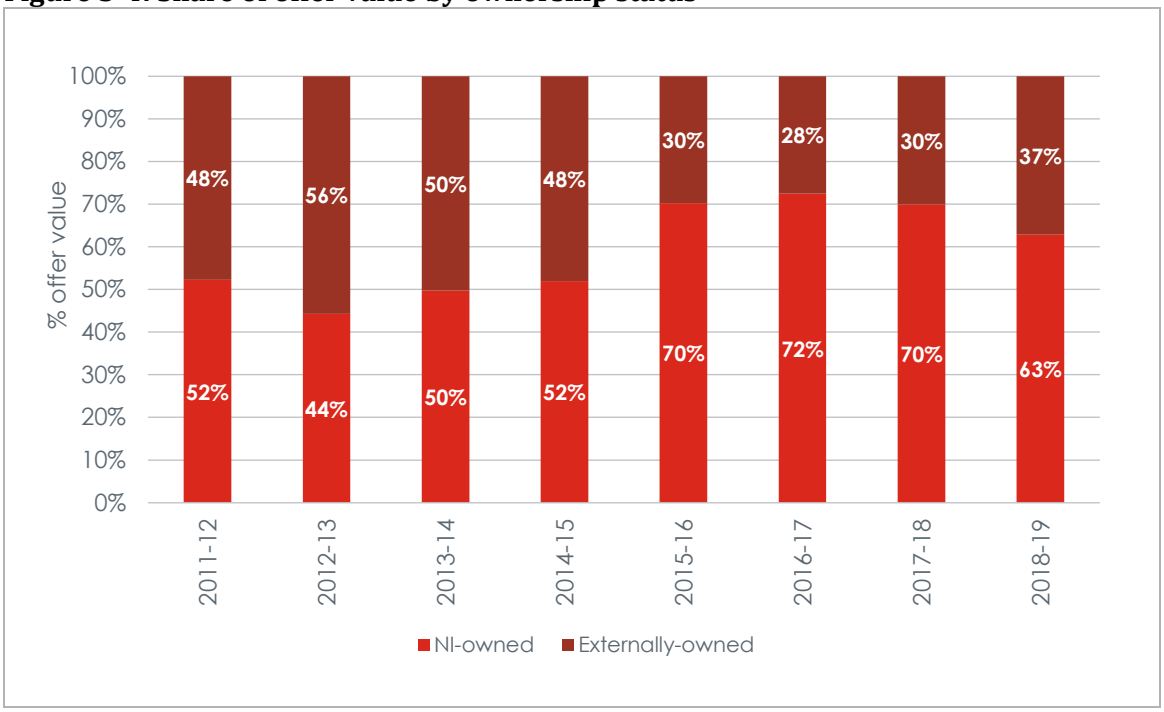
Type	Number of offers	% of offers	Total approved (£m)	% of offer value approved
Manufacturing	802	44%	132.9	49%
Non-manufacturing	1,039	56%	138.8	51%
Total	1,841	100%	271.6	100%

Source: SQW based on monitoring data provided by Invest NI

5.11 In terms of ownership, the majority of offers were made to NI-owned firms (89% of offers). In terms of offer value, there was a more even split with NI-owned firms accounting for 58% of offer value, and externally-owned firms 42%. This reflects the scale of inward investment projects (which include funding to attract new firms to NI). However, looking at the data in more detail, there was a notable shift in the share and level of support to NI-owned firms, notably SMEs, over the evaluation period: NI-owned firms accounted for 58% offer value across the full period, but 68% over 2015-16 to 2018-19. Again, this shift from large

externally owned firms to NI-owned SMEs, can be attributed in large part to changes in SFA's eligibility criteria.

Figure 5-4: Share of offer value by ownership status



Source: SQW based on monitoring data provided by Invest NI

5.12 It is notable that offers to NI-owned SMEs accounted for around two-thirds of the total offer value from 2015-16 onwards, with a substantial increase in the number and value of offers to NI-owned SMEs over this period, as shown in Table 5-3. The shift in focus is very pronounced: for example, in the first two years of the evaluation period, just under 160 offers were made to NI-owned SMEs with a total offer value of around £12m, in the final two years over 500 offers were made to NI-owned SMEs with a total offer value of nearly £40m.

Table 5-3: Offers to NI-owned SMEs

	No. offers	Value of offers (£k)	Share total value offers
2011-12	91	5,916	40%
2012-13	67	6,088	27%
2013-14	140	9,413	26%
2014-15	199	12,334	16%
2015-16	250	18,335	65%
2016-17	283	18,795	71%
2017-18	278	18,809	63%
2018-19	275	21,160	59%

Source: SQW based on monitoring data provided by Invest NI

Offer value by project

5.13 Given the flexibility of SFA, the scale of offers ranged substantially from the largest single offer of £9.5m, to the lowest offer of c.£1,700. As shown in Table 5-4, over 40% of the total offer value went to 50 projects of over £1m in value, around two-thirds led by externally-owned firms. This was in contrast to the 'long tail' of small projects of under £50k in offer value, predominately to NI-owned firms (96% of offers less than £50k were to NI-owned firms).

Table 5-4: Offer values

Range	Number of offers	% of offer value
Up to £50k	1,243	14%
£50k to £100k	300	9%
£100k to £250k	117	8%
£250k to £500k	68	10%
£500k to £1m	63	17%
Over £1m	50	42%

Source: SQW based on monitoring data provided by Invest NI

5.14 However, as may be expected given the discussion above, there was a shift pre- and post-changes in eligibility for large firms in the distribution of offer values. As shown in Figure 5-5, offers up to £50k accounted for 7% of total offer value over 2011/12-2014/15, but 23% over 2015/16-2018/19. By contrast, offers over £1m decreased from 52% to 28% of offer value. This resulted in a varied, but more balanced portfolio in the second half of the evaluation period, less reliant on a small number of large (mainly inward investment) projects.

Figure 5-5: Share of offer value by offer size before and after changes in eligibility for large firms in 2014

Source: SQW based on monitoring data provided by Invest NI

Spatial distribution of offers

5.15 As shown in Table 5-5, over a third of the total offer value was made to Belfast-based firms (with inward investment projects prominent here), with Mid Ulster and Armagh City, Banbridge and Craigavon together accounting for a further quarter of the total. Comparing the proportion of offer value to employee jobs, overall there was a generally good fit between the spatial distribution of jobs across Northern Ireland's economy and the concentration of SFA support, although reflecting the distribution of offers, individual projects in specific locations can cause there to be some variation between the share of offer value and the proportion of employee jobs.

Table 5-5: Offers by District Council Area

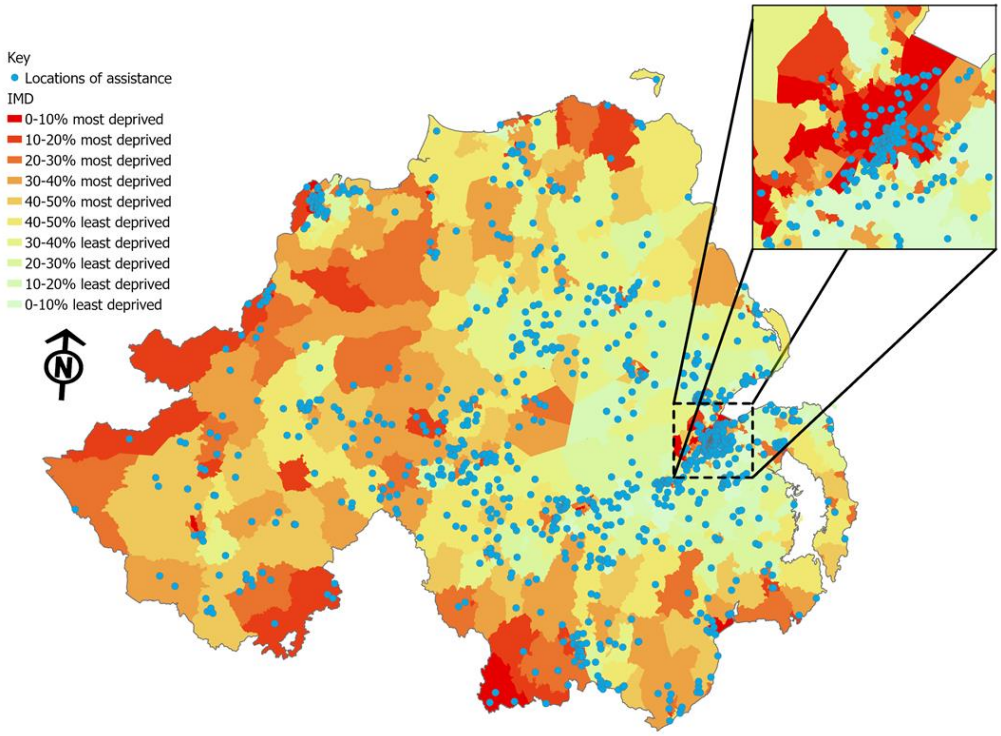
District Council area	Number of offers	% of total offers	% of total offer value	% employee jobs in NI
Belfast	443	24.1%	35.3%	29.8%
Mid Ulster	264	14.3%	12.0%	7.5%
Armagh City, Banbridge and Craigavon	183	9.9%	12.6%	10.1%
Newry, Mourne and Down	183	9.9%	7.5%	7.5%
Fermanagh and Omagh	146	7.9%	3.7%	5.5%
Lisburn and Castlereagh	126	6.8%	4.9%	7.6%
Derry City and Strabane	126	6.8%	6.7%	7.8%
Antrim and Newtownabbey	104	5.6%	8.3%	7.9%
Mid and East Antrim	95	5.2%	3.6%	5.7%
Causeway Coast and Glens	93	5.1%	2.8%	5.4%
Ards and North Down	78	4.2%	2.6%	5.1%

Source: SQW analysis of monitoring data from Invest NI and NI Business Register and Employment Survey, September 2019

5.16 Further, as illustrated in Figure 5-6 the spatial distribution of offer value was well aligned with deprivation, and more jobs were promoted in deprived areas overall. Firms based in the 40% most deprived areas of Northern Ireland received 43% of the offer value, whilst those in the 50% most deprived areas received 72% of the offer value. In this context it is noted that approximately, 15,000 of the 32,000 total jobs promoted (46%) were agreed with firms based in the 20% most deprived areas[25] (see Section 6 for further analysis).

[25] Caution should be exercised when interpreting these figures, as some firms operate across multiple sites

Figure 5-6: Spatial distribution of offers compared to levels of deprivation



Source: Produced by SQW 2021. Licence 100030994. Contains OS data © Crown copyright [and database right] [2019] and NISRA, Northern Ireland Multiple Deprivation Measure 2017

Multiple awards

5.17 Subject to alignment with scheme rules/criteria (discussed in Section 3), firms are able to secure multiple SFA offers. Firms with multiple offers within the evaluation period were fairly common, with 19% (274 of 1,464) of supported firms securing two or more SFA awards in the evaluation period, accounting for 39% of the total offer value, and c.650 of the c.1,840 offers (see Table 5-6). However, the vast majority of firms supported secured one SFA offer only in the evaluation period, and this group accounted for over 60% of the offer value.

Table 5-6: Firms and number of SFA offers in the evaluation period

	% firms supported	Number offers	% offer value
Firms with 1 award	81%	1,190	61%
Firms with 2 awards	13%	390	24%
Firms with 3 awards	4%	183	10%
Firms with 4+ awards	1%	78	6%

Source: SQW analysis of monitoring data from Invest NI

5.18 At a more segmented level, medium-sized firms were the most likely to receive 'multiple awards' in the evaluation period; 39% received two or more offers, compared to 19% for large firms, 25% for small firms, and 5% for micro firms. NI-owned firms were also more likely to receive 'multiple awards', with 19% of NI-owned firms supported securing two or more awards, compared to 14% of externally-owned firms.

Matched investment

5.19 The data in this section, to this point, have considered the value of SFA offers. However, as discussed in Section 3, SFA required match funding, taking into account Gross Grant Equivalent (GGE) requirements. GGE calculations are complex, based on European Commission guidance, and rates changed within the evaluation period. Formal auditing of GGE compliance is *not* within the remit of the evaluation. Rather, the data below comment specifically on the scale of SFA against the total planned investment for context.

5.20 Based on INI's data, the total value SFA offer of £271.6m was matched to other investment of £2.5bn, providing a total planned investment of SFA projects of £2.77bn. Data is not recorded on the source of other investment. The scale of total planned investment and SFA's contribution is set out in Table 5-7. Across the evaluation period, SFA accounted for 10-12% of total planned investment. Note data for 2014/15 are skewed by a single project with total planned investment of £170m, of which SFA represented 6% of the total cost (£9m).

Table 5-7: Total planned investment over the evaluation period (£k)

	SFA offer	Other planned expenditure	Total planned expenditure	SFA as % total planned expenditure
2011-12	14,815	115,538	130,353	11%
2012-13	22,171	170,549	192,719	12%
2013-14	36,430	298,147	334,577	11%
2014-15	77,963	888,776	966,738	8%
2015-16	28,081	239,102	267,182	11%
2016-17	26,625	218,378	245,002	11%
2017-18	29,751	253,644	283,396	10%
2018-19	35,781	318,953	354,735	10%

Source: SQW analysis of monitoring data from Invest NI

5.21 Consistent with assistance limits, with a maximum contribution from SFA of 10% of project costs for large firms, 20% for medium firms, and 30% for small firms over the majority of the evaluation period, SFA accounted for a lower share of planned investment for large firms overall. However, it is notable that across all size-groups, the share of total investment accounted for by SFA was similar, at 9% for large firms, 10% for medium firms, 12% for small firms and 11% for micro firms. Whilst there were some fluctuations year to year as may be expected, this remained broadly consistent over the full evaluation period. This suggests that whilst the shape of the SFA portfolio changed considerably over the course of the evaluation period owing to the changes in eligibility for large firms, how SFA was used alongside other investment (and the form of this investment, via grants) remained very consistent.

5.22 Further, it is noted that the share of SFA to total planned expenditure was broadly consistent by ownership (locally-owned/externally owned) and sector (manufacturing/services), consistent with the overall picture at around 10%.

Actual expenditure

5.23 Data on actual expenditure has been analysed to March 2020, providing consistency to the impact and value for money analysis, and to avoid any implications of the Covid-19 pandemic on project progress and expenditure. By the end of March 2020, actual SFA expenditure for the offers within the evaluation period was £159.3m, equivalent to 59% of the total offer value (£271.6m).

5.24 As would be expected the share of 'actual' expenditure realised for the earlier years of the evaluation period was higher than the later years, where projects were still in operation, as shown in Table 5-8.

Table 5-8: Approved and estimated SFA actual expenditure by projects approved over the evaluation period

Year of offer	Total Assistance (£k)	Expenditure to March 2020 (£k)	Proportion
2011-12	14,815	10,642	72%
2012-13	22,171	15,994	72%
2013-14	36,430	26,563	73%
2014-15	77,963	50,390	65%
2015-16	28,081	17,396	62%
2016-17	26,625	16,203	61%
2017-18	29,751	13,171	44%
2018-19	35,781	8,967	25%
Total	271,616	159,326	59%

Source: SQW analysis of monitoring data

5.25 Comparing expenditure to offer value by key characteristics, key findings are as follows:

- **Offer type:** expenditure as a proportion of offer value was higher for 'capital only' projects compared to 'revenue only' projects, at 70% and 55% respectively. Capital projects lesser dependence on the delivery of employment targets may account for this difference.
- **Ownership:** expenditure as a proportion of offer value was higher for NI-owned companies (62%) compared to non-NI companies (53%).
- **Sector**: expenditure as a proportion of offer value was slightly higher for manufacturing firms (60%) than non-manufacturing firms (57%). The slight variation is driven in part by a lower expenditure level for offers to firms in the ICT sector (at 47%), which accounts for around £52m of the total offer value (including £22m in the final three years of the evaluation period of which around a third had been paid out by March 2020).
- **Size:** expenditure as a proportion of offer value was broadly consistent between different sized firms, at 57% for large firms, 60% for medium, 63% for small, and 59% for micro firms.

- **Offer size**: there was considerable variation in expenditure as a proportion of offer value by size of SFA offer. Importantly, for offers of £1m+ 55% of expenditure had been realised (£62m of £113m), which reflects the longer delivery periods associated with large projects (which were on-going at March 2020). However, although intuitively it might be expected there will be a linear relationship between offer value and expenditure, this does not appear to be the case. Notably, the expenditure level of projects with an SFA offer of £250-500k was also relatively low (at 49%); as discussed above, offers values of this size did become more common in the second half of the evaluation period. The data across offer value bands are set out below.

Table 5-9: Approved and estimated SFA actual expenditure by projects approved over the evaluation period by offer size

	Number offers	Offer value (£)	Expenditure to March 2020 (£k)	Proportion
Up to 50k	1,243	38,810	25,715	66%
50k to 100k	300	25,420	17,700	70%
100k to 250k	117	21,437	14,282	67%
250k to 500k	68	26,427	12,990	49%
500k to 1m	63	46,186	26,264	57%
Over 1m	50	113,335	62,374	55%

Source: SQW analysis of monitoring data

5.26 For context, it is noted that the latest data shows total expenditure of £175.8m up to June 2021, equivalent to 65% of the total offer value between 2011/12 and 2018/19 (i.e. a further £17m of expenditure was realised between March 2020 and June 2021).

Management and delivery costs

5.27 Over the evaluation period, the management and delivery costs of SFA are estimated at £20.9m. This includes approximately £0.5m associated with management and administration, and approximately £20.5m associated with the time-costs of Client Executives/Managers/Officers working on SFA projects over the eight-year period from 2011/12 to 2018/19.[26]

5.28 Taken together, this provides an estimate of the total actual expenditure on SFA for projects approved over the evaluation period of approximately £180m.

[26] The estimate for the costs of Client Executives is based on evidence from the online survey and information from Invest NI on Client Executive employment costs. This should be regarded as indicative only.

Beneficiary profile

5.29 This sub-section provides a profile of SFA beneficiaries. The evidence is drawn from analysis of monitoring data which covers a range of key business characteristics, including size, sector, and location. The 1,841 offers of SFA support were made to 1,464 individual businesses between 2011/12 and 2018/19. The profile of businesses is set out in Table 5-10.

Table 5-10: Profile of beneficiaries

	Number	Share of total
Size*		
Micro	547	37%
Small	546	37%
Medium	192	13%
Large	177	12%
Sector		
Manufacturing	606	41%
Non-manufacturing	858	59%
Ownership		
Local	1290	88%
External	174	12%

*Source: SQW analysis of monitoring data. Note: *Breakdown excludes two firms where size is marked as EDO in monitoring data.*

5.30 Several points are noted in relation to this data:

- Combining size and sector, over a third (38%) of all businesses supported by SFA over the evaluation period were SMEs in the manufacturing sector.
- In 'non-manufacturing', the most common sub-sectors were Information & Communication (18% of all businesses) and Professional, Scientific & Technical Activities (11% of all businesses).
- Externally-owned businesses were most commonly from the rest of the UK (37% of externally-owned businesses), USA (33%) and Republic of Ireland (18%).
- Spatially, and consistent with the data on offer values discussed above, around a quarter of supported businesses were based in Belfast. Businesses were based in all of Northern Ireland's Local Authority Districts, with detailed data set out in Annex F.
- Most supported businesses (1,190, 81%) received one SFA offer, 195 received two offers (13%) and 79 received three or more offers (5%).
- The average assistance was £185.5k per business (based on offer value) with an average actual expenditure of £108.8k up to March 2020. Assistance is correlated closely to business size with the highest average assistance among large businesses (£862k), compared to £308k for medium, £74k for small and £35k for micro businesses.

6. Assessment of gross outputs and outcomes

6.1 This Section assesses the gross outputs and outcomes of SFA, drawing on monitoring data from INI and primary research, including input from beneficiaries.

Gross outputs

6.2 As indicated in the Logic Model, and consistent with the overall aims and objectives of SFA, the creation of new jobs is the principal anticipated output of SFA. Although not all SFA offers have to be associated with jobs targets (e.g. projects that may raise productivity through capital investments), in practice over the evaluation period nearly all SFA awards expected to deliver employment outcomes, just 103 (6%) of the 1,841 offers did not have a jobs target.

6.3 As noted in Section 2, detailed monitoring data was available on the number of *approved* new jobs promoted/jobs safeguarded at a firm level. However, data on *actual* new jobs created/jobs safeguarded was not available at a firm level in monitoring data[27], only for SFA in aggregate as a *proportion* of approved new jobs promoted/jobs safeguarded. It was therefore not possible to assess the characteristics of firms who were more/less successful in creating jobs against targets for the SFA population. We have used survey evidence on whether jobs associated with SFA offers were realised in practice to calibrate the aggregate data, providing an estimate of the total actual jobs created/safeguarded from offers in the evaluation period.

Approved jobs – new and safeguarded

6.4 The 1,841 SFA offers covered by the evaluation period were expected to create approximately 32,100 new jobs, and safeguard approximately 1,100 jobs. As shown in Table 6-1 the scale of new jobs promoted from SFA offers approved in that year (note, *not* when the jobs were expected to be realised) varied over the evaluation period, peaking in 2014/15. As discussed in Section 3, the scale of anticipated jobs safeguarded was modest (except for in 2014/15).

Table 6-1: New jobs promoted and jobs safeguarded (gross)

Year	New jobs promoted	Safeguarded jobs
2011-12	1,715	24
2012-13	2,275	188
2013-14	3,383	60
2014-15	8,791	734

[27] Owing to a lack of consistency in data collation and reporting by Invest NI in the evaluation period. Specifically, INI monitoring systems have gathered data since 2016/17 across a wide range of project metrics including related to jobs, however, this has been inconsistently applied in terms of the target and actual data recorded.

Year	New jobs promoted	Safeguarded jobs
2015-16	4,123	44
2016-17	3,635	34
2017-18	3,497	42
2018-19	4,709	-
Total	32,128	1,126

Source: SQW analysis of monitoring data from Invest NI

By key business characteristics

6.5 New jobs promoted and anticipated jobs safeguarded are set out by headline business characteristics in Table 6-2. Over half of the new jobs promoted were from offers to NI-owned firms, and (separately) over half from offers to large firms.

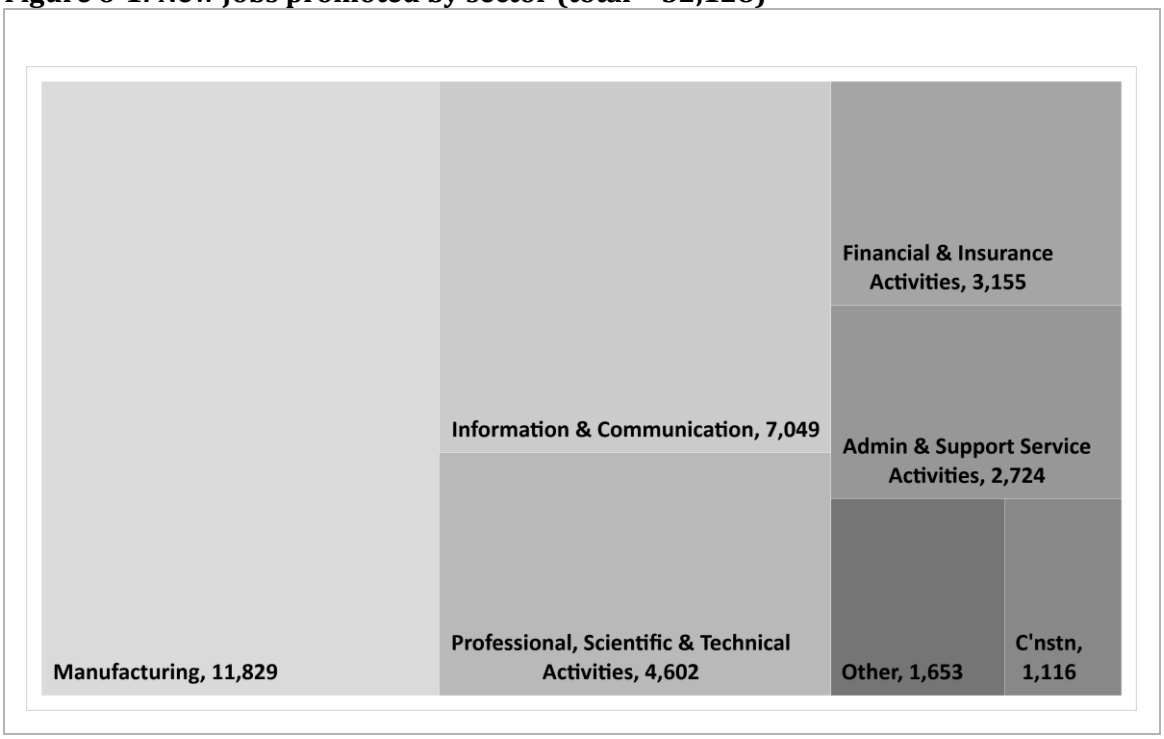
Table 6-2: Jobs promoted/safeguarded by beneficiary business characteristics

	New jobs promoted	Safeguarded jobs
Ownership		
Local	17,175	888
External	14,953	238
Business type		
Manufacturing	11,829	980
Non-manufacturing	20,299	146
Business size*		
Micro	2,724	3
Small	5,008	72
Medium	6,438	461
Large	17,953	590

*Source: SQW analysis of monitoring data from Invest NI Note: *five jobs promoted were from an offer to 'External Delivery Organisations'*

6.6 More detailed sector-level data is set out in Figure 6-1, demonstrating the substantial anticipated jobs in ICT, professional and finance services from SFA, alongside manufacturing.

Figure 6-1: New jobs promoted by sector (total = 32,128)



Source: SQW analysis of monitoring data from Invest NI

6.7 However, reflecting both the nature of the NI business base and inward investment opportunities, it is notable that manufacturing promoted jobs were largely from NI-owned businesses, whilst job promotion in ICT, professional and finance services relied heavily on externally-owned firms, as set out in Table 6-3.

Table 6-3: New jobs promoted by sector split by firm ownership

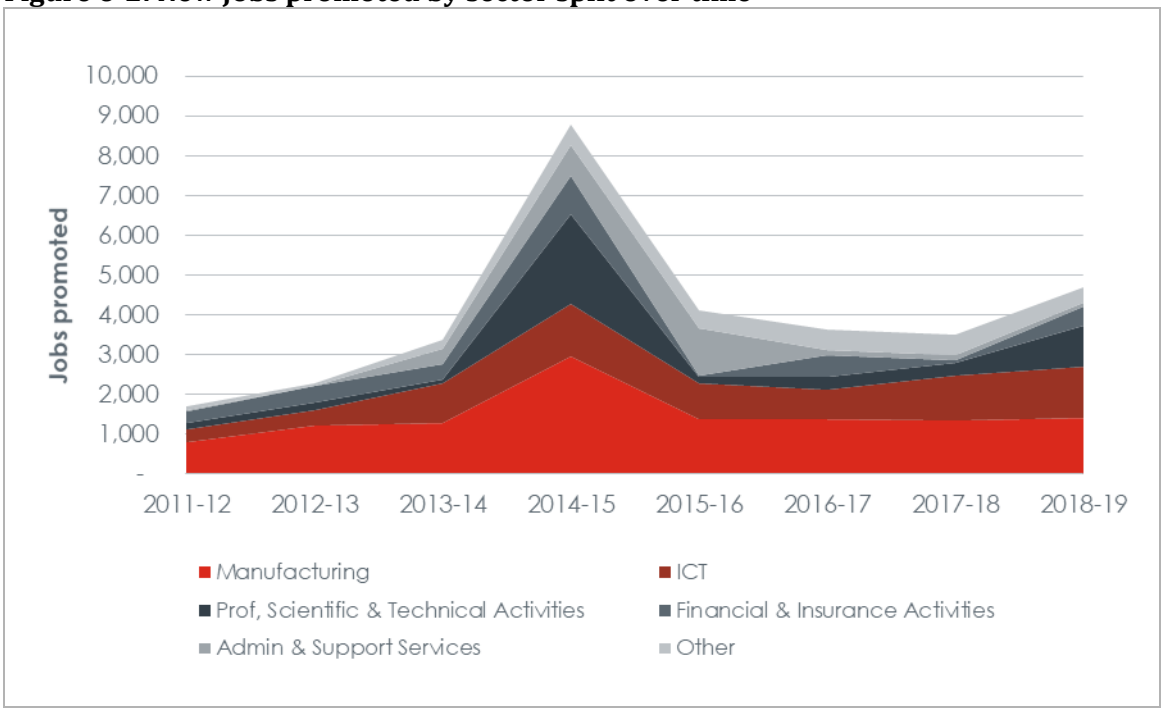
	New jobs promoted*	New jobs promoted - % NI-owned	New jobs promoted - % externally-owned
Manufacturing	11,829	76%	24%
Information & Communication	7,049	36%	64%
Professional, Scientific & Technical Activities	4,602	30%	70%
Financial & Insurance Activities	3,155	28%	72%
Admin & Support Service Activities	2,724	29%	71%
Construction	1,116	100%	-
Other	1,648	89%	11%

*Source: SQW analysis of monitoring data from Invest NI. Note: * excludes EDO firms*

6.8 The sector balance of jobs promoted remained fairly consistent overall throughout the evaluation period, with Manufacturing accounting for the greatest share in every year. However, the volume of jobs promoted in 'Professional, Scientific & Technical Activities' increased substantially both absolutely, and in relative terms, in 2014/15, reflecting offers for

large firms in this area in advance of the changes in eligibility criteria, as shown in Figure 6-2.

Figure 6-2: New jobs promoted by sector split over time



Source: SQW analysis of monitoring data from Invest NI

By spatial location

6.9 The spatial split of new jobs promoted are set out in Table 6-4. To provide context, the proportion of all employee jobs in NI (in 2019) by local area is presented. The data highlights that Belfast accounted for a higher share of promoted jobs than its existing share of the employment base across NI, which is not unexpected given its role as an economic driver and source of inward investment, and the share of offer value discussed in the previous section. In this context, it is noted that externally-owned firms accounted for 75% of the new jobs promoted in Belfast, by some distance the highest proportion across all local areas; indeed, excluding Belfast, externally-owned businesses accounted for just 26% of new jobs promoted (compared to the overall average of 47% including Belfast).

Table 6-4: New jobs promoted by Local Authority Area and comparison to all jobs

	New jobs promoted		Employee jobs in NI
	Count	%	%
Belfast	13,576	42%	29.8%
Mid Ulster	3,400	11%	7.5%
Armagh City, Banbridge and Craigavon	2,945	9%	10.1%
Derry City and Strabane	2,562	8%	7.8%
Newry, Mourne and Down	2,267	7%	7.5%

	New jobs promoted		Employee jobs in NI
Antrim and Newtownabbey	2,065	6%	7.9%
Lisburn and Castlereagh	1,591	5%	7.6%
Fermanagh and Omagh	1,302	4%	5.5%
Mid and East Antrim	988	3%	5.7%
Causeway Coast and Glens	950	3%	5.4%
Ards and North Down	482	2%	5.1%

Source: SQW analysis of monitoring data from Invest NI and NI Business Register and Employment Survey, September 2019

6.10 Safeguarded jobs were concentrated in Armagh City, Banbridge and Craigavon (40% of the total), Mid Ulster (21%) and Antrim and Newtownabbey (13%), with very few safeguarded jobs elsewhere.

6.11 Turning to deprivation, as set out in Table 6-5, nearly half of all new jobs promoted were located in the 20% most deprived neighbourhoods. This concentration of approved jobs in areas of deprivation indicates that SFA supported/had the potential to support substantial job creation in areas of disadvantage, and therefore help address critical social priorities/inequality. Whilst a notable proportion of jobs safeguarded were in less disadvantaged areas, nearly a third were in the 30% most deprived areas which indicates SFA's role in helping to retain jobs in deprived areas.

Table 6-5: Jobs promoted and safeguarded by deprivation

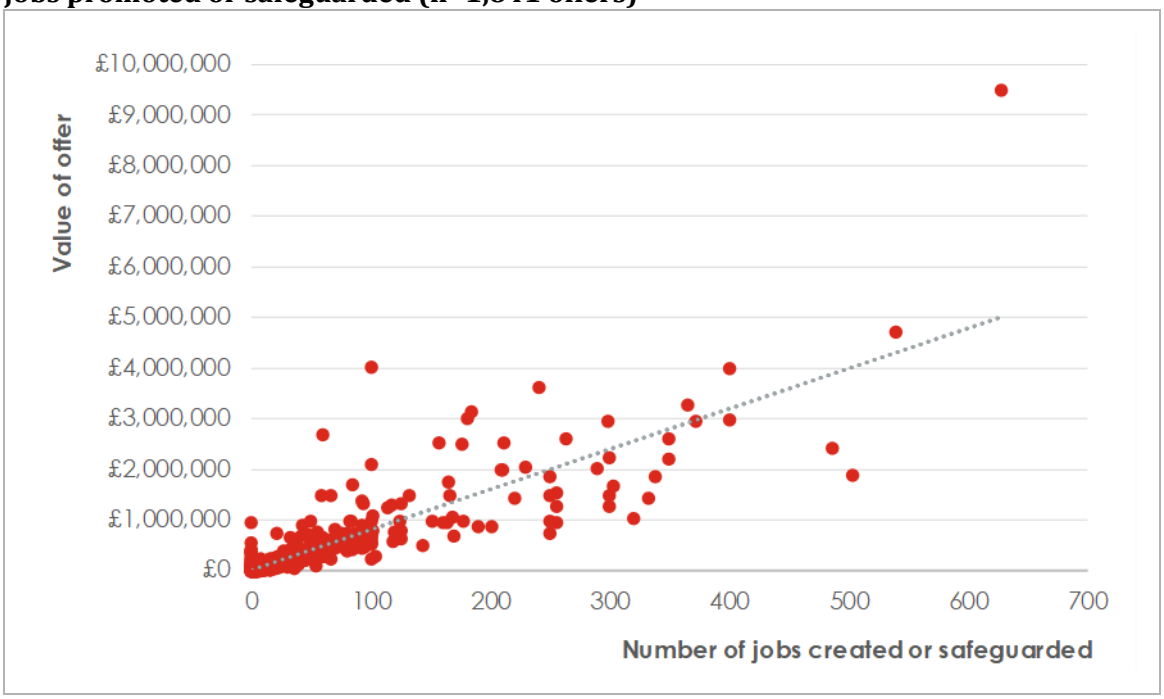
	New jobs promoted	New jobs promoted %	Jobs safeguarded	Jobs safeguarded %
10% most deprived	3,504	11%	52	5%
10-20% most deprived	11,392	35%	273	24%
20-30% most deprived	2,326	7%	0	0%
30-40% most deprived	1,852	6%	45	4%
40-50% most deprived	2,468	8%	104	9%
40-50% least deprived	2,140	7%	344	31%
30-40% least deprived	4,185	13%	89	8%
20-30% least deprived	1,946	6%	9	1%
10-20% least deprived	1,773	6%	37	3%
10% least deprived	542	2%	173	15%

Source: SQW analysis of monitoring data from Invest NI and NISRA, Northern Ireland Multiple Deprivation Measure 2017

By value of offer

6.12 As may be expected, there was a strong correlation between the anticipated employment effect and the amount of assistance provided, with larger projects expecting to create or safeguard more jobs. Data for all offers are set out in Figure 6-3, demonstrating the strength of this relationship.

Figure 6-3: Correlation between the amount of assistance provided and the number of jobs promoted or safeguarded (n=1,841 offers)



Source: SQW based on monitoring data provided by Invest NI

6.13 Looking at the data in further detail, and consistent with this relationship, a modest number of projects accounted for a high proportion of anticipated jobs outputs. As shown in Table 6-6, just over 50 offers (around 3% of the total) each with 100+ new jobs promoted, accounted for over two fifths (42%) of all new jobs promoted. This reflects the projects of over £1m in value discussed above, and highlights further the broad distribution of activity supported by SFA over the evaluation period. In terms of safeguarded jobs, three projects account for over 40% of jobs safeguarded. However, any trends should be treated with caution due to the small number of offers (30) responsible for safeguarded jobs.

Table 6-6: Range of SFA offers - jobs to be created and safeguarded

	Gross new jobs promoted				Gross jobs safeguarded			
	No. offers	No. jobs	% Offers	% jobs	No. offers	No. jobs	% offers	% jobs
Up to 10	1,302	6,747	75%	21%	10	38	33%	3%
11 to 50	304	6,469	18%	20%	13	325	43%	29%
51 to 100	68	5,234	4%	16%	4	293	13%	26%
101 to 500	53	12,006	3%	37%	3	470	10%	42%
Over 500	3	1,672	0%	5%	-	-	-	-
Total	1,730	32,128	100%	100%	30	1,126	100%	100%

Source: SQW based on monitoring data provided by Invest NI

Job quality

6.14 The monitoring framework for SFA includes central recording by Invest NI of the aggregate annual salaries to be generated by new jobs promoted and jobs safeguarded.[28] The framework also captures the number of new jobs promoted or jobs safeguarded that were above the Northern Ireland Private Sector Median (NIPSM) at the point in time of the application.

6.15 The average anticipated salary across all promoted new jobs created/jobs safeguarded was £25,104. Of the 32,128 new jobs promoted, two-thirds were expected to have salaries above the NIPSM (64%; 20,694 jobs).

6.16 However, as set out in Table 6-6 there was some variation by business characteristics. Notably, externally-owned firms, non-manufacturing (i.e. services) firms, and large firms were more likely to offer salaries above the NIPSM. These three factors are related, with externally-owned professional, financial services and ICT firms in particular offering high salaries from SFA supported projects.

Table 6-6: Proportion of new jobs above the NIPSM by business type, ownership, and business size

	% of jobs promoted above NIPSM
Ownership	
Local	60%
External	70%
Business type	
Manufacturing	51%
Non-manufacturing	72%
Business size	
Micro	56%
Small	60%
Medium	55%
Large	70%

Source: SQW based on monitoring data provided by Invest NI

[28] For example, where 10 new jobs promoted were contracted each with a salary of £20,000, the database records salaries through the project of £200,000

Estimated actual jobs created

Approach 1: Aggregated monitoring data

6.17 To provide a "top-down" estimate of the 'actual' gross employment outputs of SFA, analysis was undertaken by INI to estimate actual jobs created though SFA for a sub-set of the population covered by the evaluation. Two points are noted on this analysis:

- the coverage included SFA projects approved between 1st April 2011 and 31st March 2017[29]; the end of 2016-17 was selected as the cut-off point to allow sufficient time for employment outputs to be realised (which can be expected to be realised within three-four years, in most cases)
- at the time of analysis in mid-2021, 71% of the total SFA grant offer for these projects had been drawn down.

6.18 The results showed that, by 31st March 2021, actual jobs created stood at 87% of approved new jobs promoted at the point of offer. Data on the number of jobs created or actual salary levels was not available.

Approach 2: Survey evidence

Calculating the conversion factors

6.19 To provide a "bottom-up" estimate of the 'actual' gross employment outputs of SFA, the results of the survey of 208 beneficiaries has been used to gross up to the beneficiary population. In the survey, firms were asked to identify whether, or not, the new jobs promoted and/or jobs safeguarded contracted with INI had, in fact, been delivered in full by March 2020. If all of the jobs had not been created/safeguarded, firms were asked to quantify (or estimate a range of) how many jobs had been delivered by this point.

6.20 Of the 204 relevant respondents[30]:

- **125 (61%) stated that all their outputs had been delivered in full** (be that jobs created only, jobs safeguarded only, or jobs created and jobs safeguarded).
- **67 (33%) stated that all of the employment-related outputs had not been delivered in full;** these firms were asked to identify the number of new jobs promoted that had been delivered with all but one firm providing an exact figure rather than a range.

[29] Projects that did not proceed and had not drawn down any grant were excluded
[30] Note, n=4 firms had no expected outputs for new jobs / safeguarded jobs

- **12 (6%) stated that they did not know whether their outputs had been delivered in full;** with no primary evidence on which to base assumptions, these firms were excluded from the subsequent quantitative analysis.

6.21 Applying the responses at the level of the firm to the scale of the new jobs promoted and safeguarded jobs across the survey sample as a whole and taking into account 'partial' job creation/safeguarding, a conversion factor of 83% was derived. It should be noted that due to the small number of jobs safeguarded in the survey sample (n=23) and overall (n=1,126) safeguarded jobs were combined with new jobs created for the purpose of this analysis, leading to a single overall conversion factor.

6.22 As discussed in Section 2, there were some differences between the profile of the survey sample and the relevant population (i.e. businesses with one/two SFA offers in the evaluation period); notably, this included fewer large firms in the survey sample. The employment-related outputs were therefore weighted by firm size. This led to a modest revision, and a final overall conversion factor for approved to actual new jobs created/safeguarded of 84%.

6.23 The conversion ratio varied to some extent by beneficiary characteristics, as set out in Table 6-7. However, these data should be treated with caution given the smaller sample sizes on which they are based relative to the sample as a whole, and the relationships between the characteristics. For example, although it appears that micro firms have been less likely to deliver actual jobs created/safeguarded than larger firms, this largely reflects the timing of the projects covered in the survey: approximately 80% of micro firms in the sample were first supported from 2015/16 onwards, compared 50% of medium/large firms.

6.24 The data on year of support indicates that firms supported in later years of the evaluation period had a lower conversion factor. This is expected given these projects were often still in delivery, and time-paths to delivering employment-related outputs will differ across projects.

Table 6-7: Conversion factors for 'approved' to 'actual delivered' employment outputs

	New / safeguarded jobs	*N (weighted)*
Type of SFA support		
Revenue only	82%	*172*
Capital only	100%	*17*
Revenue & Capital	92%	*18*
Ownership		
Local	88%	*176*
External	81%	*31*
Business type		
Manufacturing	88%	*94*
Non-manufacturing	82%	*112*
Size		
Micro	72%	*78*

	New / safeguarded jobs	*N (weighted)*
Small	83%	*80*
Medium	95%	*24*
Large	83%	*24*
Year of first support		
Up to 2014/15	98%	*63*
2015/16 onwards	72%	*145*

Source: SQW based on monitoring data provided by Invest NI

6.25 Overall the consistency in the data across different beneficiary characteristics, generally between 80-90%, suggests that the overall weighted survey sample level ratio of 84% is an appropriate benchmark. Further, although some care is needed given that the analysis reflects different time periods and samples, the survey-based findings are similar to the 'top-down' analysis completed by Invest NI (see 6.18). The gross 'jobs conversion rate' is encouraging, and suggests a tightening of approval and management in the evaluation period relative to earlier periods (this is explored further in Section 10).

6.26 In quantitative terms, the analysis suggests that the survey cohort of businesses created 2,408 (gross) jobs, with an average effect per business where an employment effect was realised of 12.1 jobs (weighted data).

Applying the conversion factors

6.27 The conversion factors identified through the survey were then applied to the gross new jobs promoted/safeguarded, to derive an estimate of the actual gross jobs created/safeguarded (at March 2020) by SFA projects approved over the evaluation period. To account for any outliers in the data and reflecting the uncertainty associated with the survey sample sizes, this involved both applying the survey-sample level factor of 84% to the full population, and applying segmented conversion factors to the relevant cohort of firms (by type of SFA support, ownership, sector, size and year of first support) and then aggregating this data[31] to provide a range of estimated actual gross jobs created/safeguarded.

6.28 Two key points are noted regarding the application of the conversion factors:

- First, the SFA 'population' used for the analysis includes firms who received one or two SFA awards over the evaluation period (n=1,385). Firms that received three or more awards were excluded because they were not included in the survey sample.
- Second, 1,050 safeguarded jobs were expected to be delivered across the population. Whilst this number is not insignificant absolutely, in relative terms it is modest against

[31] For example, the conversion factor for manufacturing businesses (88%) was applied to manufacturing businesses, and the conversion factor for non-manufacturing businesses (82%) was applied to non-manufacturing businesses. These data were then aggregated.

new jobs promoted, and given the very modest sample size from the survey, and to avoid underestimating these effects, for the purpose of analysis these jobs were included with new jobs promoted.

6.29 The detailed findings of the analysis are presented in Table 6-8. Whilst there is some variation in the findings using the segmented conversion factors, overall, the estimates vary by no greater than +4% to the survey as a whole, providing a good level of confidence in the results overall.

6.30 The analysis suggests that SFA projects approved over the 2011/12–2018/19 period (for businesses with one/two offers in the evaluation period) delivered between 24,100 – 25,000 jobs (in gross terms) by March 2020, of which the vast majority were new jobs.[32] Whilst it should be recognised that projects do not always deliver in full against their employment-related outputs, these figures suggest that for the most part, businesses supported by SFA have performed well against their jobs targets.

6.31 If the slightly higher 87% estimate generated by the Invest NI 'top-down' analysis is included as the upper-end of the range (with this ratio applied to the full population of businesses with one/two offers in the evaluation period, consistent with the 'bottom-up analysis'), this suggests SFA delivered between 24,100 – 27,950 jobs (in gross terms) by March 2020 through firms that secured one/two offers in the evaluation period.

Table 6-8: Estimated actual jobs created / safeguarded (gross)

	Actual jobs
Overall *(i.e. 84% applied to all total promoted new/safe jobs)*	**24,121**
Segmented by type of SFA support	
Revenue	17,229
Capital	3,744
Revenue & Capital	3,569
Total	*24,541*
Ownership	
Local	12,891
External	11,303
Total	*24,194*
Business type	
Manufacturing	9,327
Non-manufacturing	14,831
Total	*24,158*
Size	

[32] An estimated 884 jobs delivered were safeguarded jobs

	Actual jobs
Micro	1,949
Small	3,690
Medium	4,803
Large	13,665
Total	*24,107*
Year of first support	
Up to 2014/15	15,953
2015/16 onwards	9,035
Total	*24,989*
Minimum (detail)	24,107
Maximum (detail)	24,989
Range (rounded)	**24,100 – 25,000**

Source: SQW based on monitoring data provided by Invest NI

6.32 As noted above, the 'bottom-up' analysis is based on survey responses which did not include firms with 3+ SFA offers. This group of firms (n=79) accounted for approximately 4,500 new jobs promoted/safeguarded. For indicative purposes, if the 'top-down' and 'bottom-up' conversion ratios are applied to this group of firms (and therefore the full population), this would suggest a further 3,870 – 4,000 gross jobs delivered by SFA**. This provides an indicative estimate of the total employment contribution of all SFA offers over the evaluation period of 28,100 – 31,800 gross jobs, with a mid-point of 29,950**.

Salaries of achieved employment

6.33 It was not possible to gather detailed data in the survey on the individual salaries of jobs that had been achieved. However, the survey did ask respondents whether the jobs created in their businesses (where relevant) were generally at the salary levels in line with the agreement with INI. This evidence can be used to provide some insight on whether the salaries of promoted jobs – including the two-thirds in the population that were expected to have salaries above the NIPSM on average – have been realised in practice.

6.34 Positively, 88% of the businesses surveyed stated that the actual jobs created were at the salary level agreed with Invest NI. Further most of the remaining businesses stated that the salaries were *higher* than agreed with INI.

Wider outcomes

6.35 Further to the employment outputs, the SFA beneficiary survey and case studies explored a range of wider competitiveness improvement and business development outcomes of SFA. Qualitative and quantitative outcomes are discussed in detail below.

Business capability and capacity outcomes

6.36 As illustrated in Figure 6-4, the survey indicated a range of wider capability and capacity benefits from SFA support. Over 80% of firms reported improved staff knowledge or skills as a result of SFA, whilst three-quarters reported improved efficiency of productive processes, and over two-thirds the introduction of new/significantly improved products or processes.

Figure 6-4: Qualitative outcomes experienced as a result of SFA (n=208)

Source: SQW analysis of beneficiary survey. Weighted data.

6.37 The results of specific questioning regarding productivity are discussed below. However, in the context of the evaluation's interest in the potential productivity role of SFA, it is important to note that many – arguably all – of the outcomes set out above may lead to productivity benefits either directly (e.g. improved efficiency) or over the longer-term (e.g. improved knowledge/skills and management of innovation processes).

6.38 The case studies provided evidence on a range of wider qualitative benefits of SFA. Benefits identified in the case studies included greater confidence to invest in growth, greater ability to pivot to respond quickly to new market opportunities, and reduced carbon footprint (e.g. via capacity to produce locally, rather than import). Key evidence is summarised below.

Figure 6-5: Qualitative outcomes observed in case studies

Range of outcomes identified across the case studies ....

... and some specific examples

- *Firm A* received three SFA awards. These enabled the firm to invest in new technology and refurbish the factory, which in turn has improved productivity. The new technology has also meant that higher quality manufacturing could take place in NI, improving the international competitiveness of the firm's product, leading to anticipated sales benefits over the longer-term.
- *Firm E* also received three SFA grants, all of which helped the firm to respond quickly to new business opportunities. This included diversifying their product range and increasing manufacturing capacity in response to an opportunity presented with a large national customer. This secured the viability of the business and helped it become more profitable. Moreover, this growth created supply-chain benefits for local suppliers in terms of packaging and equipment.
- *Firm F* was amongst the most substantial beneficiaries of SFA (in terms of offer value), and used the finance to attract and build highly mobile global functions in NI. In addition to creating a substantial number of jobs, the firm reduced costs (by moving to a lower-cost location), improved productivity (as a result of new people with fresh ideas joining the firm) and established networks within NI which can be leveraged over the longer-term to realise value.
- *Firm G* also received one of the largest SFA awards, which was used to consolidate the manufacturing process at one site and increase manufacturing capacity. This led to increased profit margin, secured the firm's manufacturing presence and facilitated continued growth of R&D operations in NI, and created supply chain benefits. It also meant the firm had capacity to respond quickly to calls from public agencies for support during the Covid-19 pandemic.

Source: SQW – Case Studies

6.39 These case study findings were corroborated to some extent in the Client Executive survey. However, consistent with the overall view from Client Executives that SFA is fundamentally about jobs, SFA was considered to be particularly effective in delivering jobs growth, and thereby supporting and accelerating wider business growth. Outcomes related to increasing exports, profitability, competitiveness and productivity were also noted, but less commonly.

6.40 In this context it is also noted that the 'risk-sharing' element of SFA was seen as particularly important by Client Executives, as well as the ability of SFA to support long-term growth plans and thinking. This was described as providing a '*pathway for company improvement going forward*' by one Client Executive. However, different views were expressed here, with some Client Executives reporting that SFA was less good in relation to this longer-term effect, one

Client Executive stated that *'SFA can be a bit transactional, it doesn't naturally create wider strategic engagement with the company*.' This range of views is not unexpected given the breadth and range of ways in which SFA is deployed with firms.

6.41 At a strategic level, stakeholders described how in their view, SFA has strengthened the resilience and capacity of NI's business base, changed businesses' mindsets (encouraging them to 'think big' and 'think outside of NI'), encouraged exports (and increased the value of exports), and supported improvements in manufacturing processes/products – and in doing so, has contributed to delivering against strategic economic priorities. The range of strategic effects identified in the consultations highlights the way in which owing to the flexibility of SFA, it can be used to serve a range of different purposes, and therefore mean quite different things to different groups. This flexibility and breadth was for the most part seen as a strength by consultees. However, it does also mean that SFA is working alongside a wide range of other interventions and factors in these different contexts that can make this wider strategic contribution hard to unpick and evidence formally.

Business performance outcomes

Outcomes experienced

6.42 Besides employment (discussed above), the beneficiary survey also sought to gather primary evidence on the effects of SFA related to: reduced costs, increased sales, and improved overall productivity (i.e. value added per employee). As shown in Table 6-9, over 80% of surveyed beneficiaries reported that SFA had led to increased sales and improved productivity respectively. A substantial minority also indicated that SFA had led to reduced costs. Further details for each of these three business performance outcomes is presented below.

Table 6-9: Quantitative outcomes experienced as a result of SFA (n=208)

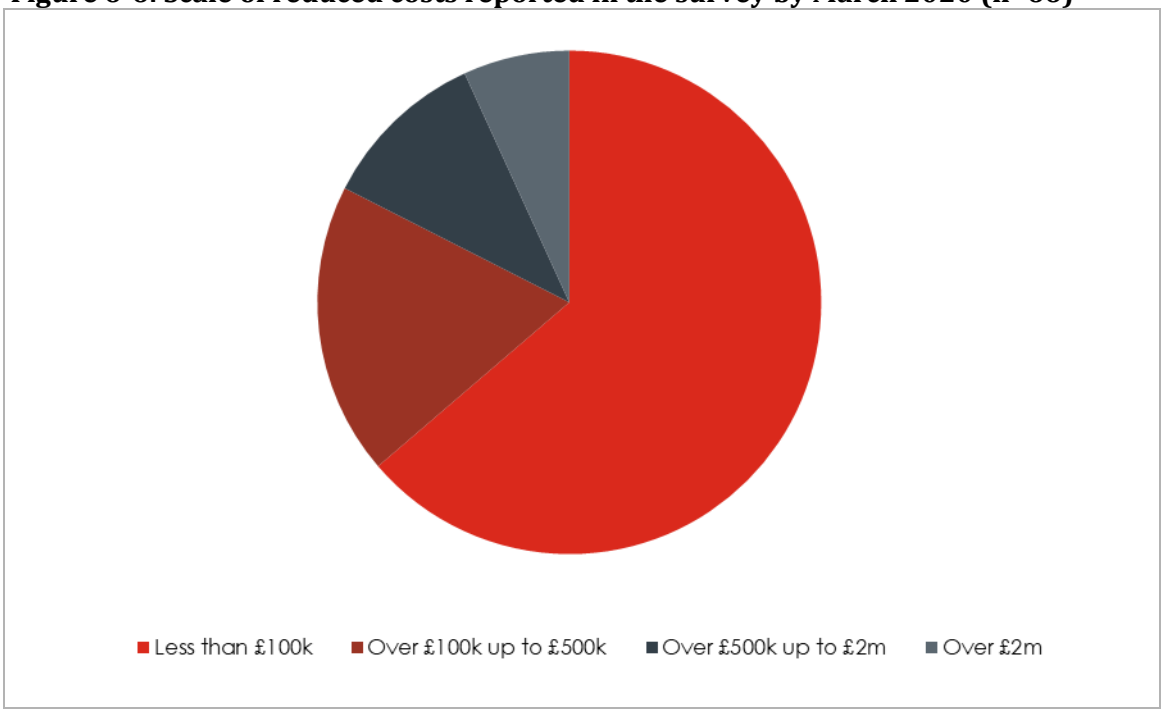
	Experienced	Not experienced	Don't know
Reduced costs	42%	56%	2%
Increased value of sales	84%	14%	2%
Improved overall productivity	86%	11%	3%

Source: SQW analysis of beneficiary survey. Weighted data.

Quantitative evidence on reduced costs

6.43 The majority of firms that had experienced reduced costs could not provide a detailed cumulative value of cost reduction since the approval of their (first) SFA award. However, an estimated range of effect (or in some cases specific data that can be placed in a range) was provided for three-quarters of those businesses reporting cost reductions. The evidence on the scale of the effects by range on business costs to March 2020 – that is the cumulative effect over time – is set out in Figure 6-6 below.

Figure 6-6: Scale of reduced costs reported in the survey by March 2020 (n=66)



Source: SQW analysis of beneficiary survey. Weighted data

6.44 The data highlight both the variation in effects – from less than £100k to date for around two-thirds of relevant respondents, to over £2m – and that SFA has in some cases led to very substantial reductions in business costs for beneficiaries.

Quantitative evidence on sales increases

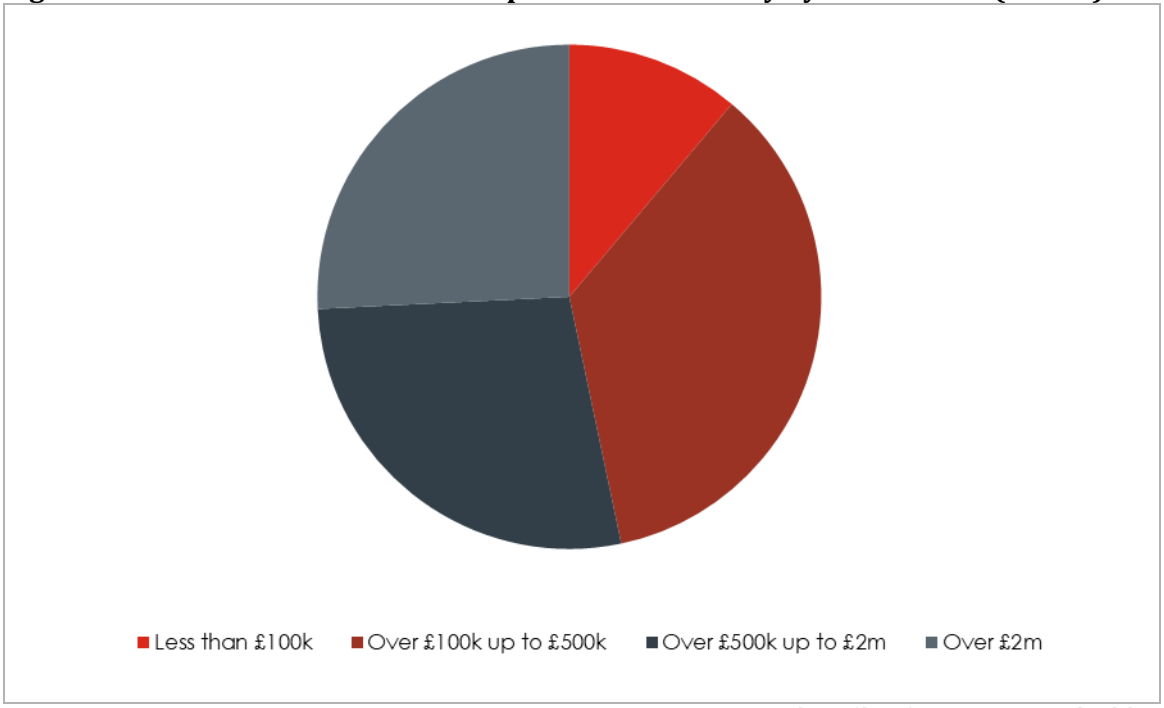
6.45 As noted above, 84% of respondents reported sales increases as a result of SFA. Specific data on the value of the effect was provided in around half of cases, and a range in the majority of other cases. The evidence on the scale of the effects on increased sales by range to March 2020 – that is the cumulative effect over time – is set out in Figure 6-7 below. Interestingly, the effects are more pronounced than in relation to costs in most cases, with effects of over £500k evident for over half of the sample (where turnover effects were reported).

6.46 The survey evidence also points to some variation in the average value of sales effects across different types of beneficiary:

- As might be expected, the average value of sales effects increases by firm size and award value, and was higher for firms with two awards (compared to those with only one) in the evaluation period.
- The average value was higher for manufacturing firms (compared to services) and for NI-owned firms (compared to non-NI firms, although the sample size is modest). The latter may be explained by non-NI firms acting as cost rather than profit centres.

- There is also some evidence that receipt of other support is also associated with sales effects of SFA. For example, 88% of firms with 'Innovation and Technology (Financial)' support reported sales increased, compared to 79% that had not received this support.

Figure 6-7: Scale of increased sales reported in the survey by March 2020 (n=145)



Source: SQW analysis of beneficiary survey. Weighted data

6.47 In quantitative terms, the analysis suggests that the survey cohort generated an estimated £342m of gross sales, with an average (mean) of £2.0m per business where an effect was realised, and a median of £504k. This may appear high, however, this takes into account the averages across all business sizes, and focuses on those respondents that had identified an effect. If all survey respondents are included – including those that did *not* report sales benefits – the average (mean) effect reduces to £1.6m. Section 9 sets out a quantitative assessment of sales increases, scaling up these results to the beneficiary population.

6.48 Of the respondents that indicated sales increases as a result of SFA (n=174), 68% reported that this included exports (i.e. sales outside NI/GB). This highlights the role of SFA in supporting NI-exports and internationalisation, and is consistent with the qualitative evidence from the case studies and consultation evidence. Notably, although the proportion of micro-sized firms reporting export sales was below the average, 58% (n=71) of micro-sized firms surveyed reporting sales effects of SFA indicated this included sales outside of NI/GB.

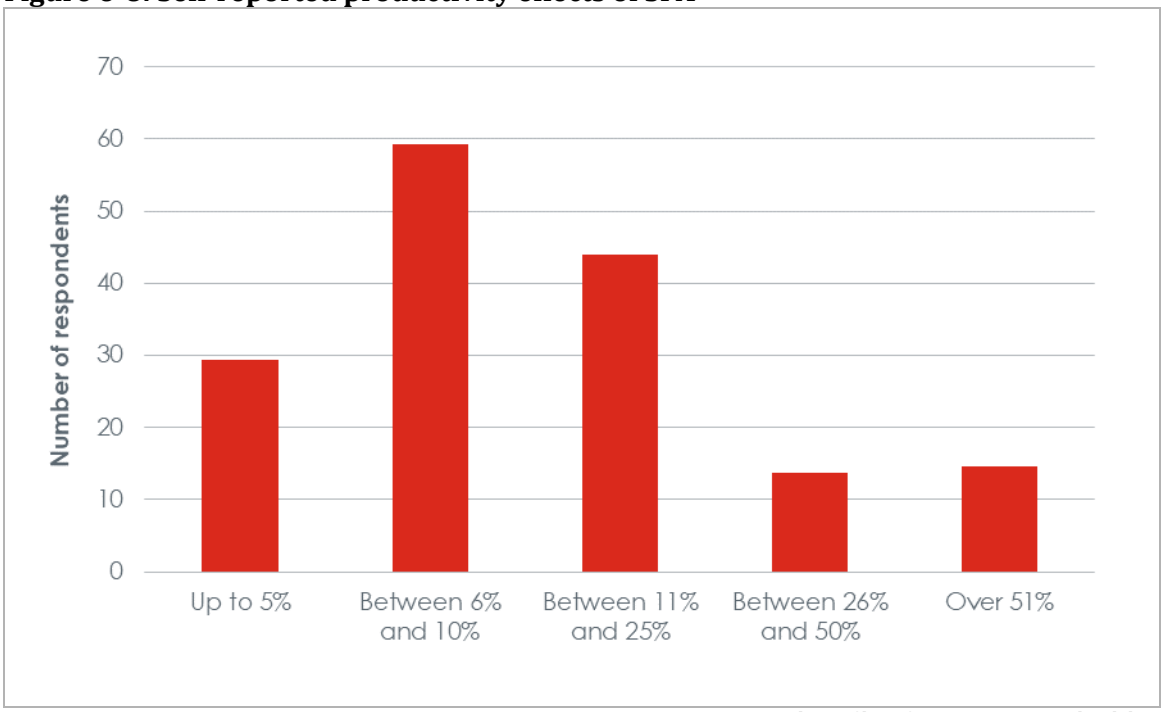
6.49 Of the firms that reported export sales increases as a result of SFA (n=118):

- 36% indicated exports accounted for up to 24% of the total sales effects
- 31% indicated exports accounted for between 25% and 49% of total sales effects
- 33% indicated exports accounted for between over 50% of total sales effects (including 3% that exports accounted for all sales effects).

Evidence on productivity improvements

6.50 Finally for this section, the beneficiaries who self-reported an overall improvement in their productivity (n=180), were asked to identify how much their overall productivity had increased in terms of Value Added per employee (up to March 2020). As shown in Figure 6-8, the effect was most commonly up to 10%, however, it is notable that a more substantive effect – including increased productivity of over 50% as a result of SFA – was evident in many cases.

Figure 6-8: Self-reported productivity effects of SFA[33]



Source: SQW analysis of beneficiary survey. Weighted data

6.51 Looking in more detail at the data, the evidence on productivity effects – both whether an effect was evident and its intensity – was consistent across groups (e.g. timing, broad sector, award size grouping, ownership, and other forms of support). However, the intensity of the reported effect was higher for firms with two SFA awards[34]: 42% of firms (n=140) who had received one award reported an uplift of greater than 10%, compared to 63% of firms (n=21) who had received two awards.[35] This is not unexpected, however the causal relationship is not clear and so the implications are not straightforward: whilst this might suggest that repeated support from SFA generates cumulative productivity benefits, it may be that businesses that experience productivity benefits from an initial award are incentivised to seek further support. Overall, the self-reported data on the productivity effect of SFA are encouraging. Productivity is considered further in the econometric analysis in Section 8.

[33] Chart excludes respondents who answered 'Don't know': n=19
[34] Difference significant at 10%
[35] Excludes respondents who answered 'Don't know': n=16 one award and n=3 two awards

7. The additionality of SFA View 1: Self-reported analysis

Purpose and approach

7.1 Evidencing the additionality of an intervention, to move from gross to net outputs/outcomes, is core to robust evaluation. For this evaluation, and consistent with the Terms of Reference, two complementary assessments of additionality are considered:

- self-reported additionality drawing on the findings of the survey of SFA beneficiaries – the results of this analysis are presented in this Section
- econometric analysis drawing on the findings of the survey of beneficiaries and non-beneficiaries of SFA and data-linking – the results of this analysis are presented in the next Section.

7.2 For the self-reported additionality, surveyed beneficiary firms were asked to provide responses to a set of questions probing the extent to which the reported benefits generated by their SFA project(s) would have happened in any case or to a different scale/timing/quality (deadweight), and the extent to which engagement with SFA reduced their ability to do other things and/or secure other benefits (substitution). Data from the survey was also used to estimate the extent to which benefits secured may have been at the expense of non-beneficiary firms in NI (displacement).

7.3 The findings are presented in two ways:

- first, descriptive analysis, with findings on the frequency of responses to questions on additionality for the beneficiary survey sample as a whole (or sub-sets)
- second, for quantitative analysis purposes, additionality has been identified at participant-level so that the additionality metrics used in grossing-up the findings of the survey to the population take into account the varied range of project outcomes.

7.4 Issues of additionality were also covered in the detailed case-studies – to provide a complementary qualitative perspective on additionality, including in relation to large-scale internationally mobile projects – and in consultations with stakeholders and the Client Executive survey to provide further informed perspectives from those working with firms delivering projects and involved in the oversight and strategic management of SFA.

7.5 This range of perspectives alongside the survey evidence is important in order to inform an integrated view of additionality, including considering the potential for response bias (where respondents to the survey may have had a 'better' or 'different' experience than those that did not complete the survey) and optimism bias (where the effects of SFA may be overstated in hindsight) in the survey sample.

Survey evidence on additionality

Descriptive results

Deadweight

7.6 The headline findings on deadweight – and the opposite in terms of partial or full self-reported additionality – from the full beneficiary survey sample are set out in Table 7-2.

Table 7-1: Self-reported additionality and deadweight in the beneficiary survey

What do you think would have happened to the benefits reported without SFA financial assistance?	Proportion (n=208)
Would have occurred anyway, at the same speed, scale and quality	3%
Would have occurred but at a slower rate	42%
Would have occurred but at a smaller scale	19%
Would have occurred but not the same quality	5%
Probably would not have occurred at all	31%
Definitely would not have occurred at all	13%

Source: SQW analysis of beneficiary survey Unweighted data Note: 2% respondents stated 'don't know'. Speed/scale/quality categories are not mutually exclusive

7.7 Positively, self-reported deadweight was very low, with just 3% of survey respondents indicating that the benefits would have been achieved at the same speed, scale and quality without SFA. By contrast, 'full' additionality – with varying levels of certainty – was common, suggesting that for a substantial minority of the survey sample, benefits are unlikely to have been realised without SFA. As is typical with business support, partial additionality was also common, notably in terms of timing, where the SFA support brought forward benefits.

7.8 Looking at the partial additionality data in more detail:

- for respondents that identified timing additionality (n=88), over 40% indicated that the benefits would have been delayed by two years or more; this acceleration is important in enabling businesses to exploit growth opportunities, and access markets more quickly than would otherwise be the case
- for respondents that identified scale additionality (n=40), around a quarter stated that less than 20% of the benefits would have been realised without SFA, and around a third that 20-40% of the benefits would have been realised without SFA.

Substitution

7.9 Substitution refers to whether involvement in an SFA project(s) reduced a firm's ability to engage in other business development activities. The beneficiary survey found limited evidence of substitution: of the 208 survey respondents, 6% identified that substitution was evident; substitution was not evident for the vast majority of surveyed businesses.

Displacement

7.10 Displacement assesses the extent to which the benefits of an intervention amongst the target group takes away benefits from non-participants. In the case of SFA, displacement would occur where the products/services/processes enabled by SFA (directly and indirectly via employment support) take market share away from existing non-participating firms in NI.

7.11 Evidence on displacement is based on information from surveyed beneficiaries on:

- Location of sales, with sales outside of NI assumed to be non-displacing: the average proportion of sales accounted for by customers in NI was around 40% (with a mean value of 43%, and median 40%). Note that this average does not take into account the volume/scale of sales.
- Whether these NI sales would be taken by competitors were the firm to cease trading: 50% of firms stated that they believed all of their sales would be taken by competitors if they were to close, 40% that some of the sales would be taken, and 8% that none of the sales would be taken.

7.12 These two factors have been combined to identify a displacement value for each respondent. The average level of displacement estimated across the survey sample was around 20% i.e. a fifth of the sales would, be taken by NI-based competitors. As may be expected, displacement was lower for externally owned firms (at 13%), although this is based on a modest sample size (n=21), and it was also lower for Services businesses (16%) compared to Manufacturing businesses (23%). The relatively modest level of displacement is consistent within the remit of SFA that cannot be used to support businesses with highly localised markets.

Quantitative results

Firm-level additionality ratios

7.13 For the quantitative analysis of self-reported additionality, metrics for Deadweight, Substitution and Displacement were developed at the level of each respondent to the business survey. These have then been combined to arrive at a firm-level additionality ratio; this covers a range between 0 (fully non-additional) where firms stated that they would have achieved similar business outcomes anyway, at the same speed, scale and quality, through to 1 (full additionality) where none of the business outcomes would have been realised without SFA.

7.14 The average overall ratio for surveyed firms was 0.52 additionality (that is 52% of the benefits generated are considered to be additional at the level of Northern Ireland)[36]. The average ratio was consistent when considered by the timing of first support, business size, overall sector (i.e. Manufacturing and Services firms respectively), and age (year of establishment).

[36] This is based on an assessment of additionality at an individual firm level.

7.15 There were some trends across the survey sample related to the nature of support and other characteristics. As shown in Table 7-2, higher levels of self-reported additionality were associated with larger SFA offers, firms that secured two rather than one SFA award in the evaluation period, and for firms that also secured Invest NI 'Innovation & Technology (Financial)' support. Further, although the sample size is modest, self-reported additionality does on average appear to be higher for externally-owned firms, relative to NI-owned firms.

Table 7-2: Additionality ratios by support and business characteristics

	Additionality	n
Assistance value		
Up to 20k	0.46	59
20k to 50k	0.52	98
Over 50k	0.59	51
Number of awards		
1	0.51	183
2	0.63	25
Ownership		
Local	0.51	187
External	0.59	21
Also secured Innovation & Technology (Financial) support		
Yes	0.57	113
No	0.46	95

Source: SQW analysis of beneficiary survey Unweighted data

Survey additionality ratios

7.16 The next step in identifying an overall self-reported additionality estimate for SFA was to apply the individual respondent-level additionality ratios to the gross data for that respondent, generating a respondent-level net figure for jobs created and turnover respectively. These respondent-level data were then aggregated to generate a total 'net' figure for jobs created and turnover, respectively, across the sample of surveyed firms. The aggregate net data were then compared to the aggregate gross data to provide an overall gross-to-net ratio, for jobs created and turnover outcomes. Importantly, to account for the fact that the survey sample included a higher proportion of micro businesses than the population, the gross employment and turnover data has been weighted by firm size.

7.17 As shown in Table 7-3, the overall conversion factors from gross to net derived from the survey, considering deadweight/additionality, substitution, and displacement, and taking into account both the scale of benefits realised and the size of survey respondents, are 58% for jobs created, and 48% for turnover generated.

Table 7-3: Additionality ratios for employment and turnover

	Gross jobs (weighted)	Net jobs (weighted)	Additionality ratio (weighted)
Employment	2,408	1,408	58%
Turnover (£k)	342,396	165,740	48%

Source: Analysis of Participant survey Note that a number of outliers have been removed from the analysis

7.18 The data on gross and net employment and turnover by the year of (first) support (which informs the scaling-up analysis in Section 8) are set out in the table below.

Table 7-3: Aggregate gross and net effects by time period

	Gross (weighted)	Net (weighted)	Additionality ratio (weighted)
Employment			
2011/12-2013/14 (n=33)	477	320	67%
2014/15-2016/17 (n=89)	986	678	69%
2017/18-2018/19 (n=85)	945	410	43%
Turnover (£k)			
2011/12-2013/14 (n=32)	182,814	84,623	46%
2014/15-2016/17 (n=88)	79,026	45,129	57%
2017/18-2018/19 (n=85)	80,555	35,988	45%

Source: Analysis of Participant survey

Case-study evidence on additionality

7.19 The case study evidence provides further detail on additionality. Four of the nine case studies found that investment would probably have gone abroad without SFA; all four were highly mobile investments and received some of the highest offers in the evaluation period. The remaining five case studies received 3+ offers, and for those, SFA brought about outcomes more quickly and/or on a larger scale than would otherwise have been possible. It is very important this 'partial additionality' is not under-estimated. Without being able to accelerate or scale up outcomes (such as jobs created), case study consultees indicated they would have missed important opportunities, been unable to secure large clients, or been compromised in terms of the quality of service for customers (with associated risk for sales). In this context, although other factors were also important in securing the outcomes, SFA was typically seen as 'critical' or 'important alongside other factors' in enabling benefits to be realised.

Figure 7-1: Case study evidence – additionality examples

- *For Firm C*, without SFA the business would have employed technicians in Asia alongside existing staff in NI to liaise directly with customers. However, language barriers can be an issue and UK-based customers prefer to speak with technicians directly to address problems, so this

approach would have led to lower customer satisfaction and made it difficult to secure new clients. SFA enabled the firm to base their technician support in NI.

- *Firm F* received one of the highest sums of SFA. The investment project was considered highly mobile. The consultee argued that, without SFA funding which helped to "tip the balance" in favour of NI, the investment would likely have happened elsewhere in Europe.
- *Firm I* also involved highly mobile investments and received a large sum of SFA through two awards. Without SFA, the most likely alternative location was London, where the main target market was based. The SFA award provided the firm with "sufficient comfort" and lower cost base to ensure that NI was the preferred location. The second investment was also highly mobile, and SFA combined with INI Skills support were key in deciding to locate in NI, and in ensuring the success of the project.

Other evidence on additionality

7.20 Issues of additionality were also covered in the Client Executive survey, and the wider consultation process. These perspectives are by their nature less direct than those reported by firms securing SFA, however, they are able to look beyond individual firms and projects, to provide a broader perspective on how additionality plays in relation to the use of SFA.

7.21 Several themes emerged from these indirect perspectives on additionality. First, consistent with the evidence above, there was a recognition there is some deadweight associated with the use of SFA; notably, Client Executives consistently recognised that some activities would have progressed – and so some outcomes would have therefore been generated – without SFA support, and strategic consultees recognised that given the scale and breadth of SFA, in some cases deadweight will be evident. Related to this, there was a consistent view that whilst some deadweight is evident, and full additionality is not in most cases realised, SFA plays an important role in accelerating investment and/or influencing the scope or nature of activity.

7.22 Alongside the specific activities delivered by individual projects, SFA was regarded as important in providing INI with an 'entry route' to engage with businesses, which may lead on to wider benefits through other supports. In this respect, SFA was seen as important in levering wider additionality and impacts, over and above the jobs/turnover associated with the specific SFA award(s). The qualitative feedback on additionality also highlighted the crucial observed role of SFA in supporting inward investment. For example, one consultee noted '*In the competitive environment for inward investment we can't not have SFA. A lot of the investment that has been secured would go elsewhere, notably to the Republic of Ireland*".

7.23 Taken together, these qualitative perspectives corroborate the findings from the beneficiary survey that there is no single 'additionality position' for SFA. The level and nature of additionality varies, reflecting the different ways in which SFA is used, and the different types of businesses it supports. The survey analysis does allow us to provide a quantitative and overarching perspective on the likely additionality of the SFA portfolio. However, this does not provide a prescriptive indication of the level of additionality that can be expected to be realised by each individual project.

8. The additionality of SFA View 2: Econometric analysis

8.1 This Section presents the findings from the econometric analysis using survey data and data-linking.

Approach

8.2 Econometric analysis was used to estimate the impact of SFA assistance on the growth of businesses. Growth was defined in three ways: employment growth, turnover growth and productivity growth (measured as turnover per employee). The impact of SFA on growth was estimated over a three-year period from 2017-20 (for those in receipt of SFA payments prior to 2017) and over a one year period from 2019-20 (for those in receipt of SFA payments prior to 2019).

8.3 As described in Section 2, two approaches were used for the estimation. First, we used the self-reported survey of SFA beneficiaries and non-beneficiaries to undertake two stage selection and treatment econometric modelling to assess the impact of SFA assistance, and the impact of SFA payments, on growth. Second, we used a data-linking approach to construct a wider database of the business population, from which we could draw independent estimates of the employment, turnover and productivity variables. This newly constructed panel database for the evaluation linked the SFA client data to the longitudinal BSD and a range of econometric approaches, including treatment with propensity score matching and 2-Stage Heckman selection models, were used to estimate the impact of SFA on growth. In the first approach the surveyed non-beneficiaries were drawn from the NI business population. In the second approach three sets of control groups of non-beneficiaries were used, drawn from the Scottish, Welsh and North East of England business populations. Taken together, the econometric models from the two approaches provide a range of estimates of impact, complementing the self-reported analysis set out in the previous Section.

8.4 The first stage of the analysis was to run Ordinary Least Squares (OLS) regressions in which the growth measure (employment, turnover, or productivity) was regressed on a binary measure of SFA assistance (i.e. being an SFA client or not), along with a set of control variables including: characteristics of the firm namely age, size, sector, company legal status, single/multi-site, previous growth (measured as log of employment growth; turnover growth or productivity growth in the two years preceding the analysis period e.g. growth over 2015-17 for the 2017-20 models and growth over 2017-19 for the 2019-20 models) and ownership (measured as UK-owned or not). For the survey-based analysis, business strategy variables were also included: exporting, customer markets, R&D and innovation, and controls for degree of market competition and receipt of previous public-sector assistance.

8.5 Of course, the OLS regressions, whilst useful in providing a first stage in the evaluation of the effect of assistance, do not control for the type of selection bias which is prevalent in policy

evaluation, whereby participation in treatment (i.e. receiving SFA assistance) is not random. Put another way, it is likely that firms that are innovative undertake exporting and have good managerial practices are those which are more likely to grow, however they may also be more likely to seek out support, and/or be favoured by policy-makers who are seeking to maximise the return on any investment they offer. If this is the case then OLS will overestimate the effect of the assistance as it does not take account of the fact that assisted firms may be stronger performing firms anyway; likewise, if assistance is provided to firms that are performing less well, in order to help bolster their growth, then OLS estimates may underestimate the effect of assistance. In a similar vein, the OLS methodology does not control for endogeneity which is a type of simultaneity bias. Simultaneity occurs when two or more variables are co-determined with each other. In this case the growth performance of firms and the decision to seek assistance may be simultaneously determined; initial growth performance influences the decision to seek assistance, but in turn the assistance received affects growth.

8.6 To counteract these types of simultaneity and selection bias issues, Propensity Score Matching Techniques (PSM), as well as relatively standard Treatment and Heckman models, are routinely used:

- PSM provides a method to control for endogeneity and selection bias, in that it constructs a control group with the same statistical properties as those that received the treatment. The method calculates a score for each firm (between 0 and 1) based on the probability that they will be assigned to a group (participation in the treatment), given a set of covariates when the assignment is made. The method then matches firms that received the treatment, to those with similar propensity scores (that did not receive the treatment), so producing a comparison group of firms who would be equally likely to have received treatment, based on their background characteristics. Selection bias and endogeneity is reduced because both sets of firms have an equal probability of belonging to the treatment group, therefore any difference in performance is due to the treatment only (in this case SFA assistance) and not due to differences in variables which may have influenced selection into the treatment.

- Treatment and Heckman techniques both involve a two-step estimation procedure which implicitly controls for selection bias. The Treatment model is used to model the impact of SFA assistance on growth, where assistance is measured as a binary variable. The Heckman model further allows us to also incorporate the value of assistance paid, measured as a continuous variable.[37] Both methods follow a similar procedure; the first stage estimates participation in the treatment, where the dependent variable is classed as either '1: received SFA assistance', or '0: did not receive SFA assistance'. The explanatory variables used in this stage include as many of the variables one can access which would

[37] SFA assistance was converted into a dummy variable to reflect whether firms were assisted or not, rather than using a continuous 'offers' variable. Payments were then used as a sensitivity test, as the payments could be dated as to when they were paid out and so could more accurately suggest causality; not all offers had been fully paid during the time period of analysis.

explain potential selection into the treatment e.g. size, sector, involved in exporting etc. The second stage of the procedure then estimates performance, for example, employment growth. Both models generate a selection term which indicates whether selection bias is present; the Treatment model then takes the dependent variable from stage one (participation in the treatment) and uses it as one of the explanatory variables, along with others, in explaining growth. The coefficient on the treatment variable is an indicator of the assistance impact net of any observed selection bias i.e. it has already estimated whether there is selection bias in receiving assistance, and based on this, it calculates the impact of assistance on performance, controlling for the fact that selection into receiving assistance may not have been random. The Heckman model estimates the impact on growth from the value of assistance paid, also net of any selection effect.

8.7 Due to the predominance of locally-owned firms in the SFA beneficiary survey, it was not possible to estimate separate models for locally-owned versus externally-owned firms. Similarly due to the predominance of small firms in the beneficiary dataset it was not possible to run separate models for SME versus large firms.

Findings from the survey-based analysis

SFA and Employment Growth

8.8 Models predicting one and three-year employment growth were run on the data, using a binary (dummy) variable representing being an SFA client as the dependent variable. Focusing on the one-year models first, there was no statistically significant impact identified in the OLS model, although the effect was positive. The more robust treatment model, based on survey data, showed a **positive and significant impact of SFA assistance on growth suggesting an average 20 percentage point increase in employment growth over 2019-20 due to being an SFA client.**

8.9 Within this treatment model, the variable representing intense competition was also found to be statistically significant and positively related to employment growth. There were no statistically significant impacts from R&D, innovation or exporting. Controls for size, sector and previous growth performance were statistically significant, showing that smaller firms, those with positive employment growth over 2017-19 and those in manufacturing were all more likely to grow. There were no impacts from control variables for ownership or receipt of previous public assistance.

8.10 The treatment model has a first stage which predicts likelihood of being an SFA client, and then controls for that in the growth estimation. Within this initial model the following variables were statistically significant in terms of being an SFA client: being an exporter, undertaking R&D, having a business plan, business younger than 10 years old, limited company, single site business, and having UK customers (compared to the base case of local customers). The term in the model which indicates selection (*lambda* or the Inverse Mills Ratio – IMR) is negative and significant suggesting that without controlling for selection into

SFA assistance the impact of SFA assistance on employment growth would have been underestimated. Therefore, its inclusion as an additional regressor results in the consistent estimation of the remaining coefficients in the growth equation.

8.11 Based on the same approach as above, the models predicting employment growth over the three-year 2017-20 period, showed a positive and statistically significant impact of being an SFA client on employment growth. **The OLS model indicated an average 17 percentage point increase in employment over 2017-20 compared to what would have happened without assistance**. The treatment model showed an average 41 percentage point increase. The selection term (*lambda*) was also statistically significant and negative indicating that the SFA impact is underestimated without controlling for selection.

8.12 Running a similar Heckman model but replacing the binary SFA client variable with a continuous variable for SFA payments showed that **SFA payments received prior to 2019 had a positive but *not* statistically significant impact on employment growth over 2019-20**[38]. Previous employment growth had a significant and positive impact on growth over 2019-20. The first-stage model predicting probability of being SFA client in receipt of payments pre-2019 included the following as statistically significant: being an exporter, undertaking R&D, business age under 10, limited company and having EU customers (compared to local customers).

8.13 The Heckman model estimating the impact of payments received prior to 2017 on growth showed a positive but not statistically significant impact of SFA payments on employment growth over 2017-20.

SFA and Turnover Growth

8.14 As with employment growth above, models predicting one-and three-year turnover growth were run on the data in the same manner. Using the binary (dummy) variable for being an SFA client the results showed a positive and significant impact on turnover growth over 2019-20 in both the OLS and treatment models. The results suggest **an average 7-17 percentage point increase in turnover growth over 2019-20 due to being an SFA client.**

8.15 In the treatment model being an exporter had a negative impact on turnover growth, as did facing intense competition. This may appear counterintuitive, however, when the two variables were interacted the impact on turnover growth was positive and significant i.e. being an exporter and facing intense competition led to turnover growth. The only significant control variable was that for manufacturing with the negative sign indicating that those in non-manufacturing had higher turnover growth than manufacturing firms. The first stage of the treatment model, which predicts likelihood of being an SFA client, was largely similar to

[38] It should be noted that the OLS model is not run here as payments are only recorded for those in receipt of SFA hence there are no observations for the control group. The Heckman model takes account of this and controls for it in the growth estimation.

that for the employment model above. The term in the model which indicates selection (*lambda*) was negative but not statistically significant and, therefore, we cannot say that the OLS model has underestimated the impact on growth.

8.16 Turning to the three-year models and using the binary (dummy) variable for being an SFA client as the dependent variable, the results showed a positive and significant impact on turnover growth over 2017-20 in the OLS model. The treatment model also showed a positive effect of the same magnitude however the impact was *not* statistically significant. The results from the OLS model suggest **an average 21 percentage point increase in turnover growth over 2017-20 due to being an SFA client.**

8.17 Running the turnover growth models but replacing the dependent variable with a continuous variable for SFA payments (rather than the binary SFA client variable) **showed no statistically significant impact from payments received prior to 2019 on turnover growth over 2019-20 or from payments received prior to 2017 on growth over 2017-20.** In both Heckman models the coefficient on the payments variable is negative but this is not statistically significant.

8.18 The fact that the treatment model with the dummy variable representing being an SFA client shows a statistically significant impact on turnover growth over 2019-20 but the model using SFA payments does not, suggests that **the impact is likely to be due in part to the whole package of support given under SFA assistance, including the support of the Client Executives, rather than just the payments itself.**

SFA and Productivity Growth

8.19 The final set of models were run to estimate the impact of SFA assistance on productivity growth. Focusing on the one-year model using the SFA client binary variable as the dependent, the OLS and treatment models both found **a positive but *not* statistically significant impact from SFA assistance on productivity growth over 2019-20.**

8.20 In the treatment model larger firms were associated with productivity growth as were those in non-manufacturing sectors. Those facing intense competition were less likely to have productivity growth but those who export and face intense competition had higher productivity growth over 2019-20. As before, the first stage of the treatment model, predicting receipt of SFA assistance, was similar to previous models. The selection effect (*lambda*) was negative but not statistically significant.

8.21 The **three-year OLS models estimating the impact of being an SFA beneficiary on productivity growth also found a positive but *not* statistically significant impact on productivity growth over 2017-20**. The treatment model, however, found a negative impact on productivity growth although again this was not statistically significant. The *lambda* term was also not significant in this model.

8.22 Using SFA payments as the dependent variable rather than the binary SFA client variable, the one-year Heckman model estimating the impact of SFA payments prior to 2019 on

productivity growth over 2019-20 showed a negative but not statistically significant impact. The three-year model estimating the impact over 2017-20 also showed a negative but not statistically significant impact from SFA payments received prior to 2017.

Findings from the data-linking analysis

8.23 The data-linking element of the analysis was undertaken to provide a robustness check to the econometrics using the survey data. It involved the use of independent official data on employment and turnover, drawn from the ONS BSD and linked to the Invest NI SFA client data, as an alternative to the self-reported data from the survey. Similar econometric methodologies were used with the additional creation and inclusion of three separate control groups to provide the counterfactual and enable sensitivity analysis. Additional methodologies employed included PSM to identify control groups with similar characteristics to the SFA clients, and also the use of quantile regression to estimate the impact of SFA across the growth distribution.

8.24 Use of the longitudinal BSD for the analysis enabled data pre-2017 to be included as control variables, which was not available in the survey data. The trade-off with using the BSD is that it contains a limited number of variables, so although coverage of SFA clients was more comprehensive than the survey (638 versus 208 in the survey) the explanatory power of the models was lower. The only independent variables that were available for both the SFA clients and non-beneficiaries were those representing employment, turnover, productivity, sector, size, age, ownership and previous growth. Data on variables including customer markets, other support, R&D and innovation etc were not available. The results should therefore be treated with some caution, and used to complement wider evaluation evidence.

SFA and Employment Growth

8.25 As before, models predicting one-and three-year employment growth were run on the data, with a binary (dummy) variable representing being an SFA client as the dependent variable. The models estimate the average treatment effect on the growth variables, that is, the average impact of being an SFA client, using a matching approach to create a counterfactual control group. As discussed in the methodology section, three separate control groups were constructed for sensitivity analysis (from Scotland, Wales and the North East). **The one-year models consistently showed no statistically significant impact of SFA on employment growth over 2019-20.** The coefficient signs were negative, however, and the size of the effect was small at -0.01.

8.26 Using the same approach for the three-year models found a positive effect of SFA on employment growth over 2017-20. The coefficients were again small ranging from 0.02-0.03 depending on the control group but again the results were not statistically significant.

8.27 To estimate the impact of SFA across the growth distribution, rather than just at the mean, an alternative approach, that of quantile regression, was also utilised. **The results for the one-year model were again consistent across control groups, and across quantiles, showing**

a positive but small and *not* statistically significant impact of SFA on employment growth over 2019-20.

8.28 The three-year models estimating the impact of SFA across the growth distribution between 2017 and 2020 also found no statistically significant impact. Across the control groups the coefficients, across all quintiles were zero, however the signs on the coefficients were mixed. For example at the 25th percentile the coefficient was positive for both Scotland and Wales control groups but negative for the North East. At the 50th percentile (the median) the sign on the Wales coefficient was negative. As indicated above, however, the results were not statistically significant.

8.29 The final set of models run to estimate the impact of SFA on employment growth used the payments data rather than just the binary (SFA assisted or not) variable. Here 2-stage selection models were used to account for selection and endogeneity issues. **Using the dependent variable of SFA payments received prior to 2019 and estimating the impact over 2019-20 found no statistically significant impact on employment growth**. This finding was consistent across the control groups. **The three-year models, estimating the effects of SFA payments received prior to 2017 also found no statistically significant impact on employment growth over 2017-20**.

SFA and Turnover Growth

8.30 As with employment growth, **the one-year treatment models with matching found no statistically significant impact of SFA on turnover growth over 2019-20**. Across the control groups the results were consistent with a coefficient of zero, although in the model using the North East control group the sign on the coefficient was negative.

8.31 Using the same approach for the three-year models showed larger coefficients, with an average treatment effect of between 0.07 and 0.09. The impact was only statistically significant, however, for the model using the Wales control group.

8.32 Again, estimating the impact of SFA across the growth distribution, rather than just at the mean, the quantile regression results for the one-year model showed no statistically significant impact on growth over 2019-20.

8.33 The three-year models estimating the impact of SFA on turnover growth quantiles over 2017-20 also found a larger impact at the 75th percentile, and here the results were statistically significant. Across the models with the three control groups the results indicated that **SFA resulted in 10-11 percentage point increase in turnover growth over 2017-20 for those in the 75th percentile of the employment growth distribution. This is an important result as it indicated that SFA assistance is having a greater impact on those firms at the higher end of the growth distribution rather than those firms growing significantly more slowly.**

8.34 The final set of models run to estimate the impact of SFA on turnover growth used the payments data rather than just the binary (SFA assisted or not) variable. Using the dependent

variable of SFA payments received prior to 2019 and estimating the impact over 2019-20 found no statistically significant impact on turnover growth. The three-year models, estimating the effects of SFA payments received prior to 2017 resulted in coefficients of -0.01 in each of the model, but these results were not statistically significant.

SFA and Productivity Growth

8.35 The treatment effects models with matching were again run to estimate the impact of SFA on productivity growth. As with the previous models for both employment and turnover growth, **the one-year models found no statistically significant impact of SFA on productivity growth over 2019-20.** The results were consistent across the control groups with a coefficient of 0.01.

8.36 As with the above turnover growth models, using the same approach to estimate three-year productivity growth over 2017-20 showed larger coefficients, with an average treatment effect of between 0.05 and 0.07. The impact was not statistically significant, however.

8.37 Using quantile regression to estimate the impact of SFA across the productivity growth distribution, rather than just at the mean, found a statistically significant impact but only at the top end of the distribution. The results, which were consistent across control groups, showed **a 6 percentage point increase in productivity growth over 2019-20 due to SFA, for those in the 75th percentile of the productivity growth distribution.**

8.38 The three-year models estimating the impact of SFA on growth quantiles over 2017-20 also found a larger impact at the 75th percentile, and again the results were statistically significant. Across the models with the three control groups the results indicated that **SFA resulted in 13-14 percentage point increase in productivity growth over 2017-20 for those in the 75th percentile of the productivity growth distribution.**

8.39 The final set of models run to estimate the impact of SFA on productivity growth used the payments data rather than just the binary (SFA assisted or not) variable. Using the dependent variable of SFA payments received prior to 2019 and estimating the impact over 2019-20 found no statistically significant impact on productivity growth. The three-year models, estimating the effects of SFA payments received prior to 2017 on productivity growth over 2019-20 also found no statistically significant effects.

Key messages

8.40 The analysis provided a range of results estimating the impact of SFA on growth in terms of employment, turnover and productivity. The headline results from across the models are summarised in Tables 8.1 and 8.2.

Table 8.1: Summary Table for Impact of SFA Client on Growth

Model	SFA Client Significant	SFA Client Effect	SFA Client Coefficient	SFA Client Significant	SFA Client Effect	SFA Client Coefficient
	Employment Growth 2019-20			Employment Growth 2017-20		
OLS (survey)	No	Positive	0.04	Yes ***	Positive	0.17
Treatment (survey)	Yes **	Positive	0.20	Yes ***	Positive	0.41
PSM with Treatment (BSD)	No	Negative	-0.01	No	Positive	0.02-0.03
Quantile Regression (BSD)	No significant impacts across quintiles			No significant impacts across quintiles		
	Turnover Growth 2019-20			Turnover Growth 2017-20		
OLS (survey)	Yes *	Positive	0.07	Yes ***	Positive	0.21
Treatment (survey)	Yes *	Positive	0.17	No	Positive	0.22
PSM with Treatment (BSD data)	No	Positive	0.00	No (2 models) Yes * (1 model)	Positive	0.07-0.09
Quantile Regression (BSD)	No significant impacts across quintiles			Positive & significant impact at the 75th quintile (coef: 0.10 – 0.11)		
	Productivity Growth 2019-20			Productivity Growth 2017-20		
OLS model (survey)	No	Positive	0.01	No	Positive	0.05
Treatment (survey)	No	Positive	0.05	No	Negative	-0.03
PSM with Treatment (BSD)	No	Positive	0-00-0.02	No	Positive	0.05–0.07
Quantile Regression	Positive & significant impact at the 75th quintile (coef: 0.06)			Positive & significant impact at the 75th quintile (coef: 0.13-0.14)		

**** p<0.01, ** p<0.05, * p<0.1*

Table 8.2: Summary Table for Impact of SFA Payments on Growth

Model	SFA Payments pre-19 Significant	SFA Payments pre-19 Effect	SFA Payments pre-19 Coefficient	SFA Payments pre-17 Significant	SFA Payments pre-17 Effect	SFA Payments pre-17 Coefficient
		Employment Growth 2019-20		Employment Growth 2017-20		
Heckman selection (survey)	No	Positive	0.02	No	Positive	0.11
Heckman selection (BSD data)	No	Positive	0.00	No	Negative	-0.01
		Turnover Growth 2019-20		Turnover Growth 2017-20		
Heckman selection (survey)	No	Negative	-0.05	No	Negative	-0.00
Heckman selection (BSD)	No	Mixed	-0.00 – 0.00	No	Negative	-0.01
		Productivity Growth 2019-20		Productivity Growth 2017-20		
Heckman selection (survey)	No	Negative	-0.06	No	Negative	-0.11
Heckman selection (BSD)	No	Negative	-0.00	No	Negative	-0.00

**** p<0.01, ** p<0.05, * p<0.1*

8.41 The results were not always consistent in terms of sign and statistical significance. This is not surprising given the differing SFA samples between the survey data and that used in the data-linking analysis. The former was a smaller sample but arguably the models were better specified due to the ability to incorporate a range of additional explanatory variables drawn from the survey, including receipt of prior assistance, customer markets, and R&D and innovation behaviours. The sample used in the data-linking analysis although larger, had a more limited range of variables upon which to estimate impacts (owing to the coverage of data available in the BSD).

8.42 The use of quantile regression did, however, highlight the importance of estimating impacts across the distribution rather than solely at the mean. This emphasises the importance of not considering an Average Treatment Effect (ATE) as the sole metric for the outcome of the programme on beneficiary firms. Taking the above into account it could be argued that the models based on survey data are more robust, with those also controlling for selection and endogeneity most effectively capturing the true impact of SFA, although it is recognised that the results should be caveated on the basis that the survey represents a sample of all SFA clients, not the full population.

8.43 These points noted, the key findings from the analysis are as follows:

- the treatment models provide sufficiently robust evidence to indicate that being an SFA client has had a positive and significant impact on the employment and turnover growth of beneficiary firms over 2019-20
- over the three-year 2017-20 period we conclude that there is a positive impact, but only for employment growth (and not turnover)
- no impact is found for productivity growth, in either one or three-year models overall
- the econometric analysis supports the proposition that it is the fact of being assisted in itself which drives the impact rather than the actual amounts paid out; in other words, the payments in themselves do not create the impact, but payments along with the associated support from Client Executives is what makes the difference.

9. Impact and Value for Money analysis

Impact assessment

View 1: Self-Reported Additionality Analysis

Approach

9.1 The evidence from the survey of beneficiaries has been used to derive an estimate for the net impact of all firms supported with one or two SFA awards in the evaluation period for jobs created, and turnover, with the latter subsequently converted into GVA.

9.2 The process involved identifying the average net effect per firm (for employment and turnover respectively) from the survey sample (this takes into account the fact that some firms reported no net effects, which is also expected to be relevant for the population) and applying this to the population of supported firms. To reflect time-paths to impacts, the scaling-up was segmented by three periods, covering firms (first) supported with an SFA offer in 2011/12-2013/14, 2014/15-2016/17, and 2017/18-2018/19.

9.3 This segmentation is necessary as the survey sample includes a higher proportion of firms (first) supported later in the evaluation period than the population. Scaling-up from the survey to the population not taking this into account may underestimate the scale of impact. It is also noted that the analysis has been undertaken on weighted data, to account for the size of businesses in the survey sample and population respectively.

Employment impact

9.4 The estimated net employment impact for all firms supported with one or two SFA awards in the evaluation period based on scaling-up the findings from the survey is set out in Table 9-1.

Table 9-1: Estimated net employment impact

	Average net effect per firm (survey)	Number of firms in population	Impact for population
2011/12-2013/14	9.7	305	2,954
2014/15-2016/17	7.6	651	4,961
2017/18-2018/19	4.8	429	2,071

Source: SQW analysis of beneficiary survey

9.5 One firm reported a very significant level of net jobs created relative to all other firms and was excluded from the scale-up process; the inclusion would have skewed substantially the average effect from the survey in the 2011/12-2013/14 period. Including this outlier firm in the aggregate data provides an overall suggested impact of approximately 10,150 net jobs by firms supported with one or two SFA awards in the evaluation period (specifically, 10,161).

Turnover and Gross Value Added impact

9.6 The estimated net turnover impact for all firms supported with one or two SFA awards in the evaluation period based on scaling-up the findings from the survey is set out in Table 9-2.

Table 9-2: Estimated net turnover impact

	Average net effect per firm (survey)	Number of firms in population	Impact for population
2011/12-2013/14	2,644,454	305	806,558,468
2014/15-2016/17	512,827	651	333,850,211
2017/18-2018/19	423,391	429	181,634,804

Source: SQW analysis of beneficiary survey

9.7 The analysis suggests an overall suggested impact of approximately £1.3bn net turnover generated by firms supported with one or two SFA awards in the evaluation period (specifically, £1.32bn). The majority of this impact is attributable to firms supported early in the evaluation period, reflecting time-paths to full impacts being realised and also the less restrictive eligibility rules for support to large firms in this period.

9.8 The turnover data has been converted to GVA based on the application of the average ratio between turnover and GVA over the 2011-18 period in Northern Ireland at a 2 digit SIC level (with the relevant SIC taken from monitoring data provided to the evaluators on supported firms). The 'turnover to GVA' ratio varies between sectors, with the relevant ratio applied to each individual firm to derive a firm-level GVA estimate for the survey sample. This has then been scaled-up to the population using the approach set out above. In this context it is noted that the survey sample and population are well matched by sector.

Table 9-3: Estimated net GVA impact

	Average net effect per firm (survey)	Number of firms in population	Impact for population
2011/12-2013/14	926,693	305	282,641,487
2014/15-2016/17	188,650	651	122,811,422
2017/18-2018/19	152,412	429	65,384,665

Source: SQW analysis of beneficiary survey

9.9 The analysis suggests an overall **impact of approximately £471m net GVA** generated by firms supported with one or two SFA awards in the evaluation period (specifically, £470.83m). The net GVA impact is equivalent to approximately 36% of the net turnover impact.

Wider impact considerations

9.10 The data above demonstrate the very substantive impact of SFA over the evaluation period with (based on the self-reported additionality), over 10,000 net jobs created and £470m GVA generated for the NI economy. However, these impact estimates are based on those firms that

secured one or two awards in the evaluation period, and they do not take into account the potential further impact of the smaller – but important – group of approximately 80 firms that secured three or more awards.

9.11 As illustrated below, the case studies demonstrate the substantial employment impacts of some of the larger SFA offers which would not have occurred in Northern Ireland in the absence of SFA, and associated benefits in some cases in terms of efficiency and productivity; whilst it was not possible for case study firms to quantify these efficiency and productivity effects (reflecting in some cases their organisational context in large/multi-site businesses), the case studies highlight the relationships between employment impacts and wider business performance effects. This relationship was also evidenced in the case studies with firms that secured multiple SFA awards.

Figure 9-1: Case Study Evidence: impact examples

For case studies in receipt of some of the largest sums of SFA:

- *Firm D* created approximately 670 gross jobs, in addition to improving efficiency within the business, through SFA finance, and without SFA the investment is likely to have been made outside of NI, suggesting a high level of additionality and overall impact.
- *Firm F* had created c.530 gross jobs at the time of interview, alongside improvements to productivity, reduced costs and staff development benefits. Again, this investment was highly mobile and without SFA funding it would likely have happened abroad.
- Employment in *Firm G* had grown consistently since the SFA investment. The consultee noted that the increased capacity brought about by the SFA revenue and capital grant enabled the firm to take advantage of a subsequent market opportunity, which in turn led to an increase of 2,000 employees. In the absence of SFA, it is likely that growth would have occurred overseas.

For case studies in receipt of three or more SFA offers (note, the value of individual offers ranged from £12k to £100k each, with one outlier at nearly £500k):

- *Firm E* in receipt of three capital/revenue offers, reported that SFA has created one or two jobs each time, but in doing so has strengthened the firm's management capacity and having higher calibre staff has opened doors with new clients. Without SFA, these jobs may have been created at a later date, but this would have been up to two years later and new market opportunities may have been lost.
- *Firm H* created approximately 30 gross new jobs due to SFA, which enabled the firm to expand and diversify its services. The consultee also stated that turnover and export sales had improved as a result of SFA, but was unwilling to quantify the effect.
- *Firm A*, whose three SFA awards included the £500k offer, had exceeded turnover growth targets associated with two of the offers. For example, by March 2020, the firm reported that turnover had increased to c.£20m and had employed 95 people, exceeding SFA targets by 8% and 5% respectively. Without SFA, progress would have taken longer.

9.12 The evidence from the case studies with those firms that secured 3+ offers highlights that the scale of effect in these cases is consistent broadly with the evidence from the survey in relation to those firms that secured one/two awards; indeed, it is noted that in most cases, firms with 3+ awards secured a similar overall value of support to those with fewer cases, with large single awards often to a higher value than multiple smaller awards.

9.13 Reflecting this, and for indicative purposes, we have estimated the further impact generated by the group of approximately 80 firms that secured three or more awards by applying the findings from the survey to this group. Owing to the modest sample size, we have applied the average effect from across the survey (i.e. the data are not segmented by timing of first support). This analysis suggests that this group of firms may have generated a further 535 net jobs, and £23m in net GVA.

9.14 The self-reported analysis therefore suggests that:

- **the total employment impact by March 2020 of *all* SFA awards over the evaluation period can be estimated at 10,700 net jobs**
- **the total economic impact by March 2020 of *all* SFA awards over the evaluation period can be estimated at £494m net GVA.**

View 2: Econometric Analysis

9.15 The survey of beneficiaries and non-beneficiaries sought data from firms for employment (and turnover) at three separate points in time; 2017, 2019 and 2020. Using these data points we were able to estimate growth over two separate time periods; three-year growth spanning 2017-20 and one-year growth spanning 2019-20.

9.16 As set out above, the range of models produced differing results but using the more robust treatment models based on the survey data analysis yielded a positive impact from SFA on employment growth over both the one-year and the three-year periods. We can therefore use the statistically significant coefficients from these models to make an estimate of employment impact from an econometric perspective.

9.17 We utilise the methodology employed in the previous evaluation of SFA, whereby the average employment change for the SFA assisted firms is used to estimate the economy-wide effect. We are able to do this because the coefficient on the SFA assistance term is positive and significant in the survey-based employment growth models. Taking this approach makes an important assumption, namely, that firms do not create jobs without the real prospect of future sales, implicitly accepting that there is a restructuring effect in which the fact of SFA assistance encourages the firm to explore new opportunities which require these new employees, but which take some time to have a sales or productivity benefit.

9.18 To estimate the economy-wide benefits of SFA assistance on this basis, the increments to employment growth from firms in the employment growth model in receipt of SFA have been converted into absolute employment gains. These employment estimates are then grossed-up to the level of the economy as a whole, based on the total number of SFA assisted firms,

and translated into value added using ratios of value added per employee derived from the UUEPC forecasting model[39].

9.19 There were two statistically significant SFA impacts found in the survey-based employment growth models, that for growth over 2019-20 and that for 2017-20. We use both of these to provide a range of estimates for the additional impact. We estimate that between 2017 and 2020 SFA assistance resulted in an additional 4 jobs per firm, above what they would have employed in the absence of assistance. **Grossed up this gives an increase in employment in the NI economy of approximately 5,400 jobs (1,800 per annum); this additional employment then generated value added of £252m (£84m per annum).** Using the 2019-20 model we estimate that between 2019 and 2020 SFA assistance resulted in an additional 2 jobs per firm, above what they would have employed. Grossed up this gives an increase in employment in the NI economy of approx. 2,900 jobs; this additional employment then generated value added of £137m over the year.

Synthesis of impact evidence

9.20 The two approaches set out above to estimate the impact of SFA are different. Crucially, the self-reported analysis covers effects over the full period from the point of first support for firms (which can be as far back as April 2011) to March 2020 i.e. this potentially covers employment and GVA impacts over nearly nine years. By contrast, the econometric analysis focused on effects in a one-year period (2019-20) and three-year period (2017-20). The fact that the results vary should therefore not be a surprise.

9.21 This said, it is notable that the direction and overall scale of the results are quite similar, taking into account the different time-periods covered:

- in terms of employment, a 1-year perspective (econometrics) estimates 2,900 net jobs, a 3-year perspective (econometrics) estimates 5,400 net jobs, and a 9-year perspective (self-reported) estimates 10,700 net jobs
- in terms of GVA, a 1-year perspective (econometrics) estimates £137m net GVA, a 3-year perspective (econometrics) estimates £252m net GVA, and a 9-year perspective (self-reported) estimates £494m net GVA.

9.22 Indeed, if we assume that most effects were not likely to have been realised by firms until at least either 2014 or 2015 (i.e. three and four years into the evaluation period respectively[40]), thereby providing six or five years of impact to March 2020 for the self-reported analysis to

[39] The UUEPC NI forecasting model is an econometric (or structural) model based on OBR. The model includes a range of economic indicators included GVA, employment, unemployment, productivity, fiscal forecasts, house prices, and wages. https://www.ulster.ac.uk/epc

[40] By the end of March 2014 (i.e. the end of the 2013/14 financial year), just 8% of the total expenditure in the evaluation period had been paid out. By March 2015 (i.e. the end of the 2014/15 financial year), 23% of the total expenditure in the evaluation period had been paid out.

provide an indicative annual estimate, the consistency with the three-year econometric derived analysis is very pronounced, both in terms of employment and GVA.

Table 9-4: Comparison between self-reported and 3-year econometric impact findings

	Self-reported analysis	3-year econometric model
Employment		
Estimated net employment	10,700	5,400
Time-period	6 years / 5 years	3 years
Indicative annual effect	1,780 / 2,140	1,800
GVA		
Estimated net GVA effect	£494m	£252m
Time-period	6 years / 5 years	3 years
Annual effect	£82m / £99m	£84m

Source: Analysis by the SQW-led evaluation team

9.23 Given that the sourced data for the estimates is consistent (i.e. the beneficiary survey), this consistency is not wholly unexpected. However, it is notable given that the econometric analysis is based on comparing the performance of SFA assisted firms with a non-beneficiary cohort, whereas the self-reported analysis relies on information from assisted firms only.

9.24 Taken together, the findings suggest there is credible evidence to consider that SFA offers had a material and substantive net impact in terms of employment and GVA, delivering perhaps 1,800-2,000 additional jobs, and GVA of £80m-100m each year on average in the latter part of the previous decade.

Value for money

9.25 Alongside this positive impact story, it is important to consider the Value for Money (VfM) of SFA. This has been considered from three perspectives:

- economy, i.e. the extent to which outcomes have been achieved for the minimum cost to the public purse
- efficiency, i.e. the relationship between inputs and outcomes/impacts, in this case, cost per net job and the GVA return per pound of public investment (i.e. Return on Investment)
- effectiveness, i.e. the extent to which SFA's objectives have been realised.

Economy

9.26 A review of SFA guidance and casework documentation, alongside feedback from consultees, demonstrates how applicants and their Client Executives are required to make a formal statement that the project is being secured at minimum cost to the taxpayer (in direct response to a recommendation from the previous evaluation of SFA in 2013). Specifically, casework documentation requires Client Executives to declare that "*based on the negotiations*

with the client I am content that the proposed £… assistance is the minimum required in order to ensure that the project proceeds as planned in Northern Ireland". To complement this, conditions of assistance in SFA guidance are framed to "protect Invest NI's position" and that explicitly includes ensuring funding provided is the minimum possible.

9.27 Moreover, as we discuss further in Section 10, a key aspect of a Client Executive's role is to challenge and negotiate the amount of finance required, to ensure the project is secured for the minimum cost. Notably, 75% of respondents to the Client Executive survey felt they added value by lowering the amount of public funding required. Anecdotal evidence also suggests that intervention rates are treated as a *maximum* contribution of SFA to project costs, and projects will be approved below this level where possible. This is consistent with the data (see 5.19-5.22), where SFA accounted for around 10% of total planned investment overall.

9.28 However, there remains no formal documentation to evidence and quantify any downward negotiation of the amount of SFA funding required. It is therefore difficult to assess explicitly SFA's performance against economy. Whilst it is recognised that this discussion between the Client Executive and applicant is often informal, a record of the initial 'ask' and the subsequent offer would be helpful to more robustly assess economy in future.

9.29 Further, from a portfolio management perspective, the very large number of small projects, and the associated administration/management costs has implications for the economy of SFA. For example, there were over 1,200 offers of less than £50k provided over the evaluation period, representing two-thirds of all offers (67%), and each requiring project approval, assessment and monitoring activities. However these offers accounted for less than 15% of the total offer value. SFA's status as a flexible instrument that can be used across projects of different scales is important, but the volume of (in relative terms) small projects by offer value does create a significant administrative burden and cost, with implications for economy.

Efficiency

9.30 The efficiency assessment is based on the self-reported analysis[41], which focused principally on businesses with one or two SFA offers (which account for 95% of firms supported and 84% of offers by value) and corresponding SFA offer and expenditure values. We have also included estimates of the management costs of delivery in the efficiency assessment in both the 'offer' and 'actual payments' data[42].

9.31 Based on the total value of offers made during the evaluation period, the estimated cost per net job is £24,300. If we consider net jobs created to actual payments, the cost per net job

[41] As set out above, the econometric analysis focuses on specific periods only. This said, as discussed, the findings are very similar, suggesting the efficiency estimates would be consistent

[42] Note: management and delivery costs cover all SFA offers, as it is not possible to apportion these costs to firms in receipt of one or two offers only. However, we have assumed that 87% of management costs are associated with firms with one or two offers based on the proportion of total grant paid to those offers (£133m) to the total grant paid (£159m) where relevant.

falls to £14,900. Indicatively, if we include all offers/jobs (based on applying the survey data to those firms with 3+ offers also) the equivalent data are similar although slightly higher at £27,300 (on offer value) and £16,800 (on actual payments).

9.32 To put these figures into context, in the previous evaluation of SFA in 2013, the equivalent cost per net job was £25,000 based on total offers, and £15,500 based on actual payments. This suggests the efficiency of SFA over the current evaluation period in relation to jobs created is similar, but slightly improved on the previous period.

9.33 The availability of wider, relevant and up-to-date benchmarks on *net* job creation is limited. The following examples should therefore be treated with caution when comparing to SFA. That said, the overarching message is that SFA's efficiency in relation to employment is acceptable, with cost per job towards the lower end of the range observed across benchmarks.

- An evaluation of Regional Selective Assistance Scotland during 2004/05 – 2010/11 estimated cost per net job at £26,000[43]
- A review of the Regional Growth Fund in England which supported private-sector led investment projects focused on creating employment and economic growth, estimated cost per net job at £37,400, ranging from £30,400 in Round 1 to £52,300 in Round 4[44]

9.34 Turning to Return on Investment (RoI), the analysis shows that the estimated net GVA generated by SFA projects to firms with one or two awards is around double the total amount offered, with a RoI of £1.9:1. Comparing net GVA to actual payments, the RoI increases to £3.1:1. Indicatively, if we include all offers/GVA (based on applying the survey data to those firms with 3+ offers also) the equivalent data are similar although slightly lower at £1.7:1 (on offer value) and £2.7:1 (on actual payments).

9.35 The data compare favourably to the most relevant equivalent result from the 2013 evaluation, at £2.1:1 (actual payments), suggesting SFA may have become more effective in translating investment into additional sales returns in the current evaluation period. This is explained in part by the more positive findings on self-reported additionality, although the findings cannot be compared directly, and the comparisons should be regarded as illustrative only[45].

9.36 Taken together the evaluation's findings on efficiency are positive and encouraging. The metrics are summarised below.

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[43] Aston Business School (2013) Regional Selective Assistance in Scotland: Econometric Analysis 2004/05 – 2010/11

[44] National Audit Office (2014) Progress Report on the Regional Growth Fund

[45] The methodology adopted in the 2013 Evaluation to estimate sales and GVA effects was different to the current study (based on estimating sales effects using an annual percentage change to turnover effect reported in the business survey modelled over a five-year period, rather than reported sales to date as used in this study). The two figures should therefore not be directly compared. However the £2.1:1 figure based on estimates of sales effects converted to GVA is the most appropriate comparator from the previous evaluation and has been included for contextual purposes.

Table 9-5: Cost per net job and Return on Investment (RoI)

	Firms with 1/2 offers	All offers
Cost per net job (offer)	£24,307	£27,400
Cost per net job (paid)	£14,909	£16,904
RoI (per £1 offer)	1.9 : 1	1.7 : 1
RoI (per £1 paid)	3.1 : 1	2.7 : 1

Source: SQW

Effectiveness

9.37 As set out in Section 3, the primary objective of SFA was to "provide, maintain or safeguard employment", as set out in the Industrial Development (NI Order). In doing so, SFA was expected to contribute to strategic objectives to create a globally competitive economy, with sustainable and private-sector led growth. During the evaluation period, improving the quality of jobs, productivity and internationalisation became increasingly important.

9.38 Overall, the evaluation evidence indicates that SFA has been highly effective in terms of the number and quality of jobs created in the private sector, and done so cost-effectively. Moreover, over the 2011/12 to 2018/19 period, SFA's role has been one of job creation, with a substantially lesser emphasis on job safeguarding than previously. It has also played an important role in strengthening NI's competitiveness in securing and embedding highly mobile investment, and encouraging indigenous businesses to be more ambitious and outward looking. The scale of the net GVA impact is also notable, with a positive RoI.

9.39 However, evidence regarding SFA's impact on productivity is more mixed: whilst businesses reported productivity improvements in the survey, the econometric analysis did not find that SFA had a significant differential impact on productivity when compared to non-supported firms overall. Some significant productivity effects were found, but only at the top end of the distribution, suggesting that SFA's effects on productivity may only be evident to date on those firms growing more quickly.

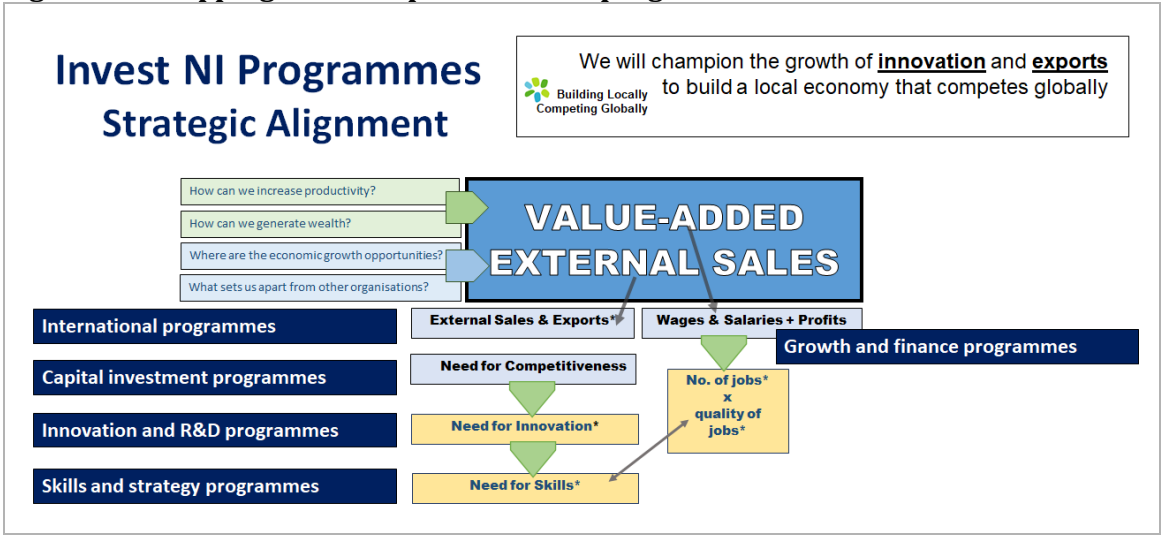
9.40 There should be some caution in the interpretation of these results, as it can take a number of years before productivity benefits arising from investments can be observed. However, given the increasing emphasis on productivity during the evaluation period, both in the reported purpose and role of SFA, and the policy agenda in NI and the UK more widely, this does suggest that SFA's impact has been less pronounced than it could have been in terms of productivity improvement. As discussed further in Section 10, this arguably reflects the design and deployment of SFA, rather than a lack of potential to use SFA as a tool to raise productivity.

9.41 In this context, it is perhaps worth reflecting on Invest NI's current thinking on how it seeks to support economic growth, as set out in Figure 9-2. Whilst this depiction was developed by INI after the end of the evaluation period, it highlights the priority for Invest NI to raise productivity and generate wealth via valued-added and external sales through its programme activities, with distinct routes to impact. The two primary routes to impact are:

wages/salaries and profits, via the number and quality of jobs (and profits); and competitiveness and exports/external sales, underpinned by innovation and skills.

9.42 The evaluation evidence clearly demonstrates SFA's effectiveness to date as a tool to impact on number and quality of jobs, thereby contributing to economic growth primarily via the 'wages/salaries' route to impact, including where these jobs *are* translating into sales impacts, including external sales/exports. However, to date, the contribution via firm level competitiveness as a route to impact has been less pronounced, which does reflect the established and long-term role of SFA as an employment-support tool. How this role may evolve in line with Invest NI's priorities, and those of DfE more broadly as reflected in the recent 10X Vision, to more consistently focus on firm-level competitiveness-improvement via non-employment mechanisms as a route to increasing productivity should be clarified going forward (we return to this issue in the conclusions and recommendations).

Figure 9-2: Mapping Invest NI priorities and programmes



Source: Invest NI (2021)

10. Process perspectives

10.1 This Section summarises Invest NI's response to recommendations set out in SQW's 2013 evaluation of SFA. The Section also provides feedback on SFA's management and implementation arrangements, the role and added value of Client Executives, and the effectiveness of SFA processes during the evaluation period.

Response to recommendations set out in prior evaluation

10.2 The table below summaries the extent to which previous lessons learned and recommendations from the 2004/05 – 2010/11 evaluation of SFA have been addressed during the current evaluation period. This assessment draws principally on information provided by the INI team responsible for the delivery/oversight of SFA, and complements the wider evaluation evidence including consultations and review of SFA documents/data.

10.3 Overall, the picture is mixed. Positively, INI sought to articulate more clearly the purpose, role and fit of SFA following a strategic review of SFA and other supports following and informed by the previous evaluation, and dedicated senior management was put in place to provide formal accountability and leadership for SFA (discussed further below). There is also evidence of continuous improvement, for example, by introducing a digitised and streamlined monitoring and payment system, and improvements to appraisal guidance and Client Executive training (notably in relation to additionality and economy imperatives).

10.4 However, consistent with and informing the wider findings of this evaluation, several crucial recommendations in relation to the underpinning 'logic model' of SFA were not addressed, including the proposed development of a Theory of Change, SMART objectives and outcome measures, an annual business plan and longer-term delivery plan; these were considered by the previous evaluation to be fundamental to inform the management and implementation of SFA. Wider, process-related issues have also not been fully addressed, which was attributed in part to capacity issues within the agency by INI. This includes, for example, implementing mechanisms to ensure more effective/consistent approaches to validating other sources of finance considered prior to SFA, consideration of net outputs at the stage of ex-ante appraisal, benchmarking, recording actual outputs at a firm level, and considering formally and explicitly optimism bias in casework forms/guidance. Many of these points relate to fine-tuning to ensure that the appraisal processes in place are appropriate to ensure that key imperatives are consistently considered for every project and that, on aggregate, SFA delivers against its objectives.

Table 10-1: Response to recommendations made in the 2013 evaluation of SFA

Recommendations fully addressed	Recommendations addressed in part	Recommendations not addressed
• **The purpose, role and fit of SFA is more clearly articulated by INI**, with a review following the 2013 evaluation to reduce duplication across the INI offer and a greater emphasis on job creation (including higher quality/more productive jobs) and capital investment over the period • **A senior management Director was put in place**, with formal accountability for the operation and results, providing leadership and driving continuous improvement • **Monitoring and payment systems have been streamlined and digitised**. MI is now more visible internally and used to report on progress in real time to management. The claims process is also quicker, more efficient and consistent.[46] • **The number of 'multiple assistance' projects has been reduced**, largely driven by changes in SFA eligibility as noted above.	• **An action plan and options assessment was produced in response to the 2013 evaluation**, and a joint working group comprising INI and DfE representatives established to agree priorities. However, progress in implementing the action plan has been limited, partly due to capacity issues and fluctuations in leadership over the period. • **Organisation-wide training was rolled out in 2014/15 which included the assessment of additionality on projects and encouraged the active role of Client Executives in project design to drive up additionality. Also, appraisal guidance was revised to strengthen guidance on additionality, the minimum level of support needed and the consideration of other private funds.** This includes better articulating the case for partial additionality. Whilst INI requests proof that match funding is available to implement the project, no changes have been made to validate other forms of finance explored and were unavailable (and hence SFA is required). • **Optimism bias is not formally referenced in casework forms/guidance, however sensitivity analysis is routinely undertaken for larger projects which takes into account optimism bias.** An appraisal working group within INI is planning to examine this issue further and guidance will be updated accordingly. • **Casework documentation now includes a formal statement to confirm the project is being secured at minimum cost to the taxpayer.** However, the process through which this is formally negotiated is still not recorded. Client Executive training is planned to address this.	• **A formal Theory of Change (with clear links to the rationale and underpinning failures), SMART objectives and outcome measures for SFA have not been developed.** INI did introduce corporate targets (to which SFA is a key contributor) and outcome based reporting against overarching INI KPIs at a company level. However, the latter records *gross* changes in company performance which are non-attributable to SFA • **Annual business plan and longer-term delivery plan for SFA not developed** • **The case for deploying SFA as a loan or equity has not been revisited**, because INI has introduced alternative access to finance products to address that need. However, there is no formal 'decision tree' for Client Executives when advising on the most appropriate form of finance.

[46] For example, casework processing time has decreased from an average of 49 days per case in 2014/15 to 31 days in 2017/18 (2018/19 saw a slight increase to 38 days).

Recommendations fully addressed	Recommendations addressed in part	Recommendations not addressed
	• **Project cost, funding and output data is now recorded centrally at offer stage.** However, further work is required to reconcile firm-level data at application and appraisal stage (applications are still processed and approved via written Word documents with limited summary data available to assess the pipeline). • **For projects over £250k, ex-ante appraisals benchmark**, for example, productivity/wages against the private sector as part of INI's Economic Efficiency Test. However, ex-ante appraisal does not consider *net* cost per job metrics, and benchmarking is not formally part of the appraisal process for projects below £250k. Benchmarking is typically done informally by Client Executives referring to similar projects. • **A review of post-project evaluations (PPEs) was undertaken in 2018, which led to some changes being made** (e.g. key project statistics are now included in the centralised monitoring system). More PPEs are now being completed on an annual basis[47], but PPEs are still not being collated into a single and accessible repository with learning summaries for review by Client Executives. • **Annual expenditure profile (vs offers) and job creation forecasts are now provided and recorded centrally; so too is actual job outputs at the *programme* level.** However, data at a *firm* level for actual match funding invested (by source), actual jobs created and their occupations or salaries, that is *attributable* to SFA is not systematically available in a form that can be extracted/analysed to compare targets against actual performance.	

Source: SQW analysis drawing on inputs from Invest NI

[47] The number of PPEs completed has increased from 85 in 2012/13 to 204 in 2018/19

Leadership and strategic oversight

10.5 Following the 2013 evaluation, INI put in place a programme director and manager with overall ownership and responsibility for SFA, as noted above. These positions are within the 'Technology Solutions, Compliance and New Programme Development' Directorate, whilst the practical utilisation of SFA with businesses remains the responsibility of Client Executives. There has been some fluctuation in internal resourcing, with periods where the programme director position was unfilled. However, the evaluation evidence suggests that the creation of a management team has provided greater clarity on internal ownership of SFA, and represents a positive development in the delivery of SFA over the current evaluation period.

10.6 There is also evidence of continuous improvement and some adaption in response to changing conditions, led by the management team. For example, the GATE scheme was introduced using SFA resource, whereby funding was used to incentivise businesses to recruit and retain disadvantaged people seeking work. This was a good example of SFA resource being used in a flexible way to target specific groups/challenges. The management team improved casework guidance in response to Client Executive feedback, for example to strengthen guidance in relation to selection criteria and the assessment of partial additionality, and to more clearly demonstrate alignment against INI business plan objectives. The management team also sought to reduce bureaucracy by introducing delegated approval for applications under £100k[48]; this was welcomed by consultees as proportionate.

10.7 Over the evaluation period SFA was also increasingly offered as part of a "package" of support. Greater clarity on the ownership and strategic positioning of SFA, and a more structured and joined up wider business solution "toolbox" within INI facilitated this, with qualitative feedback that this has led to a reduced duplication across the portfolio of different supports. On a practical level, the role of the Client Executives in working closely with businesses to understand their needs and develop an integrated package of support in response has also been important, as discussed below. Whilst this 'packaging' of support is not new – and was also commented-upon in the previous evaluation covering the 2004-11 period – qualitative consultations suggest that it has become a more important characteristic of the utilisation of SFA within the current evaluation period. This may also reflect in part the increasing usage of SFA with NI-based SMEs, which have become more prominent within the SFA portfolio over time (as discussed in Section 5) owing to the changes in eligibility criteria post-2014 for large firms. This may have required the use of a range of mechanisms to support broader business development and growth with SMEs; although it is important to recognise that packages of support have also been used with large, often inward investor, firms, including for example, combining SFA with Grant for R&D support.

[48] Applications for £50k or under can be approved by a Grade 7 Manager, whereas applications for over £100k goes to a casework committee. Invest NI can also approve grants in excess of £1m (whereas prior to 2015, such projects would require DfE approval).

10.8 Notwithstanding the positive changes in the leadership and strategic oversight of SFA over the current evaluation period (relative to earlier periods), there does appear to be some scope for further development. Crucially, whilst monitoring systems have been put in place to aggregate key statistics for businesses supported through SFA, there is little evidence to suggest that data collected is used in real time to shape strategic direction, active management or investment patterns.

10.9 This is related to the model for the utilisation of SFA (as described in Section 3) which has not changed fundamentally from earlier delivery periods, remaining very flexible and responsive, with projects considered as they arise to align with the need of individual businesses, and usage distributed across INI's teams. There are clear advantages to this "bottom-up approach" in enabling INI to respond to the needs and priorities of businesses. However, this approach also makes it difficult to obtain a strategic overview of the use of SFA in real-time to inform potential targeting and prioritisation of usage, including in seeking to delivery against specific agendas, including related to clusters/sectors or economic priorities/trends.

10.10 Reflecting this, the partner/stakeholder consultations identified some varied views on whether the 'right' balance had been struck over the evaluation period between supporting job creation, inward investment, and productivity improvement through SFA. Whilst views on this may always vary (reflecting different priorities and responsibilities), the key point is that there was no formal mechanism in place over the evaluation period to enable SFA to respond in an agile fashion to new issues and shifting policy agendas, and to set a clear agenda for its strategic emphasis or focus. As such, whilst maintaining SFA's flexibility is important, this needs to be balanced with mechanisms to ensure that its selectivity can be utilised more proactively to focus on the most pressing issues in the NI economy.

The role and added value of Client Executives

10.11 Overall, feedback on the role and added value of Client Executives in the utilisation of SFA (as part of their broader activities) with businesses was consistently positive across the different sources of evidence in the evaluation. Client Executives engage with businesses individually, building a strong understanding of the business as a whole, their growth opportunities and/or challenges, and how INI might provide support in response. This was commended by both consultees and beneficiaries, helping to ensure that SFA is invested appropriately and in the context of wider business plans, needs and challenges. This was reflected in the case studies, one commenting:

"Invest NI take time to understand the business ... [this is] very different to what we see in other geographies
Case study consultee

10.12 Linked to the point above, by having a holistic understanding of each business, the Client Executives are also able to create an appropriate package of support. This helps to ensure

that wider support is available where necessary to maximise the chances of success for the SFA investment (and business more generally). As noted by one Client Executive:

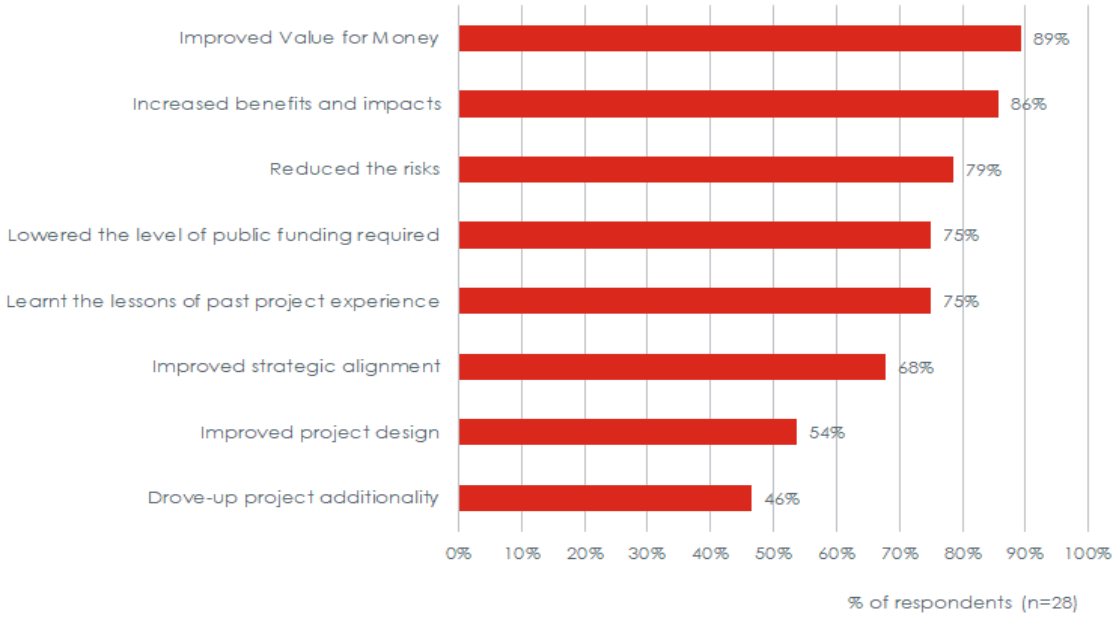
[SFA has] moved from being very prescriptive … to being able to frame the benefits of each individual project on its merits and offer appropriate support to enable it to proceed
Client Executive

10.13 The evidence from consultations suggests that establishing "trusted relationships" with businesses via the work of Client Executives is "fundamental" to the success of SFA. It means the case for SFA, the scale of finance offered, and the composition of each project are developed and negotiated on a case-by-case basis. Financial assistance is therefore tailored to the needs of each business, helping (in principle) to minimise costs to the public purse, minimise deadweight, and maximise benefits for the economy, rather than applying a blanket, 'one-size-fits-all' approach. Through a process of negotiation and challenge, Client Executives were seen to play an important role in encouraging businesses to be more ambitious, invest in a way that delivers against strategic objectives, and/or invest in a shorter timeframe, using SFA as the incentive and maximising value-for-money and levering maximum benefits to the NI economy in the process.

10.14 These benefits associated with Client Executives was noted by consultees (including external stakeholders) and by Client Executives themselves in the online survey: managing client expectations and challenging their assumptions to safeguard the use of public monies, justifying the assistance, and delivering against INI's objectives were considered highly important aspects of the role (for details see Table 4-5 in Section 4).

10.15 Further, as shown in Figure 10-1, over three-quarters of Client Executive survey respondents believed that in their role they have improved value for money, increased benefits and impacts, and reduced risks of SFA investments. Anecdotal evidence from consultees also suggests that Client Executives play a role in filtering out 'weak' cases before they are fully developed or appraised, avoiding time and resources being wasted in developing unviable applications for both Invest NI and the businesses. However, data on this is still not gathered formally by INI, as noted in the previous evaluation, meaning that the contribution is not evidenced fully.

Figure 10-1: Client Executive Survey: Thinking about the projects that you brought forward for approval, do you believe that you added value in these areas?



Source: Client Executive E-Survey, n=28

10.16 One feature of SFA that was regarded as important was the commitment to job creation over a set period[49], which means that Client Executives have time to strengthen relationships with the businesses and build on that further, for example, through the provision of further support. This was seen to help embed businesses in NI's ecosystem (for inward investments) and ensure that benefits from SFA are realised and retained in NI in practice. Notably, in one case study, for example, a strong relationship with INI was identified as an important factor in the business choosing to remain in NI.

10.17 Above and beyond the SFA investment, beneficiaries appreciated the wider support provided by Client Executives more generally. In the beneficiary survey, 95% of respondents rated the knowledge and experience of their Client Executive as "very good" or "good". This was corroborated in the case studies, where businesses described their Client Executives as open minded, flexible and accessible, providing valuable support to help businesses navigate change and associated challenges. This is consistent with the findings of the econometric evidence, which suggested that the wider support alongside the payments is an important factor in explaining the impacts of SFA.

Figure 10-2: Case Study Evidence – Client Executive added value

- *Firm A* said all the client executives they had worked with were "very good". They were very accessible and provided holistic support, as well as helpful guidance during the application stage.

[49] Three years for SMEs and five years for large firms

- *Firm B* described their Client Executive as "very helpful, supportive and accommodating", providing guidance on developing a business plan and completing the application form. Whilst developing the business plan was resource intensive for a start-up, the consultee felt it has proved very useful for ascertaining the strategic direction of the business, and the business still refers to the document.
- *Firm D* received SFA funding to secure highly mobile investment in NI, and emphasised that the firm has developed a stronger relationship with INI than any other public sector business support organisation (in this context, in England, the alternative location considered for the investment). The consultee described regular and open dialogue with the Client Executive to fully understand the business' growth plans.

10.18 As set out above, feedback on Client Executives was highly valued. However, the evidence does suggest room for improvement in relation to additionality. As illustrated in Figure 10-1 above, under half of respondents to the Client Executive survey believed they added value in terms of driving up project additionality, even though all but one said they had the right level of information, tools and support to assess need and additionality (27 out of 28). This finding – combined with evidence in Section 4 regarding the extent to which Client Executives check SFA is the assistance of last resort – suggests that Client Executives may not (in the round) be sufficiently challenging businesses to ensure that outcomes could not have been achieved anyway (or as quickly/at the same scale) through other means, and demonstrating SFA is genuinely addressing failures in the market, and is the assistance of last resort.

10.19 Further, although the share of the total SFA offer value accounted for by businesses that have secured multiple offers within the evaluation period has reduced relative to the previous evaluation period (39% compared to 59%), as discussed in Section 5, multiple assistance has remained a key characteristic of SFA. Indeed, multiple assistance to NI-based firms has increased: for example, 39% of medium-sized NI-owned firms received two or more offers in the evaluation period. Whilst in individual cases this level of repeat assistance may be fully justified, it does indicate that (as found in the previous evaluation) businesses and Client Executives are routinely 'returning to SFA' on a regular basis within a relatively short period of time.

10.20 Overall, this reflects a very challenging balance for Client Executives. On the one hand, they are encouraged (and need) to build close relationships with businesses to fully understand their needs (which is an important feature of SFA's design to ensure that SFA is invested appropriately in the business). However, on the other hand, this may hinder their objectivity and ability to challenge on additionality. There is no easy solution, however, continuing to emphasise the importance of the role of Client Executives in both responding to business needs *and* testing fully and constructively the rationale for support and driving-up additionality where it is needed genuinely will be important going forward.

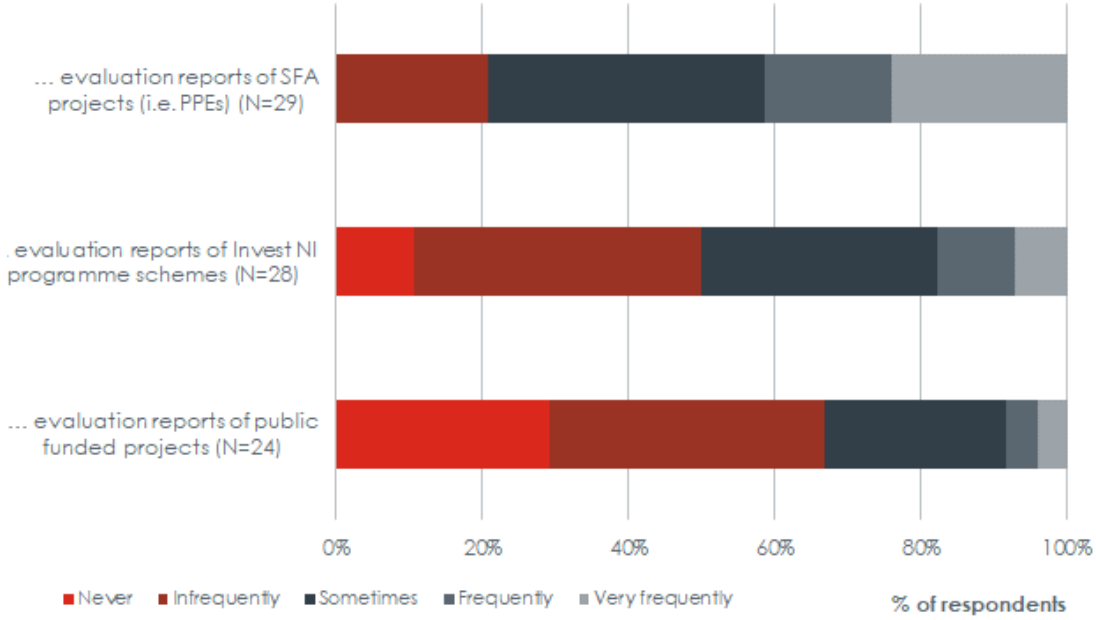
Wider SFA processes

10.21 Reflecting the changes outlined above, SFA processes have improved over the evaluation period, aided by revisions to casework guidance, streamlined application processes and new digitised systems. This was supported by the Client Executive survey, where the large majority of respondents reported they had the right level of information, tools and support to assess effectively the criteria in terms of job creation, need/additionality, eligibility, benefits and viability for the projects they were responsible for bringing forward. The outlier was guidance to deal with issues around payment of assistance, where over half of respondents (16/29, 55%) stated they did *not* have the right resources for this aspect of their role. Client Executives wanted to reduce the complexity of the claims process and be able to provide greater clarity on requirements to businesses. Issues with payment and claims processes were also raised by beneficiaries (see below).

10.22 Positively, over two-thirds of Client Executives felt that monitoring processes were appropriate and timely. However, it was heavily focused on standard financial data and jobs, with limited coverage of wider project benefits

10.23 There was a greater use of SFA evaluation evidence in real time (relative to the previous evaluation period), with nearly four fifths of respondents reviewing PPEs 'sometimes' or more frequently, as set out in Figure 10-3 below. That said, Client Executives may benefit from more consistently reviewing wider evaluation reports – produced by INI and others – to inform their targeting and development of SFA projects.

Figure 10-3: Client Executive Survey: How frequently did you review ...



Source: SQW analysis of the Client Executive Survey

10.24 It should be noted there is a risk of response bias here, with Client Executives that responded to the online survey potentially more likely to review PPE evidence. However, the same risk

was also evident for the previous evaluation, and whilst the findings cannot be compared directly (reflecting sample sizes and different samples), they do point to a potential shift in the extent to which PPEs are being reviewed, which is a positive development, reflecting both the ability to support learning on what works (and does not) in delivery, and the considerable time/efforts involved in the PPE process.

10.25 The evaluation has identified two key issues in relation to SFA processes. First, there is a major tension between the focus on job creation/safeguarding and cost per job metrics used to appraise projects, and strategic objectives relating to productivity. This has made it difficult for more capital-intensive investments designed to improve productivity to meet value for money thresholds, or where capital investment may mean short-term job losses but stronger competitiveness/productivity/resilience of the business in the longer term. As a consequence, this has hindered SFA's ability to fund projects focused on productivity improvement, which is reflected in the fact that the vast majority of projects have remained employment-support focused (as discussed in Section 5), and may help to explain the findings on productivity effects discussed above.

10.26 In making investment decisions, INI has sought to balance the *number* of jobs created/safeguarded with the *quality* of jobs, placing precedence on growing higher salary jobs as the key route to generating net additional value added for the NI economy. Invest NI also adjusted the appraisal process in response, so that SMEs seeking <£100k for capital projects were not appraised on traditional cost per job measures, especially where the project focused on productivity improvement or exports. However, consultees questioned whether this change was sufficient to allow SFA the flexibility to respond appropriately to the key challenge of the time – productivity – recognising that different routes to impact are possible. Given the shift in policy priorities over the evaluation period, the continued emphasis on the number of jobs and cost per job metrics has arguably limited the ability of SFA to be flexible and responsive in light of changing priorities. This issue – combined with the discussion previously regarding the lack of SMART objectives for SFA that reflect the growing emphasis on productivity – has hindered SFA's ability to address the productivity challenge in practice.

10.27 This issue was raised by consultees (internal and external), Client Executives surveyed and in case studies. For example, one case study argued that SFA should better accommodate capital investments that facilitate productivity improvements and growth, even where it may then take several years to create job opportunities as a result of that initial growth. Another case study consultee argued that SFA's focus on creating jobs may not always support the "right" economic benefits, particularly in terms of productivity.

10.28 Second, and linked to the point above, is the challenge of risk management and a perception by some consultees that the design of SFA has hindered its ability to support higher risk (and potentially higher reward) investments. There is inevitably a balance between safeguarding public funding/accountability and the ability to use SFA to support market failures relating to risk. Many consultees recognised the role of SFA in 'sharing risk' (as discussed in Section 4) and encouraging greater ambition, and how INI had developed in its ability to assess risk. However, some consultees also argued that the need to commit to specific job targets at the

application stage and SFA's payment in arrears once deliverables were demonstrated (whilst in line with EU guidance) was somewhat at odds with SFA's intention to fund higher risk investments (that banks and other private funders would not support). It has also made it more difficult to support capital investments where future productivity gains are uncertain or difficult to quantify at the outset.

10.29 In addition, two issues have been identified in relation to monitoring:

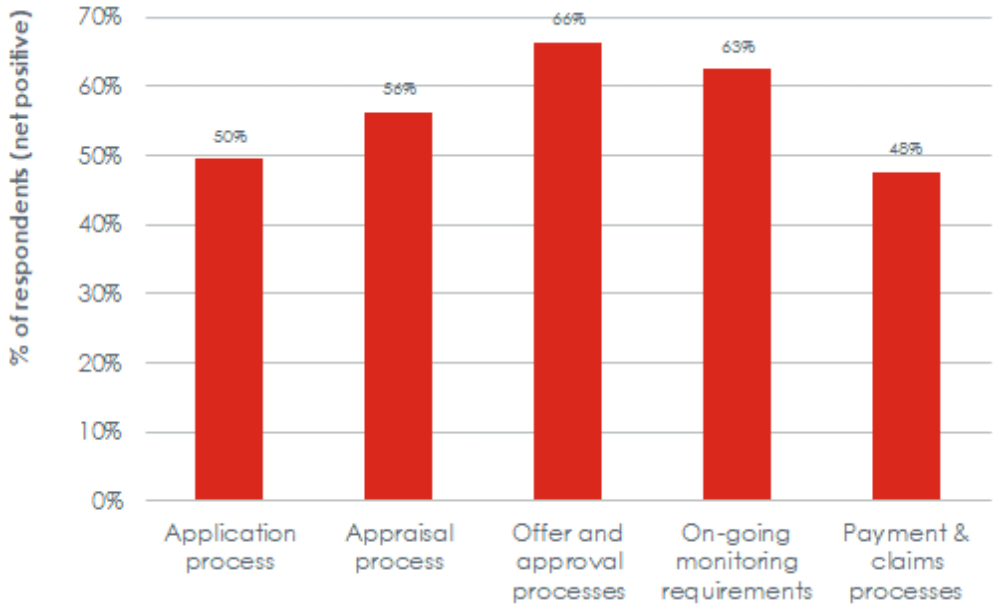
- First, whilst the collation of monitoring data has improved since the 2013 evaluation (as noted above), issues in relation to *actual* jobs achieved remain. As set out in Section 5, data on the number of actual jobs created at a firm level was not available to SQW, and whilst aggregated data has been provided, this was not readily available in a way that could be used to track programme performance in real time. Further, no aggregated SFA metadata at the application, appraisal, offer and revision stages is available.
- Second, data gathered through monitoring is skewed towards the impact of SFA on jobs created/safeguarded, and does not capture wider outcomes associated with the finance provided. Whilst Invest NI's new KPI database does collect key business statistics annually, these are not attributable to SFA and are not readily available for analysis. Given the shift in priorities towards productivity and exports, for example, gathering data against a wider set of indicators – tailored to reflect the objectives of each project – might be helpful to gain a better sense of progress in real time.

Satisfaction with SFA processes

10.30 Beneficiaries surveyed were generally satisfied with the SFA 'process'. Figure 10-4 shows 'net positive' results from the beneficiary survey, which is the proportion stating that processes were fairly/very straightforward minus those stating that it was very/fairly complicated. We can see that respondents overall were more positive than negative in relation to the offer/approval and on-going monitoring processes, and to a slightly lesser extent the appraisal process. Views on the application process and payment and claims process were less positive overall, although still 'net positive'. There was some evidence the application process was seen as less straightforward by firms seeking larger awards (over £100k) potentially reflecting changes in the application process for small awards.

10.31 Whilst it is not unexpected that businesses with a positive outcome in relation to an offer/approval process may have overall a positive perspective on the experience (in terms of its simplicity or otherwise), the findings in relation to the application process suggest there may be further scope to streamline the process. Further, the variation between experience on monitoring and payments/claims is noteworthy, as both represent a continued input (with time implications) for businesses.

Figure 10-4: Beneficiary survey: Based on your experience, how would you assess the process of engagement with SFA with regard to the following? Was it complicated or straightforward or neither? Net positive result



Source: SQW analysis. Net positive = the proportion of respondents stating "very straightforward" or "fairly straightforward" minus those stating "very complicated" or "fairly complicated" Unweighted data

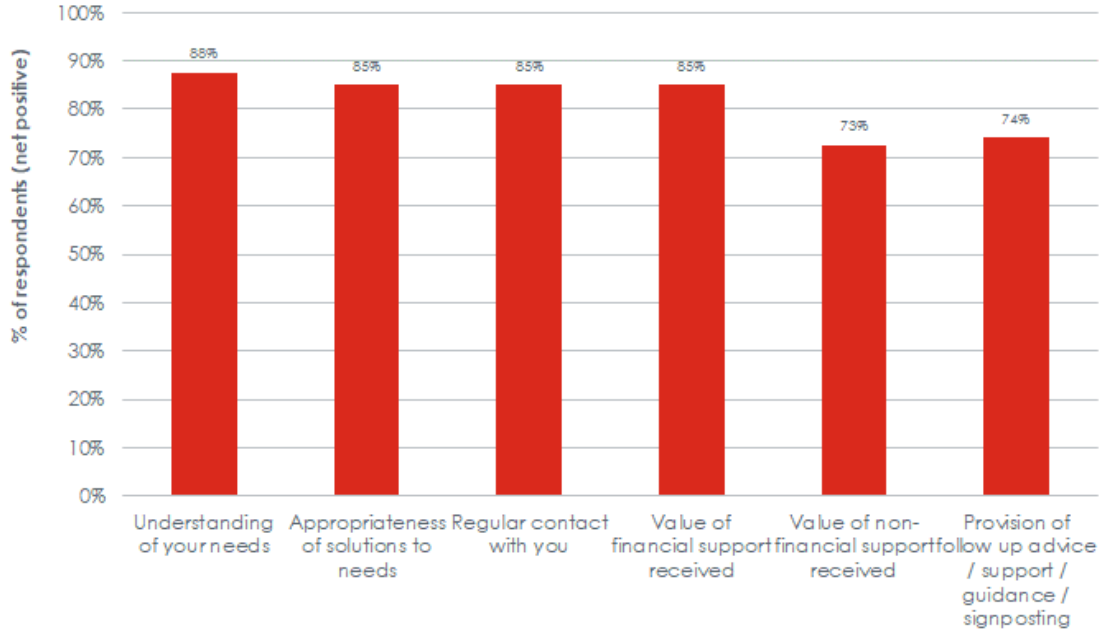
10.32 These findings were supported by the case studies, where consultees recognised that SFA processes were "stringent" but necessary and proportionate on the whole. Moreover, two businesses commented on how the business planning process (as part of the application process) was valuable, and brought about wider benefits for the business, in addition to the SFA finance itself, as illustrated below.

Figure 10-5: Case Study Evidence – application and business plan process

- *Firm C* reported that the application and business planning process was lengthy and thorough, but the consultee stated it was "not wasted time and definitely beneficial" and was proportionate for public money. The consultee said the process "was actually good for us as a company". Without completing the process, the consultee stated that the business plan would not have been as detailed (for example, in relation to export sales and targets). The business was also satisfied with ongoing monitoring processes and explained that sharing accounts, contracts of employment, payroll details etc. is stringent but not unreasonable for the funding. Engagement between the business and the Client Executive was also described positively, with quarterly conversations as well as 'ad hoc' support when required.

10.33 The evidence also shows **high levels of satisfaction with SFA overall,** as illustrated by the 'net positive'[50] results from the survey presented in Figure 10-6. This corroborates the findings above in relation to Client Executives having a good understanding of client needs, the appropriateness of support and valuing regular contact. Feedback on follow-up support and advice was slightly less positive than other aspects, and may be an area for improvement. The perceived value of non-financial support (with a 'net positive' of over 70%) is also consistent with the evidence from the econometric evidence that the support from Client Executives alongside the SFA grant is important in driving outcomes for beneficiary firms.

Figure 10-6: Beneficiary survey: How satisfied were you with support provided by the scheme in terms of the following? Net positive result



Source: SQW analysis.

10.34 Positively, when asked how likely firms were to recommend SFA to another business on a scale of 0-10, where 0 is 'would not recommend at all' and 10 is 'would recommend unreservedly', the beneficiary survey found that half of respondents would 'recommend SFA unreservedly' (scoring it 10/10), and nearly all (90%) scored SFA seven or more.

[50] Net positive = the proportion of respondents stating "satisfied" or "very satisfied" minus those stating "very dissatisfied" or "fairly dissatisfied

11. Conclusions and recommendations

11.1 This final Section of the report summarises the key findings from the evaluation and recommendations to INI and DfE.

Conclusions

Context, rationale and objectives

11.2 The economic context for SFA between 2011 and 2019 evolved considerably. During the early years of the period, the NI economy was still recovering from the global financial crisis. As employment recovered over time, GVA per head remained low and productivity continued to underperform the UK. Reflecting this challenge, the policy context shifted over the evaluation period, from an initial focus on job creation and safeguarding to "rebuild" the economy post-recession, to an increased focus on productivity and inclusive, sustainable growth.

11.3 In this context, SFA was positioned consistently as a key lever for growth. Positively, SFA's strategic fit in the business support landscape was clarified and differentiated during the evaluation period, particularly with the introduction of a separate INI Access to Finance programme. SFA was also increasingly seen as an important entry route for INI into businesses, and was commonly awarded as a 'package' of support.

11.4 In the context of this strong overarching strategic case, the rationale in principle for SFA's deployment to businesses was framed formally in terms of uncertainty or information gaps – when combined with gaps in private sector finance – leading to risk aversion to investment by businesses and missed growth opportunities. In practice, the rationale for SFA investment was typically opportunity-led, facilitating and accelerating opportunities for private sector growth, also delivering wider positive externalities for the economy. This provided a strong strategic case for intervention, and primary evidence from businesses indicates it aligned well with why they sought SFA finance. Further, by using SFA to 'share risk' with businesses, INI sought to raise the quality of investment, and businesses' ambitions for growth. There was also a different, but important, rationale for SFA to secure internationally mobile investment. Overall, the evaluation finds there was a strong rationale for SFA as a policy instrument.

11.5 However, the evaluation found mixed evidence on whether SFA was used to address gaps in the finance landscape, especially in relation to support for locally-owned firms, which is crucial to ensure that SFA does not duplicate or crowd out the private sector. There was a perceived lack of alternative finance available, but evidence to demonstrate that businesses explored and failed to secure alternative options was inconsistent, informal and generally sub-optimal. Importantly, the use of SFA as the 'assistance of last resort' as intended

(particularly for indigenous firms[51]) was not evidenced strongly, suggesting some deadweight may be evident.

11.6 SFA's primary objective was to create employment in NI, leading to business growth and long-term high-quality employment. SFA was also expected to improve productivity and encourage internationalisation of the business base. These objectives were recognised across those consulted for the evaluation: SFA was viewed as a 'growth programme', with a core purpose to create jobs but also a role in delivering against other high-level objectives. However, SFA lacked an annual business plan and/or a statement of SMART objectives providing a clear articulation of what it was seeking to achieve. Job creation was a consistent priority, but there was no clear statement on how priorities may have shifted overtime to inform deployment. As a result, whilst there is a general consensus that SFA did become more associated with a productivity improvement intent over the evaluation period, this was not formalised or codified in a way that could be used to influence behaviours practically on the ground.

Inputs and activities

SFA 'vital signs': inputs and activities			
Project offers	1,841	→	• 89% to NI-owned firms • 68% for ≤£50k, 6% ≥£500k
Firms supported	1,464	→	• 81% received 1 SFA award • 37% micro, 37% small, 13% medium, 12% large • 41% were in the manufacturing sector
Total offer value	£271.6m	→	• 99% in grant form • 61% revenue only • 14% to projects of ≤£50k, 42% to ≥£500k
Offer expenditure	£159.3m	→	• 59% of the total offer value by March 2020
Total expenditure	£180.2m	→	• Offer expenditure plus £21m for delivery and management
Total match investment	£2.5bn	→	• SFA offers c.10% total investment annually

Source: SQW analysis

11.7 SFA offers worth over £270m, via over 1,800 projects, to over 1,450 businesses were made in the evaluation period. This SFA offer value was matched to a further £2.5bn of other investment. By March 2020, actual expenditure was approaching £160m, equivalent to just under 60% of the offer value. These data highlight the scale and breadth of SFA as a policy instrument to support business investment across NI.

11.8 Almost all SFA awards were grant-based, and over two-thirds focused on revenue (i.e. employment support) activities. Reflecting the flexibility of SFA, the scale of offers ranged

[51] Recognising that assistance of last resort is not usually appropriate in the case of attracting mobile FDI.

substantially, from thousands of pounds to millions of pounds, although there was a long tail of small projects of under £50k in value, which scale accounted for over two-thirds of the offers, but just 14% of the offer value. By contrast, over 40% of the total offer value went to 50 projects of over £1m in value, around two-thirds of which were led by externally-owned firms.

11.9 The number and value of offers to large firms was substantially higher in 2014/15 than all other years; this appears to have been driven by a change in eligibility criteria in July 2014 that limited the ability of SFA to support large firms. Large firms remained an important part of the SFA portfolio – accounting for around 30% of offer value subsequently – but this change in eligibility prompted a shift with SFA increasingly used to support NI-owned SMEs during the second half of the evaluation period.

11.10 Overall, the data suggest a more balanced portfolio in the second half of the evaluation period, with less reliance on a small number of large projects led by externally-owned firms. This said, the volume of funding awarded to large firms in the months preceding the change in eligibility – over £55m, accounting for more than a fifth of the total offer value over the full evaluation period awarded in April-July 2014 – is somewhat concerning from an evaluation perspective. The change in eligibility appears to have created a significantly increased demand for SFA funding with projects being brought forward in advance of the change, providing some uncertainty whether SFA funding was genuinely needed in all cases in this period.

11.11 SFA performed well in supporting growth in deprived areas, in line with strategic objectives on inclusive growth: nearly three-quarters of the offer value was to firms located in the 50% most deprived areas of NI, and nearly half of jobs promoted were in the 20% most deprived areas of NI.

Gross outputs and outcomes

SFA 'vital signs': outputs and outcomes			
Approved new jobs promoted	32,128	→	• 53% in local-owned firms • 63% in services firms • 44% in SMEs
Approved jobs safeguarded	1,126	→	• Delivered by 30 projects
Actual jobs (gross)	29,950	→	• Estimated from survey and INI monitoring data • Range from 28,100 – 31,800
Average salary for approved jobs	£25,000	→	• Around two-thirds of new jobs promoted with salaries above NIPSM

11.12 Overall, SFA projects were expected to create just over 32,000 new jobs and safeguard over 1,000 jobs. Job creation was the principal output target for SFA, and almost all offers had a

jobs target[52]. There was a strong correlation between the size of offer and volume of anticipated jobs, with projects of over £1m in value accounting for a large share of the total target: just over 50 offers accounted for 42% of all new jobs anticipated. Approaching two-thirds of jobs were expected to have salaries over the Northern Ireland Private Sector Median (NIPSM), with higher salaries observed in externally-owned, services and/or large firms in the portfolio. The survey evidence suggests that anticipated salary levels were met or exceeded in nearly all cases.

11.13 The evaluation estimates that most anticipated jobs were realised in practice, with a mid-point from a range of 29,950 gross jobs realised (both created and safeguarded) by March 2020. The survey evidence suggests that there was little variation in the proportion of jobs achieved compared to targets by type of SFA support (revenue/capital) or business characteristics (i.e. ownership, sector, size), with firms generally achieving 80-90% of targets.

11.14 The gross 'jobs conversion rate' at 84-87% according to survey estimates and INI data is encouraging, and suggests a tightening of approval and management in the evaluation period relative to earlier periods.

11.15 In addition to jobs, SFA delivered a wider range of capability and capacity benefits. These included improved skills and technical capabilities, efficiency of productivity processes, product quality and management of innovation processes, and the introduction of new/significantly improved products or processes (outcomes observed by at least three-quarters of survey respondents). More broadly, qualitative evidence suggested wider benefits from SFA support included changing mindsets and boosting confidence to invest in growth, enabling businesses to pivot in response to new opportunities, and facilitating investments reducing businesses' carbon footprints. SFA has also encouraged and generated new export sales, including exports by locally owned SMEs. By strengthening NI's businesses in these ways, SFA was seen by stakeholders to have built resilience and capacity for long-term growth.

11.16 A high proportion of surveyed beneficiaries (over 80%) reported that SFA led to productivity improvement, and increases in the value of sales. A substantial minority (over 40%) of respondents also reported reduced costs as a result of SFA.

[52] The only exception was SFA offers below £100k to SMEs, which were not subject to cost per job limits and consequent job targets.

Additionality and net impacts

SFA 'vital signs': outputs and outcomes			
Average self-reported additionality ratio	52%	➔	• Higher levels for larger SFA offers, firms with two offers, and those with other INI support
Net employment impact: self-reported analysis	10,700	➔	• Covers estimates for all offers • 10,150 for firms with one or two offers only
Net GVA impact: self-reported analysis	£494m	➔	• Covers estimates for all offers • £471m for firms with one or two offers only
Employment impact p.a.: econometric analysis	1,800	➔	• Based on results from three-year model over 2017-2020
GVA impact p.a.: econometric analysis	£84m	➔	• Based on survey econometric analysis (beneficiaries vs. NI non-beneficiaries)

11.17 Additionality was assessed through two methods: first, using self-reported evidence from the beneficiary survey, combined with wider qualitative evidence from consultations and case studies; second, using econometric analysis of survey results (comparing beneficiaries to non-beneficiaries) and data-linking into national datasets (using control groups matched from the wider business population).

11.18 Based on self-reported evidence from the beneficiary survey, the level of deadweight (i.e. benefits would have been achieved anyway at the same speed, scale and quality without SFA) and substitution was very low. In contrast, over two-fifths of survey respondents stated that benefits were 'fully additional' (i.e. would not have been achieved at all without SFA). For the remainder – approximately half of businesses surveyed – SFA has accelerated, scaled-up and/or (to a lesser extent) improved the quality of benefits. This aligned closely with the rationale for SFA, enabling businesses to take advantage of time-limited growth opportunities (by providing timely finance to accelerate investment) and/or raising the ambition and scale of businesses' investment (by sharing risk).

11.19 Applying the estimates of additionality to gross employment and sales data from the survey to the population, and subsequently converting sales to GVA suggests that: the total employment impact by March 2020 of *all* SFA awards over the evaluation period can be estimated at 10,700 net jobs; and the total economic impact by March 2020 of *all* SFA awards over the evaluation period can be estimated at £494m net GVA.

11.20 Levels of additionality varied little by firm characteristic, but the nature of SFA support does appear to matter. Self-reported additionality was higher for firms awarded higher amounts of SFA and/or multiple offers, and for externally-owned firms (albeit the latter was based on a modest sample size). Other INI support can also influence additionality, with firms also in receipt of other financial innovation/technology support from INI reporting higher additionality overall.

11.21 Qualitative evidence from case studies indicated that firms in receipt of large sums of SFA would probably have made highly mobile investments abroad without SFA, demonstrating the additionality of SFA in securing major inward investment projects, consistent with qualitative feedback from strategic stakeholders.

11.22 It was notable that the additionality of employment impacts also appears to fall towards the end of the evaluation period. This does also emphasise the importance of ensuring there is a robust case for intervention in all cases, including filling a gap in the finance market and accelerating investments to avoid missed opportunities (and evidencing this) across the wider group of smaller, single SFA awards to locally-owned firms; given the shift in the balance of support noted above, these projects matter fundamentally for the additionality of SFA overall.

11.23 The extent to which SFA 'works better' according to the type of business supported or nature of SFA funding varies for different types of outcome. For example, as noted above, higher SFA offers were associated with higher SFA impacts, whereas firm characteristics influenced salaries. For turnover, both firm characteristics and the scale of offers influenced outcomes: average sales benefits increased with firm size, were higher for manufacturing and NI-owned firms, and those in receipt of other support, and there was also a positive correlation between award value and sales impacts. Self-reported productivity impacts were consistent across different groups, but were higher for firms with two awards.

11.24 The findings of the econometric analysis were varied in terms of sign and statistical significance. This is not surprising given the differing SFA samples between the survey data and that used in the data-linking analysis. The former was a smaller sample but arguably the models were better specified due to the ability to incorporate a range of additional explanatory variables drawn from the survey. The sample used in the data-linking analysis although larger, had a more limited range of variables upon which to estimate impacts, owing to the coverage of data available in the BSD.

11.25 The econometric analysis indicated a positive and statistically significant impact on employment growth for SFA beneficiaries, compared to the survey control group in both the three-year (over 2017-20) and one-year (over 2019-20) models. Quantitatively the three-year model estimated that 5,400 net additional were created across the SFA population, equivalent to 1,800 per annum. Using GVA per job to convert this to GVA gives an estimated net GVA impact of £252m over the three-year period. A statistically significant positive impact on turnover was also found when comparing beneficiaries to the survey control group in a one-year model (over 2019-20), but this was *not* found to be significant in the three-year model (over 2017-20).

11.26 Importantly, by running models also looking at the payments made to firms, the econometric analysis suggests that it is the fact of being assisted in itself that drives the impact (where found) rather than the actual amounts paid out. In other words, the payments in themselves do not create the impact, but payments along with the associated support from Client Executives is what makes the difference.

11.27 Although providing different estimates given the varied methodologies employed, the findings between the self-reported and econometric analysis are consistent overall, in both scale and direction when considering the effect of SFA on employment and GVA. Taken together, the analysis suggests there is credible evidence to consider that SFA had a material and substantive net impact in terms of employment and GVA, delivering perhaps 1,800-2,000 additional jobs, and GVA of £80m-100m each year on average in the latter part of the previous decade.

11.28 The econometric analysis concluded no differential impact on productivity growth overall. Some significant productivity effects were found, but only at the top end of the distribution, suggesting that SFA's effects on productivity may only be evident to date on those firms growing more quickly. This may appear to contradict self-reported benefits observed by firms in the survey. However, productivity benefits may take time to work through to quantitative impact. Further, this may reflect the nature of projects supported by SFA, which continued to focus on job creation, the lack of clearly articulated objectives relating to productivity, and difficulties created by cost per job metrics in the appraisal process.

Value for Money

SFA 'vital signs': value for money			
Cost per net job (offer)	£27,000	→	• Covers estimates for all offers • £24,300 for firms with one or two offers only
Cost per net job (paid)	£16,600	→	• Covers estimates for all offers • £14,900 for firms with one or two offers only
RoI (per £1 offer)	1.7	→	• Covers estimates for all offers • 1.9 for firms with one or two offers only
RoI (per £1 paid)	2.7	→	• Covers estimates for all offers • 3.1 for firms with one or two offers only

11.29 In terms of economy, improvements have been made to more explicitly and consistently record that SFA funding is provided at minimum cost to the public sector in casework documentation. Client Executives play an important role in negotiating down the amount of finance required where possible. However, the lack of evidence to quantify this makes it difficult to fully assess SFA's performance against economy. Further, whilst the flexibility of SFA to support projects of very different scales is important, the volume of (in relative terms) small projects by offer value does create a significant administrative burden and cost, both in terms of Client Executive input and administration with implications for the economy of SFA.

11.30 In terms of efficiency, SFA performs well, with an estimated cost per net job £27,000 (based on total SFA offer value) or £16,600 if we consider net jobs created to payments, which compares favourably to benchmarks. The programme has also generated a positive Return on Investment, of £1.7:1 based on total offer value, and £2.7:1 based on payments. To note, this excludes any future projections and therefore the RoI is likely to increase in the years

after the evaluation period. Whilst the economic context was very different compared to the earlier evaluation period, the evidence does suggest a positive improvement in terms of Return on Investment.

11.31 In terms of effectiveness, SFA has delivered strongly against most of its core objectives. SFA has been highly effective in terms of the number and quality of jobs created in the private sector, and translating this into sales and GVA. It has played also an important role in securing inward investment and encouraging indigenous businesses to be more ambitious and outward looking. However, performance against important – albeit not formally stated – productivity objectives has been mixed. Given the increasing emphasis on productivity during the evaluation period, both in the reported purpose and role of SFA, and the policy agenda in NI and the UK more widely, SFA's impact has been less pronounced than it could have been in terms of productivity improvement. This arguably reflects the design and deployment of SFA, rather than a lack of potential to use SFA as a tool to raise productivity.

Process perspectives

11.32 Substantive efforts were made in the current evaluation period to implement changes to deliver improvements in how SFA was managed and deployed, relative to earlier periods. The evaluation suggests that the introduction of a dedicated management team was helpful in providing greater clarity of SFA ownership. This also helped to facilitate continuous improvement in implementation, notably in the guidance, casework documentation and appraisal processes, in response to feedback and changing conditions.

11.33 Reflecting these positive developments, levels of satisfaction with SFA were high amongst supported firms, with more positive than negative feedback on the offer/approval and ongoing monitoring processes. Views on the application process and payment and claims process were less positive overall, although still 'net positive'; this said, evidence on the application process from both businesses and Client Executives suggest there may be further scope to streamline the process.

11.34 The evaluation has identified aspects of SFA that work well and should be retained going forward, notably: the way in which SFA is offered as part of a package of support to businesses; the flexible and responsive approach, tailoring the offer to meet business needs and deliver benefits for INI and the wider economy; the added value of Client Executives, particularly in building a holistic understanding of the business to ensure SFA is invested appropriately, and negotiating the SFA offer on a case-by-case basis, challenging firms where necessary; and the three/five year commitment of firms to report outputs, alongside ongoing engagement of Client Executives, to embed and retain growth in NI.

11.35 There are, however, four key areas where changes might be considered going forward:

- The assessment of the rationale for intervention and additionality at a firm level, including the extent to which market or other failures (notably in relation to finance gaps) are

explored, challenged and evidenced at the application stage. This appears to have been sub-optimal over the evaluation period.

- The emphasis on job creation and cost per job metrics in the appraisal process may have hindered SFA's ability to support productivity-related investment. The evaluation suggests that the adjustments made have been insufficient to address this issue materially, particularly given the scale of the challenge and the strategic importance of productivity over the evaluation period.
- There remains a lack of a clear and current articulation of SFA's aims, with SMART and prioritised objectives, through which implementation and investments can be guided. It is also difficult to obtain a strategic overview of the nature of the SFA portfolio (and compare against SFA's aims and wider strategic priorities) in real time, to inform ongoing targeting of SFA and assess the extent to which it is funding activities that are well aligned with current (and evolving) priorities. In this context, it is noted that it will be increasingly important to understand how SFA can contribute to shifting strategic priorities in the context of NI's 10X Vision, which calls for more focus on key priorities and challenge oriented approaches, and the Innovation Strategy at a UK level.
- The project delivery model associated with SFA (e.g. the need to commit to jobs targets in advance, with payment in arrears) is arguably somewhat at odds with the rationale for SFA to fund high risk investments that the private sector would not support. The role of SFA in 'risk sharing' to encourage business investment, and the need to balance between accountability/safeguarding public monies and the use of SFA to address market failures relating to risk, is a recognised challenge here. However, the evaluation suggests that this approach has made it more difficult to support capital investment projects where future productivity gains are uncertain or difficult to quantify at the outset.

11.36 It is also noted in this context that SFA finance has continued to be deployed essentially exclusively in grant form, and granting firms multiple SFA awards has remained an important characteristic, with around a fifth of NI-owned firms supported securing two or more awards in the evaluation period. This arguably reflects in part the shift in the emphasis of SFA towards increasingly supporting NI-owned SMEs owing to changes in the eligibility criteria for large firms, which may have limited scope to consider repayable finance options and created the capacity to provide further support to the local SME base. However, to drive-up additionality and maximise value for money, both issues remain important strategic considerations.

Recommendations

11.37 Based on the findings from the evaluation, the following recommendations are made to INI, related to SFA's overall intervention design, management and delivery, and monitoring and evaluation.

11.38 Three contextual headline points are noted in relation to the recommendations.

- First, the recommendations are made against the backdrop of positive overall findings from the evaluation including in relation to impact, value for money and delivery. Subject to wider policy, legal and funding decisions, the view of the evaluators is that SFA as an instrument should be continued going forward.
- Second, the recommendations do not consider any implications for SFA of the Subsidy Control Bill (introduced to the UK Parliament in June 2021), and any associated State Aid considerations. These will need to be considered formally by INI and DfE but are not within the scope of this evaluation.
- Third, several of the recommendations are similar to recommendations from the previous evaluation in 2013, including in relation to SFA's strategic position, rationale and objectives and performance management and business planning. The evaluation evidence indicates that these issues remain relevant and should be addressed to enable Invest NI to utilise SFA to deliver maximised impact and optimise value for money in the future.

Recommendation	Explanation
Overall intervention design	
R1: Develop and review periodically a formal Theory of Change for SFA	The Theory of Change should clearly articulate the market and other failures that underpin the rationale for intervention, which can be adjusted as necessary as challenges in the economy change over time. The Theory of Change should also set out explicitly the different routes to impact, including via productivity improvement, and provide indicators to measure intermediate outcomes to demonstrate progress on different pathways to impact.
R2: Develop a set of SMART objectives for SFA	Developed in light of the Theory of Change, the objectives should reflect the growing strategic emphasis on productivity, and be used to both inform deployment and strategic portfolio management in real time, and inform ex-post evaluation assessments of the extent to which objectives have been achieved. No specific time-period for the SMART objectives is formally recommended (as this will need to align with INI and wider strategic agendas), however, a three-year period may be appropriate initially.
R3: SFA leadership team to consider formally the role and future utilisation of SFA in the context of the 10X Vision	The implications for the 10X Vision on the role and utilisation of SFA are potentially substantial, notably in relation to the proposed focus on technologies/clusters and the new approaches to funding including conditionality of Government funding and, potentially challenge-based funding. The SFA director and manager should consider formally the implications of this strategic agenda for SFA to ensure it is targeted effectively in delivering against strategic priorities, whilst maintaining flexibility in deployment. This should include engagement with DfE. Alternative finance mechanisms could be considered here.
R4: Undertake a review of the finance market and SFA's role within this to better identify key gaps and	There have been important changes to the landscape for business finance over the evaluation period, both in the private sector and public sector (including at NI and UK levels). The evaluation identified that a perceived lack of finance remains a key issue that SFA is seeking to address, however, the extent to which firms have actively sought other sources of finance appears to be limited. The review would both provide insight into

Recommendation	Explanation
failures to be addressed	the issue to be addressed by SFA and could be used by Client Executives engaging with firms seeking support potentially from SFA to help identify alternative sources of finance. Part of the review would include considering a more formal mechanism to enable the SFA leadership team to engage with and source current intelligence on finance market gaps on an on-going basis.
Management and delivery	
R5: Consider the case for development of an annual SFA business plan or equivalent	With the Theory of Change and SMART objectives developed, and the strategic role of SFA identified, INI should consider establishing an annual business plan or equivalent for SFA to guide its deployment. It is *not* proposed that the business plan includes specific and detailed targets for types of support (although this could be considered by INI). However, the business plan would establish the priorities for the year, establish the anticipated budget and resource to inform project development and appraisal, and set expectations in terms of performance management and deployment mechanisms. This should also include a review of how SFA fits strategically and aligns with relevant and government and departmental strategies. Delivery against the business plan should be reviewed annually by the Executive Director for Business Solutions in partnership with the SFA leadership team.
R6: Consider mechanisms to test more consistently and formally that other forms of finance have been considered in advance of SFA	The evaluation indicates that practice to ensure that SFA was the 'assistance of last resort', with all commercial sources and other public sector funding explored fully before considering eligibility for SFA, was inconsistent and insufficiently robust over the evaluation period, with a reliance on self-reporting. Whilst proportionality is important, a more robust approach should be considered if this expectation as set out in the guidelines is to be retained going forward. This could include formally requiring evidence that other finance has been considered and sought on a tiered basis (e.g. for all offers over a specific value e.g. £100k, and a randomly selected number of smaller offers), and/or adjusting appraisal and assessment processes (e.g. placing greater weight on this issue in the appraisal, or requiring the articulation of the process of assessing and discounting other options needs clearly in the application process). This may form part of the eligibility criteria, where relevant. The overall purpose here would *not* be to reduce the value of SFA, rather to ensure that it is needed in all cases, driving up additionality and value for money. Mechanisms specific for requests for 'repeat support' should also be considered e.g. placing a greater level of scrutiny on this issue for firms that have secured SFA previously. Invest NI and DfE should review the guidelines on the role of SFA. Consideration should also be given to whether the 'assistance of last resort' remains valid as to how SFA is best deployed and aligned with policy objectives and departmental priorities, whilst ensuring the minimum assistance is provided as per Section 4.1.7 of Northern Ireland's Guide to Economic Appraisal and Evaluation[53]

[53] Appraising assistance to the private, voluntary and community sectors | Department of Finance (finance-ni.gov.uk)

Recommendation	Explanation
R7: Consider the scope to move away from, or reduce the emphasis on, 'cost per job' assessments in the appraisal process	To ensure that SFA has the flexibility to support productivity projects, INI should consider moving away from, or reducing the emphasis on, assessment of cost per job in the SFA project appraisal process, for non-employment support projects. INI should establish a wider set of cost effectiveness measures, which can support a productivity improvement intent.
R8: The potential 'added-value' role of the Client Executive role in project development should be emphasised and encouraged	The evaluation indicates that Client Executives are highly regarded by supported firms, and their support is an important fact in delivering impacts. However, their role in project design and seeking to drive-up additionality appears to be modest, and current monitoring mechanisms do not allow Client Executives to consider how wider benefits can be maximised. As part of the Theory of Change and business planning processes set out above, further consideration should be given to how Client Executives can be empowered to add further value, including considering the need for further guidance and training on testing project rationales, designing-out deadweight, and benefits realisation.
R9: Review the scope to streamline the application and claims processes associated with SFA	The feedback on SFA 'processes' was positive overall. However, feedback on the application and claims processes were less positive from both beneficiary and Client Executive perspectives, where an option for streamlining the processes (whilst maintaining rigour) should be considered. A practical first action to progress this could include a targeted in-depth research exercise with a sample of businesses and Client Executives to consider the issues in detail, and identify potential options for improvement.
Monitoring and ongoing evaluation	
R10: Capture data on the number of actual jobs created at firm level	Comprehensive firm-level information on whether jobs have been realised in practice is currently not available. This does represent a gap in the performance management of SFA and should be addressed in a proportionate way in the future. Reflecting the breadth of SFA, this could include seeking to gather data from a representative sample of projects on an annual basis to inform ongoing implementation and annual planning.
R11: Ensure evaluations have access to firm-level information and comprehensive data across support mechanisms	INI currently collect data on business performance of Client Managed firms, however, this data was not available to the evaluation, owing to a lack of permission for the data to be shared with external evaluators and linked to performance management information. Further, whilst data on other support was made available this did not include information on the timing of other support, or the specific support provided. INI should seek to address these issues to inform future evaluation.
R12: Collate data on the initial 'ask' and the subsequent offer	To inform future judgements of value for money, and to inform on-going delivery, INI should capture and aggregate data on the initial 'ask' from businesses in relation to an SFA offer (based on the initial discussion with the Client Executive), with subsequent stages also recoded centrally (e.g. formal application, assessment, offer). Mechanisms should be put in place to avoid any perverse incentives of this process (i.e. to ensure that artificially high 'asks' are not recorded initially); this could be facilitated as part of the further guidance and training to Client Executives at R8. This would include data on the value of potential SFA award, other

Recommendation	Explanation
	investment (split by private: internal, private: external, other public [including source]), and anticipated outputs (e.g. jobs or other metrics [see R12 below]).
R13: Develop and record metrics for wider outcomes associated with SFA projects, including related to productivity	Data is currently recorded centrally on jobs outputs only. Reflecting the Theory of Change and Smart objectives (at R1 and R2), INI should consider recording other wider metrics of SFA projects to capture more fully evidence on the benefits generated at a portfolio level as part of the monitoring process. Reflecting time-paths to impacts, and challenges of attribution this could include leading indicators including related to new products/services developed, new processes implemented, other finance secured. The metrics would not be relevant to all projects, but where relevant, this would provide a portfolio-wide evidence base that better reflects the scope and nature of benefits realised through SFA support.

Source: SQW

Annex A: Partner and stakeholder consultees

Table A-1: Consultee list

Name	Organisation	Role
Steve Harper	Invest NI	Executive Director International Business
Jeremy Fitch	Invest NI	Executive Director, Business Solutions
Stephen Wightman	Invest NI	Director, Technical Solutions
Nigel McKernan	Invest NI	Head of Business Appraisal Offers and Claims
Brian Dolaghan	Invest NI	Executive Director, Business/Sector Development
David Roberts	Invest NI	Strategic Policy Manager
Derek Andrews	Invest NI	Head of Investment
John Hood	Invest NI	Director, Food and Drink
Grainne McVeigh	Invest NI	Director, Life Sciences and Scaling
Victor Dukelow	Department for the Economy	Chief Economist
Stephen Kelly	Manufacturing NI	Chief Executive
Conor Lambe; Robert McCullough	Danske Bank UK	Chief Economist & Strategy Lead; Head of Organisational Development in Corporate Banking
Michelle Hawkins	PKF-FPM	Head of Advisory
John McGuckian	Tughans Solicitors	Partner
Micaela Diver	A & L Goodbody	Partner
Neasa Quigley	Carson McDowell Solicitors	Senior Partner

Annex B: Detailed analysis of survey samples

Beneficiary survey sample versus SFA population

Table B-1: Beneficiary survey sample versus population by type of grant

	Survey sample		Population	
	Count (n=208)	%	Count (n=1,385)	%
Revenue	179	86%	1,166	84%
Capital	14	7%	118	9%
Revenue & Capital	15	7%	101	7%

Source: SQW analysis of monitoring data from Invest NI

Table B-2: Beneficiary survey sample versus population by ownership

	Survey sample		Population	
	Count (n=208)	%	Count (n=1,385)	%
NI owned	187	90%	1,190	86%
Non-NI owned	21	10%	195	14%

Source: SQW analysis of monitoring data from Invest NI

Table B-3: Beneficiary survey sample versus population by business size

	Survey sample		Population	
	Count (n=207)	%	Count (n=1,383)	%
Micro	97	47%	546	39%
Small	86	41%	510	37%
Medium	14	7%	161	12%
Large	10	5%	166	12%

Source: SQW analysis of monitoring data from Invest NI. Note, excludes one EDO firm in the survey sample and two in the population

Table B-4: Beneficiary survey sample versus population by broad sector

	Survey sample		Population	
	Count (n=208)	%	Count (n=1,383)	%
Agriculture, Forestry & Fishing	-	-	9	1%
Mining & Quarrying	-	-	7	1%
Manufacturing	93	45%	561	41%
Electricity, Gas, Steam & Air Conditioning Supply	-	-	5	0%
Water Supply, Sewerage, Waste Management & Remediation Activities	-	-	13	1%

	Survey sample		Population	
Construction	18	9%	97	7%
Wholesale & Retail Trade & Repair of Vehicles	14	7%	62	4%
Transportation & Storage	2	1%	5	0%
Accommodation & Food Service Activities	3	1%	24	2%
Information & Communication	25	12%	259	19%
Financial & Insurance Activities	5	2%	33	2%
Real Estate Activities	-	-	1	0%
Professional, Scientific & Technical Activities	19	9%	159	11%
Admin & Support Service Activities	19	9%	104	8%
Public Administration & Defence; Compulsory Social Security	-	-	3	0%
Education	2	1%	12	1%
Human & Social Work Activities	3	1%	6	0%
Arts, Entertainment & Recreation	1	0%	11	1%
Other Service Activities	3	1%	12	1%

Source: SQW analysis of monitoring data from Invest NI. Note, excludes one EDO firm in the survey sample and two in the population

Table B-5: Beneficiary survey sample versus population by year of first support

	Survey sample		Population	
	Count (n=208)	**%**	**Count (n=1,385)**	**%**
2011/12	7	3%	91	7%
2012/13	11	5%	75	5%
2013/14	16	8%	139	10%
2014/15	22	11%	209	15%
2015/16	29	14%	208	15%
2016/17	38	18%	234	17%
2017/18	44	21%	214	15%
2018/19	41	20%	215	16%

Source: SQW analysis of monitoring data from Invest NI

Beneficiary versus non-beneficiary survey samples

Table B-6: Beneficiary versus non-beneficiary samples by ownership

	Beneficiary sample		Non-beneficiary sample	
	Count (n=208)	%	Count (n=261)	%
NI owned	187	90%	244	93%
Non-NI owned	21	10%	17	7%

Source: SQW analysis of monitoring data from Invest NI

Table B-7: Beneficiary versus non-beneficiary samples by business size

	Beneficiary sample		Non-beneficiary sample	
	Count (n=207)	%	Count (n=244)	%
Micro	97	47%	104	43%
Small	86	41%	91	37%
Medium	14	7%	47	19%
Large	10	5%	2	1%

Source: SQW analysis of monitoring data from Invest NI. Note, excludes one EDO firm from the beneficiary sample and 17 firms from the non-beneficiary sample where size is unknown.

Table B-8: Beneficiary versus non-beneficiary samples by broad sector

	Beneficiary sample		Non-beneficiary sample	
	Count (n=208)	%	Count (n=261)	%
Manufacturing	93	45%	112	43%
Construction	18	9%	15	6%
Wholesale / Retail	14	7%	18	7%
Transport / Storage	2	1%	2	1%
Accommodation/ Food	3	1%	8	3%
Information/ Communication	25	12%	18	7%
Financial / Real Estate	5	2%	9	3%
Professional / Scientific	19	9%	40	15%
Administrative / Support	19	9%	4	2%
Education	2	1%	14	5%
Health / Social Work	3	1%	16	6%
Arts / Entertainment	1	0%	4	2%
Other Service Activities	3	1%	1	0%

Source: SQW analysis of monitoring data from Invest NI. Note, excludes one EDO firm from the beneficiary sample

Annex C: Gaining Access to Employment

Overview of the grant

C.1 The Gaining Access to Employment (GATE) was a pilot employment grant for large firms delivered in 2016/17 in parallel with SFA and focused on disadvantaged workers, and is within the scope of this evaluation. A brief summary of this strand of SFA is provided below

Figure C-1: Gaining Access to Employment (GATE) – Summary

- Launched in 2016/17, GATE is a targeted employment initiative developed by Invest NI in partnership with Department for the Economy (DfE) and the Department for the Communities (DfC).
- The overarching aim of GATE was to "incentivise companies to 'open up' employment opportunities for specific sections of the labour market". More specifically, GATE was designed to provide a sufficient incentive to change behaviour and encourage companies to employ and/or accelerate the recruitment of disadvantaged/'harder to reach' workers, defined as workers who are 24 years of age or under, or have not been in regular paid employment for the previous 6 months. In doing so, the scheme would contribute to Invest NI corporate targets around job creation, and promote a 'joined up' government approach to finding business solutions.
- The programme offers large companies a fully funded recruitment and selection process (through DfE and DfC), pre-employment training (through DfE) and targeted employment grant support covering up to 50% of first year salary costs (through Invest NI).
- Whereas SFA is subject to a 10% limit on employment grants for large firms, aid for the recruitment of disadvantaged workers is a different category of State Aid and therefore businesses in receipt of GATE were not subject to the same State Aid limitations (and could receive up to 50% of a disadvantaged worker's first year salary).
- To be eligible for GATE support, new workers must have completed the 'Bridge to Employment' (B2E) programme. In addition, the jobs created must be either full-time (min 30hrs) or two part-time equivalents (min 15hrs each) and businesses must be creating a minimum of eight GATE qualifying workers each. Zero or minimum hours contracted jobs would not qualify for assistance.

Source: INI paper and a review of GATE by McCourt in 2018

Evaluation findings

C.2 Two of the four GATE recipients provided to SQW were willing to participate in an interview. Therefore the findings below should heavily caveated. The main messages were as follows:

- GATE funding was required to accelerate and de-risk growth plans, with both respondents not aware of alternative forms of similar funding available at the time. GATE enabled one firm to access a pool of labour which they would not normally have considered or had access to. The other consultee was motivated by the potential social impacts, i.e. supporting long-term unemployed into work. GATE – rather than the standard SFA instrument – was a good driver for this.

- In terms of process feedback, both consultees felt that INI support improved the quality and employability of candidates during the selection process, with one consultee reporting a strong conversion rate for candidates who were interviewed. There were differences in opinion regarding the extent to which the recruitment process was tailored effectively: one consultee agreed, and the other disagreed. That said, there were some frustrations with changing rules, a lack of clear purpose, disproportionate bureaucracy (particularly during the claims process) and a lack of consistency in guidance from within Invest NI.
- Despite process issues, positive outcomes are evident:
  - One firm had employed c.50 staff through the GATE programme, with average salary levels of c.£18-20k, and all were still employed at the time of interview. In turn, this was reported to have led to increased turnover and productivity. In the absence of SFA, these outcomes would have taken "twice as long" to achieve. However, GATE did not influence the firm's attitudes towards employing disadvantaged workers.
  - The other firm was unable to quantify the number of jobs created, but believe approximately half were still at the firm. Without GATE, the employment would have occurred at a much smaller scale (c. 40%) and 2-3 years later. This consultee believed that GATE had influenced their attitude towards employing disadvantaged workers. They reported that prior to GATE, the firm had "attached stigma unnecessarily" and through GATE have overcome that issue to "realise there is no disadvantage" in employing disadvantaged workers. Participating in GATE has also been a stimulus to adopt a more strategic, inclusive approach to HR.

Annex D: Survey Econometric Analysis

D.1 This Annex provides supporting data for the econometric analysis of survey results.

	1.OLS Models (SFA client)		
	(1)	(2)	(3)
VARIABLES	Employment Growth 2019-20	Turnover Growth 2019-20	Productivity Growth 2019-20
SFA Client	0.04	0.07*	0.01
	(0.04)	(0.04)	(0.05)
Previous public assistance	0.03	0.00	-0.02
	(0.04)	(0.04)	(0.05)
NI-owned	-0.19***	0.00	0.09
	(0.07)	(0.07)	(0.09)
Log Employment 2019	-0.04***	0.02*	0.04*
	(0.01)	(0.01)	(0.02)
Exporter	0.10	-0.09	-0.11
	(0.09)	(0.09)	(0.12)
Undertake R&D	0.05	-0.04	-0.05
	(0.04)	(0.04)	(0.05)
Introduced new product	0.02	0.01	-0.06
	(0.04)	(0.04)	(0.05)
Introduced new process	0.05	0.01	-0.06
	(0.04)	(0.04)	(0.05)
Introduced new product technology	-0.06	0.03	0.08
	(0.04)	(0.04)	(0.06)
Intense competition	0.16***	-0.16***	-0.25***
	(0.06)	(0.06)	(0.08)
Intense competition*exporter	-0.10	0.14*	0.21**
	(0.07)	(0.07)	(0.09)
Log employment growth 2017-19	0.21***		
	(0.06)		
Log turnover growth 2017-19		-0.02	
		(0.05)	
Log productivity growth 2017-19			-0.05
			(0.06)
Manufacturing	0.03	-0.07**	-0.09**
	(0.03)	(0.03)	(0.04)
Have Business plan	-0.01	0.03	0.08*
	(0.03)	(0.03)	(0.04)
Business age<10	-0.00	0.03	0.04
	(0.04)	(0.04)	(0.05)
Ltd company	0.11**	-0.04	-0.09
	(0.04)	(0.05)	(0.06)
Single site business	0.30***	0.08	-0.14*
	(0.05)	(0.05)	(0.07)
NI customers	-0.06	0.03	0.11
	(0.05)	(0.06)	(0.07)
UK customers	0.05	0.05	-0.00
	(0.04)	(0.04)	(0.05)
Rep of Ireland customers	-0.01	-0.01	-0.05
	(0.08)	(0.08)	(0.11)
EU customers	-0.07	0.00	0.07
	(0.05)	(0.05)	(0.06)
Other customers	-0.03	-0.02	0.07
	(0.05)	(0.05)	(0.07)
Constant	-0.22**	-0.02	0.14
	(0.10)	(0.10)	(0.13)
Observations	405	308	303
R-squared	0.23	0.09	0.14
Adjusted R-squared	0.187	0.0217	0.0703
F-test	5.231	1.310	2.039

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

2. Treatment Models (SFA Client)			
	(1)	(2)	(3)
VARIABLES	Employment Growth 2019-20	Turnover Growth 2019-20	Productivity Growth 2019-20
	Growth Model		
SFA Client	0.20**	0.17*	0.05
	(0.09)	(0.09)	(0.11)
Previous public assistance	0.01	-0.00	0.00
	(0.04)	(0.04)	(0.05)
NI-owned	-0.06	0.04	0.01
	(0.07)	(0.06)	(0.09)
Log Employment 2019	-0.06***	0.02	0.04**
	(0.01)	(0.01)	(0.02)
Exporter	0.05	-0.11**	-0.12
	(0.06)	(0.05)	(0.07)
Undertake R&D	0.04	-0.06	-0.06
	(0.04)	(0.04)	(0.06)
Introduced new product	-0.02	0.01	-0.02
	(0.04)	(0.04)	(0.05)
Introduced new process	0.06	0.02	-0.06
	(0.04)	(0.04)	(0.05)
Introduced new product technology	-0.06	0.04	0.09
	(0.04)	(0.04)	(0.05)
Intense competition	0.16***	-0.15***	-0.24***
	(0.06)	(0.05)	(0.07)
Intense competition*exporter	-0.09	0.13*	0.19**
	(0.07)	(0.07)	(0.09)
Log employment growth 2017-19	0.21***		
	(0.06)		
Log turnover growth 2017-19		-0.02	
		(0.04)	
Log productivity growth 2017-19			-0.02
			(0.06)
Manufacturing	0.06*	-0.06*	-0.11***
	(0.03)	(0.03)	(0.04)
Constant	-0.05	0.05	0.15
	(0.08)	(0.08)	(0.10)
	Probit - SFA Model		
Log employment 2019	0.09	0.10	0.08
	(0.07)	(0.08)	(0.08)
Exporter	1.76***	1.70***	1.76***
	(0.40)	(0.49)	(0.49)
Undertake R&D	0.50***	0.52***	0.55***
	(0.15)	(0.17)	(0.17)
Have Business plan	0.27*	0.16	0.20
	(0.15)	(0.17)	(0.17)
Business age<10	0.86***	0.88***	0.90***
	(0.17)	(0.20)	(0.20)
Ltd company	0.74***	0.67***	0.76***
	(0.22)	(0.25)	(0.27)
Single site business	0.38*	0.47*	0.45*
	(0.22)	(0.25)	(0.26)
NI customers	0.10	-0.02	-0.10
	(0.26)	(0.33)	(0.34)
UK customers	0.31*	0.16	0.14
	(0.17)	(0.19)	(0.19)
Rep of Ireland customers	-1.06***	-1.06**	-1.04**
	(0.39)	(0.48)	(0.48)
EU customers	0.26	0.40	0.41
	(0.23)	(0.25)	(0.25)
Other customers	-0.42*	-0.34	-0.34
	(0.24)	(0.26)	(0.26)
lambda	-0.09*	-0.06	-0.03
	(0.06)	(0.06)	(0.07)
Constant	-2.74***	-2.47***	-2.55***
	(0.41)	(0.47)	(0.48)
Observations	405	308	303
Rho	-0.280	-0.224	-0.0753

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

	3.OLS Models (SFA Payment)		
	(1)	(2)	(3)
VARIABLES	Employment Growth 2019-20	Turnover Growth 2019-20	Productivity Growth 2019-20
SFA Payment (<2019)	-0.01**	0.00	0.01
	(0.01)	(0.01)	(0.01)
Previous public assistance	0.04	-0.07	-0.11
	(0.06)	(0.06)	(0.08)
NI-owned	-0.02	0.06	0.00
	(0.11)	(0.11)	(0.15)
Log Employment 2019	0.02	0.03	-0.02
	(0.02)	(0.03)	(0.03)
Exporter	0.05	-0.09	-0.16
	(0.12)	(0.13)	(0.18)
Undertake R&D	-0.02	-0.02	0.01
	(0.05)	(0.05)	(0.08)
Introduced new product	0.06	0.05	-0.02
	(0.05)	(0.05)	(0.07)
Introduced new process	0.06	-0.01	-0.09
	(0.06)	(0.05)	(0.07)
Introduced new product technology	-0.10	0.03	0.14*
	(0.06)	(0.06)	(0.08)
Intense competition	0.26**	-0.05	-0.33*
	(0.12)	(0.12)	(0.18)
Intense competition*exporter	-0.21	0.07	0.31
	(0.13)	(0.14)	(0.20)
Log employment growth 2017-19	0.18**		
	(0.08)		
Log turnover growth 2017-19		0.17***	
		(0.06)	
Log productivity growth 2017-19			0.10
			(0.08)
Manufacturing	-0.00	-0.08*	-0.08
	(0.05)	(0.05)	(0.07)
Have Business plan	-0.05	0.06	0.10
	(0.05)	(0.05)	(0.07)
Business age<10	0.00	-0.01	0.01
	(0.05)	(0.05)	(0.07)
Ltd company	-0.08	-0.14	0.02
	(0.09)	(0.09)	(0.13)
Single site business	0.21**	0.11	-0.12
	(0.08)	(0.08)	(0.11)
NI customers	-0.13	-0.04	0.08
	(0.09)	(0.09)	(0.12)
UK customers	0.04	0.01	-0.04
	(0.05)	(0.05)	(0.07)
Rep of Ireland customers	0.04	0.03	0.02
	(0.09)	(0.09)	(0.13)
EU customers	-0.06	-0.01	0.04
	(0.07)	(0.06)	(0.08)
Other customers	-0.04	-0.06	0.05
	(0.07)	(0.06)	(0.09)
Constant	0.01	0.06	0.16
	(0.18)	(0.18)	(0.25)
Observations	177	144	141
R-squared	0.20	0.18	0.16
Adjusted R-squared	0.0881	0.0291	0.00527
F-test	1.773	1.195	1.034

4. Heckman Models (SFA Payment)			
	(1)	(2)	(3)
VARIABLES	Employment Growth 2019-20	Turnover Growth 2019-20	Productivity Growth 2019-20
	Growth Model		
SFA Payment (<2019)	0.02	-0.05	-0.06
	(0.04)	(0.04)	(0.05)
Previous public assistance	-0.07	-0.03	0.05
	(0.08)	(0.07)	(0.10)
NI-owned	0.14	0.03	-0.23
	(0.11)	(0.11)	(0.15)
Log Employment 2019	0.02	0.04	0.03
	(0.04)	(0.04)	(0.05)
Exporter	-0.09	-0.13	-0.02
	(0.13)	(0.12)	(0.17)
Undertake R&D	0.08	0.01	-0.08
	(0.08)	(0.07)	(0.10)
Introduced new product	-0.02	0.06	0.11
	(0.07)	(0.07)	(0.09)
Introduced new process	0.10	-0.00	-0.14
	(0.08)	(0.07)	(0.10)
Introduced new product technology	-0.12	0.08	0.24**
	(0.08)	(0.07)	(0.10)
Intense competition	0.23	-0.04	-0.22
	(0.16)	(0.16)	(0.22)
Intense competition*exporter	-0.23	0.03	0.21
	(0.18)	(0.17)	(0.23)
Log employment growth 2017-19	0.21*		
	(0.12)		
Log turnover growth 2017-19		0.20***	
		(0.07)	
Log productivity growth 2017-19			0.23**
			(0.11)
Manufacturing	0.05	-0.05	-0.10
	(0.07)	(0.06)	(0.08)
Constant	-0.30	0.43	0.76
	(0.44)	(0.40)	(0.55)
	Probit - SFA Model		
Log employment 2019	0.04	0.07	0.06
	(0.07)	(0.08)	(0.08)
Exporter	1.80***	1.83***	1.87***
	(0.46)	(0.47)	(0.48)
Undertake R&D	0.48***	0.47***	0.48***
	(0.17)	(0.18)	(0.18)
Have Business plan	0.28	0.11	0.13
	(0.17)	(0.18)	(0.18)
Business age<10	0.68***	0.67***	0.66***
	(0.19)	(0.20)	(0.20)
Ltd company	1.12***	1.01***	1.00***
	(0.30)	(0.30)	(0.31)
Single site business	0.15	0.30	0.31
	(0.25)	(0.26)	(0.27)
NI customers	-0.08	-0.08	-0.13
	(0.29)	(0.30)	(0.30)
UK customers	0.12	0.02	0.05
	(0.19)	(0.20)	(0.20)
Rep of Ireland customers	-1.20***	-1.20***	-1.19***
	(0.45)	(0.46)	(0.46)
EU customers	0.69**	0.75***	0.75***
	(0.27)	(0.27)	(0.28)
Other customers	-0.82***	-0.78***	-0.78***
	(0.29)	(0.29)	(0.29)
lambda	-0.05	0.02	0.08
	(0.10)	(0.09)	(0.12)
Constant	-2.77***	-2.84***	-2.85***
	(0.47)	(0.47)	(0.48)
Observations	346	334	332
Rho	-0.166	0.0793	0.222

Three-year: 2017-20 models

	5.OLS Models (SFA client)		
	(1)	(2)	(3)
VARIABLES	Employment Growth 2017-20	Turnover Growth 2017-20	Productivity Growth 2017-20
SFA Client	0.17***	0.21***	0.05
	(0.05)	(0.06)	(0.07)
Previous public assistance	0.11*	0.12*	0.05
	(0.06)	(0.06)	(0.07)
NI-owned	-0.26**	0.00	0.17
	(0.10)	(0.11)	(0.13)
Log Employment 2017	-0.08***	-0.02	0.05*
	(0.02)	(0.02)	(0.03)
Exporter	-0.06	-0.22	-0.15
	(0.13)	(0.15)	(0.16)
Undertake R&D	0.02	-0.10	-0.09
	(0.05)	(0.06)	(0.07)
Introduced new product	0.07	0.01	-0.08
	(0.05)	(0.06)	(0.07)
Introduced new process	0.03	0.03	-0.09
	(0.06)	(0.07)	(0.07)
Introduced new product technology	-0.01	0.05	0.09
	(0.06)	(0.07)	(0.07)
Intense competition	0.19**	-0.12	-0.27***
	(0.08)	(0.09)	(0.10)
Intense competition*exporter	-0.11	0.13	0.24*
	(0.10)	(0.11)	(0.13)
Manufacturing	-0.00	-0.05	-0.07
	(0.05)	(0.05)	(0.06)
Have Business plan	-0.04	-0.01	0.09
	(0.05)	(0.05)	(0.06)
Business age<10	0.09	0.09	0.05
	(0.06)	(0.06)	(0.07)
Ltd company	0.22***	-0.05	-0.21**
	(0.06)	(0.07)	(0.08)
Single site business	0.15*	-0.11	-0.19**
	(0.07)	(0.09)	(0.09)
NI customers	-0.14*	-0.01	0.16
	(0.07)	(0.09)	(0.10)
UK customers	0.09*	0.11*	-0.02
	(0.05)	(0.06)	(0.06)
Rep of Ireland customers	0.17	0.18	0.00
	(0.11)	(0.13)	(0.15)
EU customers	-0.14*	0.00	0.10
	(0.07)	(0.08)	(0.09)
Other customers	-0.03	0.00	0.10
	(0.08)	(0.08)	(0.09)
Constant	0.03	0.23	0.15
	(0.13)	(0.15)	(0.17)
Observations	405	305	303
R-squared	0.22	0.13	0.13
Adjusted R-squared	0.172	0.0681	0.0627
F-test	4.998	2.059	1.961

	6. Treatment Models (SFA Client)		
	(1)	(2)	(3)
VARIABLES	Employment Growth 2017-20	Turnover Growth 2017-20	Productivity Growth 2017-20
	Growth Model		
SFA Client	0.41***	0.22	-0.03
	(0.12)	(0.14)	(0.15)
Previous public assistance	0.10*	0.13**	0.07
	(0.06)	(0.06)	(0.07)

NI-owned	-0.21**	-0.05	0.05
	(0.10)	(0.10)	(0.12)
Log Employment 2017	-0.08***	-0.02	0.04
	(0.02)	(0.02)	(0.02)
Exporter	0.03	-0.02	-0.06
	(0.08)	(0.09)	(0.10)
Undertake R&D	0.01	-0.11*	-0.09
	(0.06)	(0.07)	(0.08)
Introduced new product	0.02	0.03	-0.01
	(0.05)	(0.06)	(0.07)
Introduced new process	0.05	0.04	-0.09
	(0.06)	(0.06)	(0.07)
Introduced new product technology	-0.02	0.06	0.10
	(0.06)	(0.07)	(0.07)
Intense competition	0.21***	-0.08	-0.27***
	(0.08)	(0.09)	(0.10)
Intense competition*exporter	-0.10	0.09	0.22*
	(0.10)	(0.11)	(0.12)
Manufacturing	-0.00	-0.07	-0.08
	(0.05)	(0.05)	(0.06)
Constant	0.14	0.19	0.15
	(0.12)	(0.12)	(0.14)
	Probit - SFA Model		
Log employment 2017	0.02	0.01	0.02
	(0.07)	(0.08)	(0.08)
Exporter	1.74***	1.73***	1.73***
	(0.40)	(0.49)	(0.49)
Undertake R&D	0.53***	0.57***	0.57***
	(0.15)	(0.17)	(0.17)
Have Business plan	0.30**	0.23	0.23
	(0.15)	(0.17)	(0.17)
Business age<10	0.81***	0.85***	0.85***
	(0.17)	(0.20)	(0.20)
Ltd company	0.80***	0.84***	0.83***
	(0.22)	(0.27)	(0.27)
Single site business	0.30	0.38	0.38
	(0.22)	(0.25)	(0.25)
NI customers	0.08	-0.11	-0.11
	(0.26)	(0.34)	(0.34)
UK customers	0.32*	0.16	0.16
	(0.17)	(0.19)	(0.19)
Rep of Ireland customers	-1.04***	-0.99**	-0.99**
	(0.38)	(0.48)	(0.48)
EU customers	0.26	0.40	0.40
	(0.23)	(0.25)	(0.25)
Other customers	-0.42*	-0.34	-0.34
	(0.24)	(0.26)	(0.26)
lambda	-0.13*	-0.00	0.05
	(0.08)	(0.09)	(0.10)
Constant	-2.56***	-2.40***	-2.40***
	(0.40)	(0.47)	(0.47)
Observations	405	305	303
Rho	-0.295	-0.00842	0.108

	7.OLS Models (SFA Payment)		
	(1)	(2)	(3)
VARIABLES	Employment Growth 2017-20	Turnover Growth 2017-20	Productivity Growth 2017-20
SFA Payment (<2017)	-0.01	-0.01	-0.00
	(0.01)	(0.01)	(0.01)
Previous public assistance	0.19**	0.11	0.00
	(0.08)	(0.12)	(0.12)
NI-owned	-0.18	0.27	0.27
	(0.16)	(0.24)	(0.25)
Log Employment 2017	-0.07**	-0.04	0.02
	(0.03)	(0.05)	(0.05)
Exporter	0.04	-0.39	-0.42
	(0.18)	(0.28)	(0.29)
Undertake R&D	-0.06	-0.08	0.04
	(0.08)	(0.12)	(0.12)

Introduced new product	0.16**	-0.04	-0.22*
	(0.08)	(0.12)	(0.12)
Introduced new process	0.12	0.05	-0.11
	(0.08)	(0.11)	(0.12)
Introduced new product technology	-0.05	0.07	0.12
	(0.09)	(0.13)	(0.13)
Intense competition	0.63***	-0.30	-0.83***
	(0.18)	(0.28)	(0.30)
Intense competition*exporter	-0.49**	0.31	0.78**
	(0.20)	(0.31)	(0.32)
Manufacturing	0.01	-0.08	-0.13
	(0.07)	(0.10)	(0.11)
Have Business plan	-0.06	0.06	0.15
	(0.07)	(0.11)	(0.11)
Business age<10	0.02	0.02	0.01
	(0.08)	(0.11)	(0.12)
Ltd company	0.02	-0.25	-0.21
	(0.14)	(0.20)	(0.21)
Single site business	0.07	-0.14	-0.21
	(0.12)	(0.17)	(0.18)
NI customers	-0.23*	-0.08	0.19
	(0.13)	(0.19)	(0.20)
UK customers	0.10	0.10	-0.06
	(0.08)	(0.11)	(0.12)
Rep of Ireland customers	0.19	0.28	0.11
	(0.14)	(0.20)	(0.21)
EU customers	-0.12	-0.09	0.02
	(0.10)	(0.13)	(0.13)
Other customers	-0.09	0.05	0.20
	(0.10)	(0.14)	(0.15)
Constant	0.32	0.67*	0.40
	(0.26)	(0.37)	(0.39)
Observations	177	141	141
R-squared	0.23	0.12	0.16
Adjusted R-squared	0.126	-0.0353	0.00928
F-test	2.210	0.773	1.062

8. Heckman Models (SFA Payment)			
	(1)	(2)	(3)
VARIABLES	Employment Growth 2017-20	Turnover Growth 2017-20	Productivity Growth 2017-20
	Growth Model		
SFA Payment (<2017)	0.11	-0.00	-0.11
	(0.07)	(0.06)	(0.09)
Previous public assistance	0.08	0.02	-0.06
	(0.17)	(0.15)	(0.20)
NI-owned	0.45*	-0.16	-0.63**
	(0.24)	(0.22)	(0.30)
Log Employment 2017	-0.16**	-0.09	0.09
	(0.07)	(0.06)	(0.09)
Exporter	-0.26	-0.00	0.20
	(0.28)	(0.25)	(0.35)
Undertake R&D	0.11	0.12	0.06
	(0.15)	(0.14)	(0.19)
Introduced new product	-0.10	-0.21	-0.12
	(0.15)	(0.13)	(0.18)
Introduced new process	-0.07	0.11	0.19
	(0.17)	(0.15)	(0.21)
Introduced new product technology	-0.06	-0.08	-0.06
	(0.15)	(0.14)	(0.20)
Intense competition	0.07	0.23	0.09
	(0.40)	(0.35)	(0.48)
Intense competition*exporter	-0.03	-0.40	-0.23
	(0.44)	(0.40)	(0.56)
Manufacturing	0.18	-0.03	-0.29
	(0.15)	(0.15)	(0.21)

Constant	-0.98	0.68	1.63*
	(0.82)	(0.71)	(0.99)
	Probit - SFA Model		
Log employment 2017	-0.03	-0.04	-0.04
	(0.09)	(0.09)	(0.09)
Exporter	1.59***	1.58***	1.58***
	(0.42)	(0.42)	(0.42)
Undertake R&D	0.35*	0.32	0.32
	(0.21)	(0.21)	(0.21)
Have Business plan	0.12	0.09	0.09
	(0.21)	(0.22)	(0.22)
Business age<10	0.07	0.09	0.09
	(0.23)	(0.23)	(0.23)
Ltd company	0.38	0.38	0.38
	(0.33)	(0.33)	(0.33)
Single site business	-0.14	-0.03	-0.03
	(0.30)	(0.31)	(0.31)
NI customers	-0.06	-0.09	-0.09
	(0.34)	(0.34)	(0.34)
UK customers	-0.00	-0.03	-0.03
	(0.22)	(0.22)	(0.22)
Rep of Ireland customers	-1.04***	-1.05***	-1.05***
	(0.37)	(0.37)	(0.37)
EU customers	0.73***	0.76***	0.76***
	(0.28)	(0.28)	(0.28)
Other customers	-1.01***	-0.98***	-0.98***
	(0.32)	(0.32)	(0.32)
lambda	0.02	-0.07	-0.09
	(0.20)	(0.18)	(0.25)
Constant	-2.27***	-2.30***	-2.30***
	(0.55)	(0.55)	(0.55)
Observations	415	414	414
Rho	0.0654	-0.252	-0.257

Annex E: Data-linking Econometric Analysis

E.1 This Annex provides supporting data for the data-linking.

Table E-1: Treatment effect model with nearest neighbour matching – growth 2019-20

	Scotland Control Group			Wales Control Group			North East Control Group		
VARIABLES	**Emp Growth 19-20**	**Turn Growth 19-20**	**Productivity Growth 19-20**	**Emp Growth 19-20**	**Turn Growth 19-20**	**Productivity Growth 19-20**	**Emp Growth 19-20**	**Turn Growth 19-20**	**Productivity Growth 19-20**
Average Treatment Effect	***-0.00808***	***0.00255***	***0.0162***	***-0.00561***	***0.00239***	***0.0127***	***-0.00944***	***-0.00161***	***0.00524***
Std error	(0.00998)	(0.0236)	(0.0291)	(0.0109)	(0.0228)	(0.0271)	(0.0104)	(0.0234)	(0.0278)
Z score	-0.810	0.108	0.558	-0.514	0.105	0.469	-0.906	-0.0686	0.188
P value	(0.418)	(0.914)	(0.577)	(0.608)	(0.917)	(0.639)	(0.365)	(0.945)	(0.851)
Lower confidence interval	-0.0276	-0.0438	-0.0407	-0.0270	-0.0422	-0.0403	-0.0299	-0.0476	-0.0492
Upper confidence interval	(0.0115)	(0.0489)	(0.0731)	(0.0158)	(0.0470)	(0.0657)	(0.0110)	(0.0443)	(0.0597)
Observations	12,155	12,155	12,023	6,610	6,610	6,528	5,111	5,111	5,058
*** p<0.01, ** p<0.05, * p<0.1									

Table E-2: Treatment effect model with nearest neighbour matching – growth 2017-20

	Scotland Control Group			Wales Control Group			North East Control Group		
VARIABLES	**Emp Growth 17-20**	**Turn Growth 17-20**	**Productivity Growth 17-20**	**Emp Growth 17-20**	**Turn Growth 17-20**	**Productivity Growth 17-20**	**Emp Growth 17-20**	**Turn Growth 17-20**	**Productivity Growth 17-20**

Average Treatment Effect	***0.0216***	***0.0735***	***0.0744***	***0.0260***	***0.0883****	***0.0648***	***0.0327***	***0.0877***	***0.0544***
Std error	(0.0391)	(0.0516)	(0.0558)	(0.0414)	(0.0535)	(0.0595)	(0.0394)	(0.0546)	(0.0572)
Z score	0.554	1.425	1.334	0.628	1.649	1.090	0.831	1.606	0.952
P value	(0.580)	(0.154)	(0.182)	(0.530)	(0.0992)	(0.276)	(0.406)	(0.108)	(0.341)
Lower confidence interval	-0.0550	-0.0276	-0.0349	-0.0551	-0.0167	-0.0518	-0.0445	-0.0193	-0.0576
Upper confidence interval	(0.0982)	(0.175)	(0.184)	(0.107)	(0.193)	(0.181)	(0.110)	(0.195)	(0.167)
Observations	9,576	9,576	9,354	5,282	5,282	5,136	3,907	3,907	3,805
*** p<0.01, ** p<0.05, * p<0.1									

Table E-3: Heckman 2-stage selection model– growth 2019-20 (with Scotland control group)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VARIABLES	Emp Growth 19-20	SFA probit	Selection term	Turn Growth 19-20	SFA probit	Selection term	Productivity Growth 19-20	SFA probit	Selection term
Log SFA payments pre2019	0.00			0.00			-0.00		
	(0.01)			(0.01)			(0.01)		
manufacturing	0.02			0.11			0.06		
	(0.08)			(0.16)			(0.17)		
Log employee2019	-0.10***	0.06*		0.07	0.06*		0.12*	0.07**	
	(0.04)	(0.03)		(0.06)	(0.03)		(0.07)	(0.03)	
Log emp growth 2017-19	-0.03	0.01			0.01			-0.03	
	(0.05)	(0.06)			(0.06)			(0.07)	
UK-owned	0.05	-0.05		-0.13	-0.05		-0.20	-0.06	
	(0.14)	(0.14)		(0.24)	(0.14)		(0.25)	(0.14)	
age	0.02*	-0.03***		-0.01	-0.03***		-0.01	-0.03***	
	(0.01)	(0.01)		(0.02)	(0.01)		(0.02)	(0.01)	

Log productivity 2019		0.06**			0.06**			0.05*	
		(0.03)			(0.03)			(0.03)	
lambda			-0.76			0.68			0.75
			(0.47)			(0.80)			(0.97)
Log turnover growth 2017-19				-0.11***					
				(0.04)					
Log productivity growth 2017-19							-0.16***		
							(0.05)		
Constant	1.72	-2.18***		-1.66	-2.18***		-1.82	-2.16***	
	(1.09)	(0.13)		(1.84)	(0.13)		(2.25)	(0.13)	
Observations	13,618	13,618	13,618	13,618	13,618	13,618	13,612	13,612	13,612
Rho	-0.996	-0.996	-0.996	0.797	0.797	0.797	0.823	0.823	0.823

Table E-4: Heckman 2-stage selection model– growth 2019-20 (with Wales control group)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VARIABLES	Emp Growth 19-20	SFA probit	Selection term	Turn Growth 19-20	SFA probit	Selection term	Productivity Growth 19-20	SFA probit	Selection term
Log SFA payments pre2019	0.00			-0.00			-0.00		
	(0.01)			(0.01)			(0.01)		
manufacturing	0.02			0.11			0.06		
	(0.08)			(0.16)			(0.17)		
Log employee2019	-0.10**	0.06*		0.07	0.06*		0.12*	0.07**	
	(0.04)	(0.04)		(0.06)	(0.04)		(0.07)	(0.04)	
Log emp growth 2017-19	-0.02	0.01			0.01			-0.04	
	(0.05)	(0.07)			(0.07)			(0.07)	
UK-owned	0.05	-0.05		-0.13	-0.05		-0.20	-0.06	
	(0.14)	(0.15)		(0.24)	(0.15)		(0.25)	(0.15)	
age	0.03	-0.03***		-0.01	-0.03***		-0.01	-0.03***	
	(0.02)	(0.01)		(0.03)	(0.01)		(0.03)	(0.01)	
Log productivity 2019		0.06*			0.06*			0.05	

		(0.03)			(0.03)			(0.03)	
lambda			-0.74			0.69			0.65
			(0.48)			(0.80)			(0.92)
Log turnover growth 2017-19				-0.11**					
				(0.04)					
Log productivity growth 2017-19							-0.16***		
							(0.05)		
Constant	1.47	-1.85***		-1.48	-1.85***		-1.42	-1.84***	
	(0.97)	(0.15)		(1.60)	(0.15)		(1.88)	(0.15)	
Observations	7,344	7,344	7,344	7,344	7,344	7,344	7,338	7,338	7,338
Rho	-1	-1	-1	0.808	0.808	0.808	0.782	0.782	0.782

Table E-5: Heckman 2-stage selection model– growth 2019-20 (with North East control group)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VARIABLES	Emp Growth 19-20	SFA probit	Selection term	Turn Growth 19-20	SFA probit	Selection term	Productivity Growth 19-20	SFA probit	Selection term
Log SFA payments pre2019	0.00			0.00			-0.00		
	(0.01)			(0.01)			(0.01)		
manufacturing	0.02			0.11			0.07		
	(0.08)			(0.16)			(0.17)		
Log employee2019	-0.09**	0.05		0.06	0.05		0.13*	0.06*	
	(0.04)	(0.04)		(0.06)	(0.04)		(0.08)	(0.04)	
Log emp growth 2017-19	-0.04	0.04			0.04			-0.02	
	(0.06)	(0.08)			(0.08)			(0.08)	
UK-owned	0.08	-0.09		-0.15	-0.09		-0.25	-0.11	
	(0.16)	(0.16)		(0.24)	(0.16)		(0.29)	(0.16)	
age	0.02	-0.02***		-0.00	-0.02***		-0.02	-0.02***	
	(0.01)	(0.01)		(0.02)	(0.01)		(0.03)	(0.01)	
Log productivity 2019		0.06*			0.06*			0.04	
		(0.03)			(0.03)			(0.03)	

lambda			-0.78			0.49			1.05
			(0.55)			(0.82)			(1.22)
Log turnover growth 2017-19				-0.11**					
				(0.04)					
Log productivity growth 2017-19							-0.15***		
							(0.05)		
Constant	1.55	-1.83***		-1.08	-1.83***		-2.21	-1.82***	
	(1.11)	(0.15)		(1.64)	(0.15)		(2.48)	(0.15)	
Observations	5,787	5,787	5,787	5,787	5,787	5,787	5,781	5,781	5,781
Rho	-1	-1	-1	0.672	0.672	0.672	0.927	0.927	0.927

Table E-6: Heckman 2-stage selection model– growth 2017-20 (with Scotland control group)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VARIABLES	Emp Growth 17-20	SFA probit	Selection term	Turn Growth 17-20	SFA probit	Selection term	Productivity Growth 17-20	SFA probit	Selection term
Log SFA payments pre2017	-0.01			-0.01			-0.00		
	(0.01)			(0.02)			(0.02)		
manufacturing	-0.01			0.21			0.22		
	(0.20)			(0.31)			(0.38)		
Log employee2017	-0.38***	0.08**		-0.28**	0.08**		0.35	0.10***	
	(0.11)	(0.04)		(0.12)	(0.04)		(0.34)	(0.04)	
Log emp growth 2015-17	-0.09	0.15*			0.15*			0.05	
	(0.20)	(0.08)			(0.08)			(0.08)	
UK-owned	-0.02	0.08		0.31	0.08		0.20	0.02	
	(0.33)	(0.15)		(0.44)	(0.15)		(0.67)	(0.16)	
age	0.05	-0.03***		-0.01	-0.03***		-0.09	-0.03***	
	(0.04)	(0.01)		(0.04)	(0.01)		(0.09)	(0.01)	
Log productivity 2017		0.05			0.05			0.04	
		(0.03)			(0.03)			(0.03)	
lambda			-1.14			0.52			3.22

			(1.36)			(1.16)			(3.39)
Log turnover growth 2015-17				0.04					
				(0.12)					
Log productivity growth 2015-17							-0.11		
							(0.15)		
Constant	3.10	-2.28***		-0.72	-2.28***		-7.94	-2.31***	
	(3.32)	(0.17)		(2.81)	(0.17)		(8.47)	(0.17)	
Observations	12,871	12,871	12,871	12,871	12,871	12,871	12,863	12,863	12,863
Rho	-0.933	-0.933	-0.933	0.516	0.516	0.516	1	1	1

Table E-7: Heckman 2-stage selection model– growth 2017-20 (with Wales control group)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VARIABLES	Emp Growth 17-20	SFA probit	Selection term	Turn Growth 17-20	SFA probit	Selection term	Productivity Growth 17-20	SFA probit	Selection term
Log SFA payments pre2017	-0.01			-0.01			-0.00		
	(0.01)			(0.02)			(0.02)		
manufacturing	-0.01			0.21			0.22		
	(0.20)			(0.31)			(0.32)		
Log employee2017	-0.36***	0.08*		-0.28***	0.08*		0.29	0.10**	
	(0.09)	(0.04)		(0.11)	(0.04)		(0.24)	(0.04)	
Log emp growth 2015-17	-0.08	0.18**			0.18**			0.07	
	(0.18)	(0.09)			(0.09)			(0.09)	
UK-owned	-0.01	0.10		0.32	0.10		0.20	0.03	
	(0.32)	(0.16)		(0.44)	(0.16)		(0.55)	(0.17)	
age	0.05	-0.04***		-0.01	-0.04***		-0.09	-0.04***	
	(0.04)	(0.01)		(0.04)	(0.01)		(0.08)	(0.01)	
Log productivity 2017		0.06			0.06			0.05	
		(0.04)			(0.04)			(0.04)	
lambda			-0.90			0.47			2.53
			(1.04)			(0.96)			(2.30)

Log turnover growth 2015-17				0.04					
				(0.12)					
Log productivity growth 2015-17							-0.11		
							(0.13)		
Constant	2.24	-1.98***		-0.46	-1.98***		-5.47	-2.01***	
	(2.24)	(0.18)		(2.05)	(0.18)		(5.08)	(0.19)	
Observations	6,907	6,907	6,907	6,907	6,907	6,907	6,899	6,899	6,899
Rho	-0.883	-0.883	-0.883	0.479	0.479	0.479	1	1	1

Table E-8: Heckman 2-stage selection model– growth 2017-20 (with North East control group)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VARIABLES	Emp Growth 17-20	SFA probit	Selection term	Turn Growth 17-20	SFA probit	Selection term	Productivity Growth 17-20	SFA probit	Selection term
Log SFA payments pre2017	-0.01			-0.01			-0.00		
	(0.01)			(0.02)			(0.02)		
manufacturing	-0.01			0.20			0.21		
	(0.20)			(0.31)			(0.29)		
Log employee2017	-0.36***	0.07*		-0.30***	0.07*		0.26	0.09**	
	(0.10)	(0.04)		(0.10)	(0.04)		(0.21)	(0.04)	
Log emp growth 2015-17	-0.13	0.22**			0.22**			0.10	
	(0.24)	(0.09)			(0.09)			(0.10)	
UK-owned	0.02	0.05		0.27	0.05		0.09	-0.01	
	(0.31)	(0.17)		(0.42)	(0.17)		(0.51)	(0.17)	
age	0.04	-0.03***		-0.00	-0.03***		-0.06	-0.03***	
	(0.03)	(0.01)		(0.03)	(0.01)		(0.05)	(0.01)	
Log productivity 2017		0.05			0.05			0.04	
		(0.04)			(0.04)			(0.04)	
lambda			-1.00			0.22			2.28
			(1.22)			(0.83)			(2.08)
Log turnover growth 2015-				0.03					

17									
				(0.12)					
Log productivity growth 2015-17							-0.15		
							(0.12)		
Constant	2.46	-1.96***		0.06	-1.96***		-4.91	-1.98***	
	(2.62)	(0.19)		(1.77)	(0.19)		(4.59)	(0.19)	
Observations	5,249	5,249	5,249	5,249	5,249	5,249	5,241	5,241	5,241
Rho	-0.913	-0.913	-0.913	0.249	0.249	0.249	1	1	1

Table E-9: Quantile regression models (0.25; 0.5; 0.75) – growth 2019-20 (with Scotland control group)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	scot_emp_q.25	scot_emp_q.5	scot_emp_q.75	scot_turn_q.25	scot_turn_q.5	scot_turn_q.75	scot_prod_q.25	scot_prod_q.5	scot_prod_q.75
VARIABLES	logempgr1920	logempgr1920	logempgr1920	logturngr1920	logturngr1920	logturngr1920	logprodgr1920	logprodgr1920	logprodgr1920
Selective financial assistance (dummy)	0.00	0.00	0.00	-0.01	-0.00	0.04	-0.03	0.00	0.06**
	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.03)	(0.03)	(0.01)	(0.03)
Log employee 2019	0.00	0.00	0.00	-0.00	0.00***	0.02***	0.01*	0.01***	0.02***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Log emp growth 2017-19	0.00	0.00	0.00						
	(0.00)	(0.00)	(0.00)						
Log productivity 2019	0.00	0.00	0.00	-0.01***	-0.00	-0.03***	-0.02***	-0.00	-0.05***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Uk-owned	0.00	0.00	0.00	0.03**	0.00	-0.01	0.04***	-0.00	-0.02
	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.02)	(0.01)	(0.00)	(0.02)
Age	0.00	0.00	0.00	-0.00***	-0.00	-0.00*	-0.00***	-0.00	-0.00**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Manufacturing	0.00	0.00	0.00	-0.01	-0.00	0.01	-0.03*	-0.00	0.02
	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.02)	(0.01)	(0.00)	(0.02)
Log turn growth 2017-19				-0.01*	0.00	-0.03***			

				(0.00)	(0.00)	(0.01)			
Log prod growth 2017-19							-0.01***	-0.00	-0.07***
							(0.01)	(0.00)	(0.01)
Constant	0.00	0.00	0.00	0.04**	-0.00	0.22***	0.06***	-0.01	0.32***
	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.02)	(0.02)	(0.01)	(0.02)
Observations	12,155	12,155	12,155	12,155	12,155	12,155	12,023	12,023	12,023
r2	0	0	0	0.00799	4.23e-05	0.00830	0.0117	0.00141	0.0294
Standard errors in parentheses									
*** p<0.01, ** p<0.05, * p<0.1									

Table E-10: Quantile regression models (0.25; 0.5; 0.75) – growth 2019-20 (with Wales control group)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	wales_emp_q.25	wales_emp_q.5	wales_emp_q.75	wales_turn_q.25	wales_turn_q.5	wales_turn_q.75	wales_prod_q.25	wales_prod_q.5	wales_prod_q.75
VARIABLES	logempgr1920	logempgr1920	logempgr1920	logturngr1920	logturngr1920	logturngr1920	logprodgr1920	logprodgr1920	logprodgr1920
Selective financial assistance (dummy)	0.00	0.00	0.00	-0.02	-0.00	0.04	-0.03	-0.00	0.06**
	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)	(0.03)	(0.03)	(0.01)	(0.03)
Log employee 2019	0.00	0.00	0.00	-0.01	0.01***	0.01**	0.00	0.01***	0.02***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)
Log emp growth 2017-19	0.00	0.00	0.00						
	(0.00)	(0.00)	(0.00)						
Log productivity 2019	0.00	0.00	0.00	-0.01*	-0.00	-0.02***	-0.02***	0.00	-0.03***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)
Uk-owned	0.00	0.00	0.00	0.02	-0.00	-0.02	0.02	-0.00	-0.02
	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.02)	(0.02)	(0.01)	(0.02)
Age	0.00	0.00	0.00	-0.00***	0.00	-0.00	-0.00***	-0.00	-0.00*
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Manufacturing	0.00	0.00	0.00	0.00	0.00	0.04**	-0.01	-0.01	0.01
	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.02)	(0.02)	(0.01)	(0.02)

Log turn growth 2017-19				-0.01	-0.00	-0.02***			
				(0.01)	(0.00)	(0.01)			
Log prod growth 2017-19							-0.02**	-0.01***	-0.07***
							(0.01)	(0.00)	(0.01)
Constant	0.00	0.00	0.00	0.03	-0.00	0.19***	0.05*	0.00	0.24***
	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)	(0.03)	(0.03)	(0.01)	(0.03)
Observations	6,610	6,610	6,610	6,610	6,610	6,610	6,528	6,528	6,528
r2	0	0	0	0.00586	0.000447	0.00676	0.00803	0.00250	0.0258
Standard errors in parentheses									
*** p<0.01, ** p<0.05, * p<0.1									

Table E-11: Quantile regression models (0.25; 0.5; 0.75) – growth 2019-20 (with North East control group)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	ne_emp_q.25	ne_emp_q.5	ne_emp_q.75	ne_turn_q.25	ne_turn_q.5	ne_turn_q.75	ne_prod_q.25	ne_prod_q.5	ne_prod_q.75
VARIABLES	logempgr1920	logempgr1920	logempgr1920	logturngr1920	logturngr1920	logturngr1920	logprodgr1920	logprodgr1920	logprodgr1920
Selective financial assistance (dummy)	0.00	0.00	0.00	-0.02	0.00	0.03	-0.03	0.00	0.06*
	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)	(0.03)	(0.03)	(0.01)	(0.03)
Log employee 2019	0.00	0.00	0.00	-0.00	0.01***	0.03***	0.00	0.01***	0.03***
	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)
og emp growth 2017-19	0.00	0.00	0.00						
	(0.00)	(0.00)	(0.00)						
Log productivity 2019	0.00	0.00	0.00	-0.01	-0.00	-0.00	-0.01*	0.00	-0.02***
	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)
Uk-owned	0.00	0.00	0.00	0.02	-0.00	-0.00	0.01	0.00	-0.03
	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)	(0.02)	(0.02)	(0.01)	(0.03)
Age	0.00	0.00	0.00	-0.00***	0.00	-0.00*	-0.00**	-0.00	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

Manufacturing	0.00	0.00	0.00	-0.04**	0.00	0.01	-0.04*	0.00	0.01
	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.02)	(0.02)	(0.01)	(0.03)
Log turn growth 2017-19				-0.00	-0.00	-0.03***			
				(0.01)	(0.00)	(0.01)			
Log prod growth 2017-19							-0.01	0.00	-0.08***
							(0.01)	(0.00)	(0.01)
Constant	0.00	0.00	0.00	0.03	-0.01	0.08**	0.03	-0.01	0.20***
	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)	(0.03)	(0.03)	(0.01)	(0.04)
Observations	5,111	5,111	5,111	5,111	5,111	5,111	5,058	5,058	5,058
r2	0	0	0	0.00768	0.000646	0.00853	0.00801	0.00219	0.0253
Standard errors in parentheses									
*** p<0.01, ** p<0.05, * p<0.1									

Table E-12: Quantile regression models (0.25; 0.5; 0.75) – growth 2017-20 (with Scotland control group)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	scot_emp_q.25	scot_emp_q.5	scot_emp_q.75	scot_turn_q.25	scot_turn_q.5	scot_turn_q.75	scot_prod_q.25	scot_prod_q.5	scot_prod_q.75
VARIABLES	logempgr1720	logempgr1720	logempgr1720	logturngr1720	logturngr1720	logturngr1720	logprodgr1720	logprodgr1720	logprodgr1720
Selective financial assistance (dummy)	0.00	0.00	0.00	0.03	0.03	0.10*	-0.00	-0.00	0.13**
	(0.03)	(0.00)	(0.04)	(0.05)	(0.03)	(0.06)	(0.06)	(0.03)	(0.06)
Log employee 2017	-0.04***	0.00	0.00	0.03***	0.02***	0.04***	0.07***	0.04***	0.04***
	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)
Log emp growth 2015-17	0.00	0.00	0.00						
	(0.01)	(0.00)	(0.00)						
Log productivity 2017	0.00	0.00	0.00	-0.06***	-0.06***	-0.11***	-0.10***	-0.10***	-0.15***
	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)
Uk-owned	0.00	0.00	0.00	0.03	0.00	0.01	0.01	-0.01	-0.01
	(0.01)	(0.00)	(0.00)	(0.02)	(0.01)	(0.03)	(0.03)	(0.01)	(0.03)

Age	0.00	0.00	-0.00	-0.00	-0.00***	-0.01***	-0.00**	-0.00***	-0.01***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Manufacturing	0.00	0.00	0.00*	0.03	0.03**	0.05*	0.01	0.02	0.03
	(0.01)	(0.00)	(0.00)	(0.03)	(0.01)	(0.03)	(0.03)	(0.02)	(0.03)
Log turn growth 2015-17				-0.09***	-0.07***	-0.11***			
				(0.01)	(0.01)	(0.01)			
Log prod growth 2015-17							-0.12***	-0.14***	-0.19***
							(0.01)	(0.01)	(0.01)
Constant	0.03	0.00	-0.00	-0.00	0.28***	0.84***	0.16***	0.44***	0.98***
	(0.02)	(0.00)	(0.00)	(0.04)	(0.02)	(0.04)	(0.04)	(0.02)	(0.04)
Observations	9,587	9,587	9,587	9,587	9,587	9,587	9,374	9,374	9,374
r2	0.00927	0	0.000177	0.0142	0.0104	0.0390	0.0373	0.0337	0.0724
Standard errors in parentheses									
*** p<0.01, ** p<0.05, * p<0.1									

Table E-13: Quantile regression models (0.25; 0.5; 0.75) – growth 2017-20 (with Wales control group)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	wales_emp_q.25	wales_emp_q.75	wales_turn_q.25	wales_turn_q.5	wales_turn_q.75	wales_prod_q.25	wales_prod_q.5	wales_prod_q.75
VARIABLES	logempgr1720	logempgr1720	logturngr1720	logturngr1720	logturngr1720	logprodgr1720	logprodgr1720	logprodgr1720
Selective financial assistance (dummy)	0.00	-0.00	0.00	0.01	0.10**	-0.05	-0.02	0.14***
	(0.02)	(0.02)	(0.05)	(0.02)	(0.05)	(0.05)	(0.03)	(0.05)
Log employee 2017	-0.03***	0.01***	0.01	0.02***	0.03***	0.02**	0.01***	0.02**
	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Log emp growth 2015-17	-0.00	0.00						
	(0.01)	(0.01)						
Log productivity 2017	0.00	-0.00	-0.02**	-0.01***	-0.04***	-0.06***	-0.05***	-0.10***
	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)

Uk-owned	-0.00	0.00	-0.01	0.01	-0.01	0.01	0.01	-0.02
	(0.01)	(0.01)	(0.03)	(0.02)	(0.03)	(0.03)	(0.02)	(0.03)
Age	0.00	0.00	0.00	-0.00***	-0.01***	-0.00	-0.00***	-0.01***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Manufacturing	0.00	-0.00	0.00	0.03*	0.08**	0.02	0.02	0.01
	(0.02)	(0.01)	(0.03)	(0.02)	(0.03)	(0.03)	(0.02)	(0.03)
Log turn growth 2015-17			-0.12***	-0.07***	-0.11***			
			(0.01)	(0.01)	(0.01)			
Log prod growth 2015-17						-0.17***	-0.14***	-0.14***
						(0.02)	(0.01)	(0.01)
Constant	0.02	-0.01	-0.11**	0.13***	0.55***	0.08	0.30***	0.75***
	(0.02)	(0.01)	(0.05)	(0.02)	(0.05)	(0.05)	(0.03)	(0.05)
Observations	5,298	5,298	5,298	5,298	5,298	5,156	5,156	5,156
r2	0.00300	0.000570	0.0112	0.00626	0.0258	0.0322	0.0223	0.0475
Standard errors in parentheses								
*** p<0.01, ** p<0.05, * p<0.1								

Table E-14: Quantile regression models (0.25; 0.5; 0.75) – growth 2017-20 (with North East control group)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	ne_emp_q.25	ne_emp_q.5	ne_emp_q.75	ne_turn_q.25	ne_turn_q.5	ne_turn_q.75	ne_prod_q.25	ne_prod_q.5	ne_prod_q.75
VARIABLES	logempgr1720	logempgr1720	logempgr1720	logturngr1720	logturngr1720	logturngr1720	logprodgr1720	logprodgr1720	logprodgr1720
Selective financial assistance (dummy)	-0.00	0.00	0.00	0.00	0.02	0.11**	-0.05	-0.02	0.13**
	(0.03)	(0.00)	(0.02)	(0.05)	(0.02)	(0.05)	(0.05)	(0.03)	(0.05)
Log employee 2017	-0.05***	0.00	0.01***	0.02*	0.02***	0.06***	0.04***	0.03***	0.05***
	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Log emp growth 2015-17	0.00	0.00	-0.00						
	(0.02)	(0.00)	(0.01)						

Log productivity 2017	-0.00	0.00	0.00	-0.05***	-0.04***	-0.06***	-0.08***	-0.08***	-0.13***
	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Uk-owned	-0.00	0.00	0.00	0.05	0.02	0.06*	0.01	-0.01	-0.02
	(0.02)	(0.00)	(0.01)	(0.04)	(0.02)	(0.04)	(0.04)	(0.02)	(0.04)
Age	0.00	0.00	-0.00	-0.01**	-0.01***	-0.02***	-0.00	-0.00***	-0.01***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Manufacturing	-0.00	0.00	-0.00	-0.04	0.02	0.01	-0.06	0.03	0.04
	(0.02)	(0.00)	(0.01)	(0.04)	(0.02)	(0.04)	(0.04)	(0.02)	(0.04)
Log turn growth 2015-17				-0.10***	-0.07***	-0.14***			
				(0.02)	(0.01)	(0.02)			
Log prod growth 2015-17							-0.16***	-0.15***	-0.18***
							(0.02)	(0.01)	(0.02)
Constant	0.03	0.00	-0.01	0.04	0.26***	0.67***	0.13**	0.40***	0.89***
	(0.03)	(0.00)	(0.02)	(0.06)	(0.03)	(0.06)	(0.06)	(0.03)	(0.06)
Observations	3,915	3,915	3,915	3,915	3,915	3,915	3,816	3,816	3,816
r2	0.0116	0	0.00113	0.0131	0.00988	0.0395	0.0409	0.0362	0.0759
Standard errors in parentheses									
*** p<0.01, ** p<0.05, * p<0.1									

Citation: Office for National Statistics (2017) *Business Structure Database, 1997-2020: Secure Access* [Data collection]. *9th Edition.* UK Data Service. SN: 6697, http://doi.org/10.5255/UKDA-SN-6697-9

Annex F: Location of SFA beneficiaries

Table F-1: Spatial distribution of SFA beneficiaries

District Council	Number of firms	Proportion of firms
Belfast	360	25%
Mid Ulster	202	14%
Newry, Mourne and Down	154	11%
Armagh City, Banbridge and Craigavon	147	10%
Lisburn and Castlereagh	108	7%
Fermanagh and Omagh	108	7%
Derry City and Strabane	94	6%
Antrim and Newtownabbey	80	5%
Mid and East Antrim	80	5%
Causeway Coast and Glens	72	5%
Ards and North Down	59	4%
Total	**1,464**	**100%**

Source: SQW analysis of monitoring data from Invest NI

SQW

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