

**HALO PHASE IV INTERIM EVALUATION
EVALUATION – DRAFT FINAL**



Cogent Management Consulting LLP

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HALO PHASE IV INTERIM EVALUATION

EVALUATION

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List of Abbreviations

Abbreviation	Definition
BCC	Board Casework Committee
CFD	Corporate Finance Division
EAM	Economic Appraisal Methodology
ERNI	Employers National Insurance Contributions
EIS	Enterprise Investment Scheme
FCA	Financial Conduct Authority
FSMA	Financial Services and Market Act
FTE	Full Time Employees
GB	Great Britain
GVA	Gross Value Added
HBAN	Halo Business Angel Network
HM	Her Majesty's
HMT's	Her Majesty's Treasury
Invest NI	Invest Northern Ireland
MoU	Memorandum of Understanding
NI	Northern Ireland
NIGEAE	Northern Ireland Guide to Expenditure Appraisal and Evaluation
NISP	Northern Ireland Science Park
SMART	Specific, Measurable, Achievable, Realistic and Time-bound
SMEs	Small and Medium Sized Enterprises
UK	United Kingdom

EXECUTIVE SUMMARY

Introduction

Invest NI has commissioned Cogent Management Consulting LLP ('Cogent' or the Evaluation Team) to undertake an independent interim evaluation of the Halo Programme, covering the period 1st May 2011 to 30th April 2013.

The evaluation has been undertaken in line with national and regional requirements. It is compliant with Central Government guidance including:

- "The Green Book: Appraisal and Evaluation in Central Government", HM Treasury 2003;
- "The Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE), Current Edition", Department of Finance and Personnel;
- "The Magenta Book: Guidance for Evaluation"; and
- Invest NI Economic Appraisal Methodology (EAM) guidance.

Strategic Context and Rationale

At the time of Halo's approval, there was an identified need for Government to provide support to facilitate the development and growth of the NI business angel network which was recognised to be underdeveloped relative to the rest of the UK in terms of business angel activity. Specifically, there was a gap in the continuum of the supply of finance for deals up to £2m for start-up and early growth businesses. This gap had arisen due to (amongst other things) key structural market failures (including asymmetric information, risk aversion and market power), the downturn in the economy which affected the availability of finance and structural issues associated with the NI economy.

There was (at the time of approval), and continues to be, clear alignment between the aims and objectives of Halo and the strategic imperatives of the NI Government (including with DETI and Invest NI's Corporate Plans and the Invest NI Access to Finance Strategy). Specifically, in line with Government's strategic focus, the activities supported by Halo offer the potential to grow the private sector by facilitating the provision of investment and expertise to start-up and early growth businesses. In doing so, Halo contributed to *"helping eliminate the real and perceived barriers to growth"*.

Rationale for intervention

At the time of approval a significant body of research suggested that there was a recognised gap in the continuum of the supply of finance for deals up to £2m for start-up and early growth businesses resulting from (amongst other things) structural market failures caused by asymmetric information on the supply and demand side, existence of positive market failures and market power.

Based on the primary research, 9 of 12 businesses/entrepreneurs suggested that the investment and/or expertise would not have taken place or been achieved to the same scale or within the same timescale due to either 'full' or 'partial' market failure factors typically in the form of asymmetric information (relating to businesses/entrepreneurs lack of awareness of potential investors) and risk aversion (on the part of other potential financial sources). Thus, the Evaluation Team concludes that Halo has been successful in supporting businesses to overcome those market failure barriers that are preventing them from receiving investment and expertise.

Given the fact that the analysis suggests that 63% of investment and/or expertise would not have been achieved/received, largely due to the continued existence of key market failures (including asymmetric information and risk aversion), it is the Evaluation Team's view that there is the continued need for Halo within the marketplace.

The Evaluation Team's benchmarking analysis suggests that other business angel networks (many of whom have been operating considerably longer than Halo and are relatively more mature) continue to receive public sector subvention on the basis that business angel fees and other sponsorship income is not sufficient to support their ongoing management and operation activities. It is the Evaluation Team's view that, if Halo is to build on the positive outcomes achieved to date and reach similar levels of maturity as other business angel networks, public sector intervention will continue to be required in the longer term.

Operation and Delivery (TOR Points 19e-19h)

Appropriateness of the Business Angel network model (including operation and management arrangements employed)

It was the view of consultees, and shared by the Evaluation Team, that the model of support being employed by Halo to foster the supply of finance to start-up and early stage businesses/entrepreneurs is, on the whole, appropriate and has been well managed and delivered by the NISP Halo management team.

This view is supported by feedback from business angels and entrepreneurs/businesses that received support from Halo during the period under review, who suggested that (amongst other things):

- Halo is playing an effective role in both selecting suitable entrepreneurs/businesses to 'pitch' to business angels for equity investment and ensuring that those selected to pitch are appropriately prepared and up-skilled to do so;
- The current format of the investment meetings (i.e. dinner, pitch presentation and post-pitch meetings/networking) is appropriate to facilitate the 'matching process' between investors and investees;
- Halo is providing an effective forum to facilitate business angel networking and the delivery of business angel 'masterclasses' (by an experienced angel investor) to enhance the investment knowledge and expertise of business angel investors; and
- Halo is an effective conduit for channelling equity investment to SMEs at different stages of their development.

Whilst the Evaluation Team shares consultees' views that Halo should be aspiring to achieve levels of outputs akin to that currently being realised by LINC Scotland, this is likely to take a considerable duration given the relative maturity of the NI business angel ecosystem. Furthermore, it is the Evaluation Team's view that Halo is currently undertaking appropriate activities (e.g. delivering investment meetings, supporting the development of angel groups/syndicates, establishing centralised funds and connections with crowdfunding organisations etc.) to grow the network and realise its potential in the longer term and radical changes are not required (nor should they be encouraged).

Complementarity

It was the view of consultees, and shared by the Evaluation Team, that Halo plays an important role in promoting a continuum of funds and creating a deal flow chain for deals up to £2m for start-up and early growth businesses. In doing so, it was suggested that Halo complements the other key financial initiatives currently being delivered through the Invest NI Access to Finance Strategy and, in particular, the NISPO IGF and Co-Fund NI.

In addition to the support provided through Invest NI's Access to Finance initiative, Halo also complements a number of other initiatives that seek to support the continuum of funds for start-up and early growth businesses including the £25k awards (NISP CONNECT), VC Forum ((NISP CONNECT) and the Seedcorn Competition (InterTradeIreland). Furthermore, it was the view of consultees, and shared by the Evaluation Team, that the preparatory support provided by Halo businesses/entrepreneurs complements a range of other skills development/mentoring programmes/initiatives that presently exist in the marketplace to up-skill the entrepreneurs of high-potential businesses including the NISPO Investment Readiness/Awareness

Programme (IRP/IAP), Propel Programme (Invest NI), Springboard (NISP CONNECT) and the Enterprise Forum (NISP CONNECT).

Risk management

It is the Evaluation Team's view that Halo's undertook appropriate steps to mitigate those risks that were envisaged at the outset and emerged during the period under review.

In not monitoring the overall costs and income associated with the operation of Halo, Invest NI was exposed to a risk of contributing towards a higher proportion of Halo's operating expenditures than originally anticipated. Associated risks of not monitoring against individual cost and income categories include the risk of not being able to identify the need for corrective action to be taken should income fall below the level anticipated or costs rise above those anticipated. Whilst the aforementioned risk does not appear to have materialised during the period under review, corrective action should be taken to minimise the potential for this to arise in the future.

Performance and Impact

Achievement of SMART targets

Based on the monitoring information provided by Halo, the analysis suggests that 46% of the individual targets (N=28) that were established for the two-year period were achieved. If the targets are combined and examined over the two-year period (which may be appropriate given the fact that investment will not occur on a continuous or straight-line basis), the analysis suggests that 62% of the targets (N=13) were achieved. It should be noted that the targets that Invest NI consider as priority targets (relating to levels of angel investment, number of deals, leveraged support, meetings with companies) were achieved when examined on a two-year basis.

It is the Evaluation Team's view that the extent to which the Year 3 investment targets will be achieved cannot be determined at this stage. This relates to the fact that the Evaluation Team does not have full oversight as to the likelihood and timing that a business angel will potentially make an investment, especially given the 'lumpy' nature of the investment process. This issue is best exemplified by the Evaluation Team's analysis over the period under review which suggested that the business angel investment target was significantly below (by 64%) that anticipated in Year 1 but significantly above (by 131%) that anticipated in Year 2.

Withstanding this, based on historical trends and the Evaluation Team's understanding of activity that has been undertaken by Halo during the first quarter of Year 3, we suggest the following in relation to the targets:

- Targets relating to the number of investment meetings, number of companies pitching, meetings with pitching companies and angel networking event are likely to be achieved;
- The target relating to a further business angel centralised fund will be achieved (given the aforementioned creation of the Halo Grow Fund). However, the potential levels of investment in this fund cannot be determined at this stage (albeit the Evaluation Team notes that a key difference with this fund vis-à-vis the previous HMRC approved Halo EIS funds is that it is 'evergreen' in nature);
- The target relating to the number of Angel members is unlikely to be achieved, as this would require an increase in the membership rate by 85% (i.e. from 108 to 200 business angel members);
- Given the progress made in establishing Volcano II and Halo's ongoing efforts to establish angel groups/syndicates, the Evaluation Team suggests this target is likely to be achieved; and
- The target relating to PR is likely to be achieved.

Monetary impact of Halo

It is the Evaluation Team's view that a fully informed assessment of the value-for-money delivered by Halo can only be undertaken in the medium to longer term. This assertion is based on the fact that it is widely recognised that there is a time-lag (which can amount to years) between businesses receiving business angel investment and the subsequent realisation of outcomes and impacts. This time-lag typically relates to the fact that businesses will often require further developmental work (which is typically supported through further follow-on investment) to be undertaken before a product or process can be brought to market. This assertion is reflected by research undertaken by Nesta¹ which suggests that, on average, it may take six years to generate a positive outcome as a result of the business angel investment.

Withstanding this, based on monitoring information provided by Halo, the network has been successful in channelling £3.063m in gross or £1.935m in net additional private sector investment in start-up and early growth businesses/entrepreneurs.

Furthermore whilst downstream benefits (such as GVA and employment) are more likely to arise in future years, the Evaluation Team notes that the 12 businesses that participated in the primary research process contributed c. £35,327 in net additional GVA to the NI economy, c. £14,484 of which was in wages and the remainder (£20,843) was in profits. These businesses also created 7 net additional jobs (all of which were above the NI median salary level) and safeguarded 22 net additional jobs. It is the Evaluation Teams view that the benefits should be viewed positively at this early stage.

Non-monetary impact of Halo

The analysis suggests that the support provided through Halo has contributed to delivering a number of wider (e.g. knowledge transfer, skills development, entrepreneurship etc.) and regional benefits (degree of R&D being injected and innovative nature of the project) to the NI economy. Furthermore businesses/entrepreneurs who received preparatory support through Halo but did not receive investment suggested that they had derived a number of non-monetary benefits including:

- Increased confidence to engage with potential investors;
- Increased ability to effectively 'pitch' their ideas/propositions to potential investors;
- Increased understanding of equity finance;
- Broadened their network of contacts; and
- Increased their exposure amongst potential investors.

Level of Halo Maturity

The analysis clearly indicates that the trend in investment being made through the Halo network is upward across the nine-year period, with a significant increase in levels of investment being experienced between Phases II and III (when investment levels were c. 6 time higher) when the network was reinvigorated. Positively, despite a number of identified issues that potentially restricted levels of investment activity, during Phase IV (to date) levels of investment have increased by 5% vis-à-vis Phase III.

The benchmarking analysis suggests that on an overall basis Halo compares well vis-à-vis other business angel networks (e.g. Xénos) across a number of metrics (e.g. angel groups/syndicates) but performs less well in relation to other metrics (number of investment deals). LINC Scotland, which has been in operation for a significantly longer period than Halo (11 years more), performs significantly better than Halo across all metrics reflecting the relative maturity of its business angel ecosystem.

Whilst it is the Evaluation Team's view that it is difficult to state with any certainty what could realistically be achieved by the Halo network in terms of the key output metrics and the associated timeframes in which

¹ See Nesta, *Siding with the Angels*. It is also noted by the research that 56% of exits failed to return capital.

the network would realise these, discussions with Invest NI and Halo suggest that the network should be aspiring to achieve levels of outputs akin to that currently being realised by LINC Scotland. Whilst achieving outputs akin to LINC Scotland is likely to take a considerable duration given the relative maturity of the NI business angel ecosystem., it is the Evaluation Team's view that Halo is currently undertaking appropriate activities to grow the network and realise its potential in the longer term.

Return-on-investment and Value-for-money

The Evaluation Team is unable to conclude on the return-on-investment that has been provided by Phase IV of Halo to date on the basis that:

- The Evaluation Team has not 'grossed up' the outcomes of the businesses/entrepreneurs feedback to measure the impact of the support at a programme level²; and
- It has not been possible to determine the full economic costs of delivering Halo during the period under review.

In addition to the above points, it is the Evaluation Team's view that a fully informed assessment of the value-for-money delivered by Halo can only be undertaken in the medium to longer term. This assertion is based on the fact that it is widely recognised that there is a time-lag (which can amount to years) between businesses receiving business angel investment and the subsequent realisation of outcomes and impacts. This should not, however, detract from the significant benefits that have been delivered by Halo during the period under review in terms of fostering private sector investment in start-up and early growth high-potential businesses/entrepreneurs, as well as the significant wider and regional benefits that have been generated.

Equality Considerations

At the time of Evaluation, Invest NI had not undertaken an Equality Impact Assessment (including a Section 75 Screening exercise or Human Rights Impact Assessment) on the Halo Programme³.

It should be noted however that the Evaluation Team's review of Halo activity, monitoring information provided during the evaluation process and our discussions with entrepreneurs/businesses and business angels have identified:

- No evidence of higher or lower participation or uptake of different groups;
- No evidence to indicate that different groups had different needs, experiences, issues and priorities in relation to Halo activity;
- No opportunities to better promote equality of opportunity or better community relations by altering the work of Halo; and
- No accessibility issues that might run contrary to the Disability Discrimination Act 1995.

On this basis, the Evaluation Team concludes that whilst Halo was not specifically targeted at any of the specific Section 75 categories, it does not appear to have had an adverse impact on any Section 75 group.

² Due to small population sizes and associated sample sizes.

³ Albeit an Equality Impact Assessment had been undertaken on the Access to Finance Strategy.

Recommendations

1. Invest NI should continue to support Halo and ensure that all approvals are obtained in a timely manner.
2. Invest NI should introduce a SMART target relating to Halo network member investment. This should only include investments made by an individual/syndicate during the period that they have paid their membership fee. Follow-on investment and number of business angel members should be monitored but there should not be an associated Halo target.
3. By way of assisting with the accurate measurement of levels of business angel activity/passivity, Invest NI should encourage Halo to provide a disaggregation of investment made by both Halo and non-Halo business Angels, at an individual angel level. This information could, where necessary, be provided in an anonymous format.
4. Invest NI should review the procedures that have been put in place to monitor the total actual costs incurred (by key cost categories) and income/in-kind contributions derived (i.e. from the NISP, membership fees and sponsorship income) against those anticipated at the outset.
5. Invest NI should appropriately assess the risk of Halo working in collaboration with Seedrs (and any other organisations licensed by the FCA to provide financial advice).
6. Any future economic appraisal should take cognisance of the findings of the 'roadmap' being developed by Halo, especially as part of the setting of future SMART targets.
7. In the event that approval is given to the creation of NI's first Pilot Seed Accelerator (currently being appraised by Invest NI), Invest NI should explore the mechanics of how Halo should be embedded within its future operation (and specifically the demonstration day element of the Accelerator Programme).
8. Invest NI should ensure that the longer term/downstream impacts of the investment on the NI economy are examined (in-line with NIGEAE and Invest NI's EAM). Cognisance should be given to deadweight and displacement considerations, as well as the level of support provided by Invest NI to Halo as a proportion of the total support/income when determining the contribution that Halo has made to the achievement of these benefits.
9. A longitudinal approach should be taken to evaluating the longer term impact of the activities delivered by Halo. This will require future evaluations to revisit previous phases of the Programme to ascertain the impact that has been derived.
10. Linked to the previous recommendation, it is recommended that cognisance should be taken of the outcomes of Invest NI's future review of the impacts made by Halo to date (due to be undertaken in 2013/14) when establishing future output and outcome SMART targets.
11. By way of ensuring that Invest NI is fulfilling its equality obligations (for example relating to Section 75 of the Northern Ireland Act 1998 and the Disability Discrimination Act) it is recommended that Invest NI undertakes an Equality Impact Assessments of Halo at the earliest opportunity.

1. INTRODUCTION AND BACKGROUND

1.1 Introduction

Invest NI has commissioned Cogent Management Consulting LLP ('Cogent' or the Evaluation Team) to undertake an independent interim evaluation of the Halo Programme, covering the period 1st May 2011 to 30th April 2013.

The evaluation has been undertaken in line with national and regional requirements. It is compliant with Central Government guidance including:

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- "The Magenta Book: Guidance for Evaluation"; and
- Invest NI Economic Appraisal Methodology (EAM) guidance.

1.2 Halo NI

1.2.1 Overview and Background

A significant body of research exists which suggests that there is a recognised gap in the continuum of the supply of equity and debt finance for start-ups and early growth businesses. The research suggests that this gap has emerged due to a combination of structural market failures relating to the demand for, and supply of, finance⁴.

Business Angels - high net-worth individuals who invest (either individually or with other angels as part of 'syndicate') in an entrepreneur/business and provide ongoing advice and expertise - have long been recognised as playing an important role in addressing the aforementioned gap in the finance ecosystem.

Over the last three decades, Business Angel networks have emerged to facilitate the investment process by providing a forum which brings together the high-potential early stage businesses and business angels.

Northern Ireland's Business Angel network Halo NI (hereafter 'Halo') was established in 2004 and seeks to "*create a strong business angel network, investing in NI based companies; with the active involvement of a strong community of motivated high net worth individuals*".

1.2.2 Development of Halo

Halo was established in March 2004 as a two year pilot (Phase I) by Investment Belfast Limited with financial support from Invest NI, InterTradeIreland and the Northern Ireland Bankers Association.

A second phase (Phase II) of Halo was supported by the aforementioned organisations between March 2006 and February 2008. During this time (March 2007), Investment Belfast Limited ceased trading and the Halo programme moved into the management of the Northern Ireland Science Park (NISIP) who agreed to manage the programme until February 2008. This was subsequently extended to July 2008 pending a decision on whether or not Invest NI and InterTradeIreland would continue to fund the network's costs.

⁴ See Section II for further details.

Funded by Invest NI and InterTradeIreland, the third phase (Phase III) of Halo ran from May 2009 to April 2011 and continued to be managed by the NISP. Invest NI is now the sole funder of the current Phase (Phase IV) which commenced in May 2011. Halo is currently in its third and final year of operation as part of the current phase of the Programme.

Table 1.1: Overview of the development of Halo				
Phase	Start date	End date	Manager	Funder(s)
I	2004	2006	Investment Belfast	Invest NI, NI Bankers Association, InterTradeIreland
II	2006	2008	NISP	Invest NI, NI Bankers Association, InterTradeIreland
III	1 st May 2009	30 Apr 2011	NISP	Invest NI, InterTradeIreland
IV	1 st May 2011	30 Apr 2014	NISP	Invest NI

Whilst Invest NI is the sole public funder of Halo Phase IV, the brand and assets of Halo jointly belong to Invest NI and InterTradeIreland. These are licensed to the Halo Programme manager (NISP) for the three year period of Halo Phase IV.

1.2.3 Model of operation – Facilitation of Halo Events

Halo’s operation centres on a series of bi-monthly investment events at which entrepreneurs/businesses are provided with the opportunity to ‘pitch’ investment opportunities to prospective business angel investors. An overview of the model of delivering these events is provided below with further detail provided in the succeeding paragraphs:

Figure 1.1: The Halo Event process



Stage 1: Entrepreneur/business selection

The selection process commences with entrepreneurs/businesses completing an on-line Short Application form which enables Halo to make an initial assessment of whether the business is both eligible and ‘investment ready’ in terms of having:

- An idea with potential;
- A credible market in mind;
- Some of the key staff in position or lined up ready to join;
- A believable business model;
- Projections which show significant potential;
- A credible exit strategy e.g. a trade sale of the business; and
- Ideally being suited to the Enterprise Investment Scheme (EIS) or Seed EIS tax scheme which is very attractive to angel investors.

In addition, the company:

- Must have a significant presence in NI; and
- Must not be dealing in property or land or be involved in core retail activity (e.g. shops). All other types of company are potentially eligible and there is no sectoral targeting.

Entrepreneurs/businesses that are deemed to fit the above criteria⁵ are then invited to fill in a Full Application Form, which provides further details of the business proposition, some of which will ultimately be shared with the business angels⁶. Based on the growth potential of the proposition and the likelihood of gaining funding from the Halo Angel Group, typically six businesses are selected to pitch (with up to three shorter ‘mini-pitches’ added to this).

Entrepreneur/business preparation

Once selected to pitch the entrepreneurs/businesses engage in a pitch preparation stage where they are typically required to:

- Update their application form;
- Attend a Halo training day to prepare them to pitch to the business angels. More specifically, the training provides example (real) pitches, information on the format of the Halo event and the angel audience and support to enhance their presentation skills;
- Prepare a 12 slide ‘pitch’ presentation based on a standard format provided by Halo, who then critique the slides and remove unnecessary information (typically this will occur over three iterations);
- Undertake a rehearsal of the presentation with Halo staff at least one week before the event. It is not unusual for companies to be made to repeat this rehearsal until they are deemed to be ready to pitch at the Halo event; and
- Where required, entrepreneurs/businesses video-record their full pitch for the website (in cases where only a mini pitch is being given).

Event facilitation

Meetings are usually held in the NISP and are facilitated by the Halo Project Director to optimise the opportunities for interaction between entrepreneurs and investors. With a view to encouraging higher attendance levels, no information about the pitching business/entrepreneur is provided to the Angels in advance of the event.

The event commences with dinner at tables where angels and companies are mixed. All attendees have colour-coded badges which allows for instant recognition of those who might invest. This affords angels the opportunity to ask informal questions and to establish their own interest in investing.

Each presentation follows a predetermined format and has a strictly limited (fifteen minute) time slot within which to present. Shorter, five minute ‘mini pitches’ are also utilised. The presentations are also videoed and uploaded onto the secure investor area of the Halo website to facilitate access for those business angels who are unable to attend. Halo contacts angels who were unable to attend and prompts them to view pitches that may be of interest.

No question and answer (Q&A) sessions are included. Instead, angels are strongly encouraged to visit the tables of the pitching companies and to ask their questions directly.

All pitching entrepreneurs remain present throughout the event and hence get to see the pitches of the other companies. The final session after all of the pitches allows the angels to visit the tables of all of the companies and is when most potential business relationships are started.

⁵ Halo notes that common reasons for entrepreneurs/businesses being turned down at the Short Application stage typically includes the business not being based in NI and/or the investment opportunity not having sufficient growth potential and/or the investment opportunity not being sufficiently developed.

⁶ During consultation, Halo confirmed that 25-40 Short Application forms will typically be submitted with 15-20 of these asked to complete the Full Application form. The application window closes one month before each Halo event.

Post event

On the night, the reaction from angels on each company is received via feedback forms and this allows angels to indicate who they are interested in following up. From this, Halo is able to co-ordinate those interested with that particular entrepreneur/business via email. Halo will also provide a web tool that will allow the company and the investors to arrange the best time to hold a group meeting. Some investors will be unable to make it to this meeting, so it is the responsibility of the entrepreneur/business to ensure that the investor is kept up to date and a meeting arranged individually.

The meeting will usually be facilitated in the Science Park, although the company is free to hold it at their own premises. At these meetings the entrepreneur/business can go into additional detail not permitted by the 15-minute limit on the pitch, such as discussing their Business Plan, company accounts and projected growth. Importantly, as Halo is exempt from the provisions of the Financial Services and Markets Act 2000, and is not regulated by the Financial Conduct Authority (FCA), it cannot provide investment advice or provide due diligence support to investors.

1.2.4 Model of operation – Other Halo activities

Whilst the facilitation and delivery of events is the key focus of Halo, the network seeks to engage in a range of other activities that seek to foster the investment process. Other key activities delivered by the Network include (but are not limited to):

- Creating new groups of angels or ‘syndicates’ which allow business angels to spread their monetary risk whilst also increasing the level of knowledge and experience that can be applied to the entrepreneur/business;
- Facilitating non-investment meetings to facilitate business angel networking and the delivery of business angel ‘masterclasses’ (by an experienced angel investor) to enhance the investment knowledge and expertise of less experienced investors;
- Administering centralised funds such as the Halo Business Angel Enterprise Investment Scheme (EIS) Fund. These funds are discussed in greater detail in Section 3;
- Partnering and relationship building with external angel groups (both North/South and East/West);
- Developing partnerships with other non-angel groups where relevant; and
- Research and collection of data on NI angels to inform regional government.

Detail of the activity that was delivered during the period under review is provided in Section 3.

1.3 Programme Approval

In April 2011, an Economic Appraisal was undertaken by Invest NI’s Corporate Finance Division (CFD) on a Business Plan submitted by NISP seeking financial support for the continued operation of Halo during the period May 2011 to April 2014 (i.e. Phase IV of Halo). The subsequent casework submission was approved by the Invest NI Board Casework Committee (BCC) during the same month.

1.3.1 SMART Targets

As detailed in Table 1.2 below, the 2011 Economic Appraisal identified 14 SMART targets for Halo over a three year period.

Table 1.2: SMART targets established for the Halo Programme				
Target	2011/2012	2012/2013	2013/2014	Total
Angel investment	£1.125m	£1.15m	£1.2m	£3.475m
Deals	10	10	10	30
Leveraged investment	£2.25m	£2.3m	£2.4m	£6.950
EIS or other angel Fund	1	1	1	3
Funds raised in the EIS Fund	£250k	£250k	£250k	£750k
Deals invested by the Fund	4	4	4	12
Angel members of Halo	150	175	200	-
Meetings with pitching companies	60	60	60	180
Halo investment meetings	5	5	5	15
Investment meetings outside Belfast	1	1	1	3
Companies pitching (incl. virtual)	30	30	30	90
Angel networking events	5	5	5	15
PR articles or broadcasts	20	20	20	60
New syndicates formed	1	1	1	3

The progress made towards the achievement of these targets for the first two years is detailed in Section 3.

1.3.2 Programme funding

It was envisaged that the total cost of delivery Halo over the three year period would be c. £747k, disaggregated as follows:

Table 1.3: Anticipated costs (£'000s)					
Costs	2011/12 (11 months)	2012/13 (12 months)	2013/14 (12 months)	2014/15 (1 month)	Total £000
Salaries	144	163	172	14	493
Overheads	73	85	89	7	254
Total	217	248	261	21	747

The above operational costs were to be supported by a mixture of financial support provided by Invest NI, NISP and other income (e.g. from business angels).

Table 1.4: Anticipated income (£'000s)					
Funding:	2011/12 (11 months)	2012/13 (12 months)	2013/14 (12 months)	2014/15 (1 month)	Total £000
Invest NI	147	155	151	12	465
NISP	32	38	35	3	108
Income	38	55	75	6	174
Total	217	248	261	21	747

Further information on the proposed and actual costs incurred during the period under review is detailed in Section 7.

1.4 Invest NI's Requirements

Invest NI requires a review of the Halo Programme's operation and impact, identifying areas of under/over performance and recommendations relating to the future scope of support to early stage businesses seeking early investment.

The overall evaluation objectives are to:

- Examine the extent to which Halo has performed against its targets and objectives and determine whether targets are appropriate;
- Assess the maturity and growth potential of the Halo network, recognizing that formal angel investing in Northern Ireland is in a developmental phase;
- Determine the economic impact (actual and projected) of the investment projects brokered by the Halo network in Phases III and IV and identify how impacts can be assessed in the future; and
- Consider the merits of an extension of the Invest NI funding of the current Phase IV of Halo for a further two years.

Further details of Invest NI’s specific requirements are detailed in full within Appendix I.

1.5 Methodology

In conducting the evaluation, Cogent employed a methodology that included:

- A robust desk-based analysis of pertinent materials relating to Halo during the period under review;
- Development of primary research tools to be used with Business Angels and investees⁷;
- Consultation with the Steering Group that was established for the evaluation. This included representation from Invest NI’s CFD team;
- Consultation with key stakeholders involved in supporting the delivery of early stage finance to businesses and entrepreneurs;
- Electronic survey with six Halo business angels⁸. Given the small sample of business angels self-selecting to participate in the primary research, caution should be taken in interpreting the results as being representative of the Halo business angel community;
- A telephone survey with 16 investees/businesses that received investment during Phases III and IV of Halo; and
- A telephone survey with 26 investees/businesses that ‘pitched’ to Business Angels during Phase IV but did not receive investment. A summary of the number of businesses engaging in the primary research (and the associated confidence intervals) is provided in Table 1.5 below.

Programme Phase	No. of businesses receiving investment	Numbers of business contact details provided by Halo	No. of businesses providing feedback	% of potential businesses engaged in primary research	Confidence Interval
Phase III	19 ⁹	9 ¹⁰	4	44%	+/- 45%
Phase IV - Investment (up to May 2013)	24	23 ¹¹	12	52%	+/- 20%
Phase IV - Pitch Only (up to May 2013)	89	58 ¹²	26	45%	+/- 16%
Phase IV total	113	81	38	47%	+/- 13%

⁷ The content and format of these primary research tools were agreed in conjunction with Invest NI and Halo.

⁸ As part of the research process, Halo made initial contact with the network’s Angels to garner levels of willingness to engage in the research. Of the total number of Angels at that time (N=108), 15 (14%) confirmed their willingness to participate. The survey was subsequently disseminated to these Business Angels and 6 responses were provided. The low number of responses is likely to reflect business angels’ preference for their business investment activity to remain confidential.

⁹ Source: Final Evaluation of Halo Phase III (September 2011)

¹⁰ Halo provided Cogent with 17 contacts overall who received investment in Phase III however 4 of these businesses are no longer operating and a further 4 were provided with funding in Phase IV therefore are included in our Phase IV consultations.

¹¹ Includes 4 businesses who received investment in Phase III.

¹² 6 of which we were unable to contact as numbers were invalid.

Given the low number of investees/businesses contact details (N=32) that were provided for investees/businesses in receipt of investment during Phases III and IV (N=42) and the subsequent number of investees/businesses and Business Angels providing feedback during the primary research, the Evaluation Team has not (at the request of Invest NI) applied a 'grossing-up' methodology to examine the impact of activity at a programme level. This has subsequently limited the conclusions that can be drawn in relation to assessing the 'Performance and Impact' and 'Return on Investment and Value for Money' elements of the Terms of Reference. Caution should be taken in interpreting the results as being representative of the respective stakeholder groups.

2. STRATEGIC CONTEXT & RATIONALE

2.1 Introduction

In-line with Invest NI's TOR, Section 2 provides a high-level summary of the rationale that was approved for supporting Phase IV of Halo, as well reviewing the strategic context under which the current phase operates.

2.2 Investment Rationale

The Evaluation Team's review of the 2011 Economic Appraisal for Halo Phase IV funding and other existing research suggests that a number of factors combined to provide a strong rationale for Government intervention. These included:

- **The existence of the 'Debt and Equity Gap'** - At the time of approval a significant body of research¹³ suggested that there was a recognised gap in the continuum of the supply of finance for deals up to £2m for start-up and early growth businesses.

The research suggests that a number of market failure and non-market failure factors combine to create the aforementioned equity gap these included:

- **Structural market failure caused by asymmetric information on the supply and demand side** - Research¹⁴ suggests that existence of asymmetric information on the supply and demand side had contributed to creating the finance gap (both in debt and equity terms).

Supply side

On the supply side, a structural market failure exists in the provision of debt finance to SMEs due to asymmetric information between the lender and the business. It is difficult for the lender to distinguish between high and low risk entrepreneurs without incurring significant costs. To avoid the costs associated with gathering this information, lenders often require borrowers to provide evidence of a financial track record and/or collateral as security for the finance. Therefore, a market failure exists because the financial institution's decision to lend is based on collateral and track record, rather than the economic viability of the business. This means, some young businesses with viable business propositions that lack a track record or collateral are prevented from raising the finance they need.

Lenders aversion to providing capital to fledgling entrepreneurs and businesses was, and continues to be, exacerbated by the economic downturn which has significantly reduced financial lending. However, research by the ACCA/CBI¹⁵ suggests that *"as the recovery gets underway it is creating a need for working capital and thus a great deal of latent demand for finance. Only a small part of this, however, translates into actual requests for new funds. One reason for this is discouraged demand – the perception that banks and other providers will simply not lend is forcing SMEs to abandon their financing plans and instead tap their suppliers, their customers, or even friends and family, for finance."*

¹³ For example, see 'Bridging the Finance Gap', HM Treasury (2003), 'SME Financing Gap', Joint European Resources for Micro to Medium Enterprises (April 2008) and the Invest NI (2009): Proposal to Strategic Investment Fund.

¹⁴ For example see 'The Supply of Equity Finance for SMEs: Revisiting the equity gap', SQW for BIS (2009) and SME Access to External Finance (BIS Economics Paper No. 16 (2012).

¹⁵ Small business finance and the recovery; results of the 2010 SME credit and finance surveys, ACCA and CBI 2010

It is widely recognised that an ‘equity gap’ also exists in the provision of modest amounts of equity finance to individuals and SMEs. This is also due to asymmetric information between the investor and the business on the likely viability and profitability of the business. Assessing the quality of SME proposals and associated risks is difficult and leads to the investor to incur transaction costs of undertaking due diligence. These transaction costs are generally fixed and do not vary greatly with the size of investment. For instance, due diligence costs are typically between £20k and £50k. They are therefore higher as a proportion of the investment deal size for smaller investments, and for a small investment in a technically complex company, the costs can easily account for 10% or more of the investment. This results in a structural gap in the market where investors and risk capital fund managers focus on fewer, larger investments in more established (lower risk) businesses at the expense of early stage venture capital. This leaves potentially viable businesses with growth potential not being able to obtain equity finance given their relatively small deal size.

In addition to the above, investors (especially those from outside NI) may not be aware of the potential investments that exist in a small peripheral market such as NI due to the historic lack of investment activity and their lack of knowledge of the NI market (i.e. asymmetric information).

Demand side

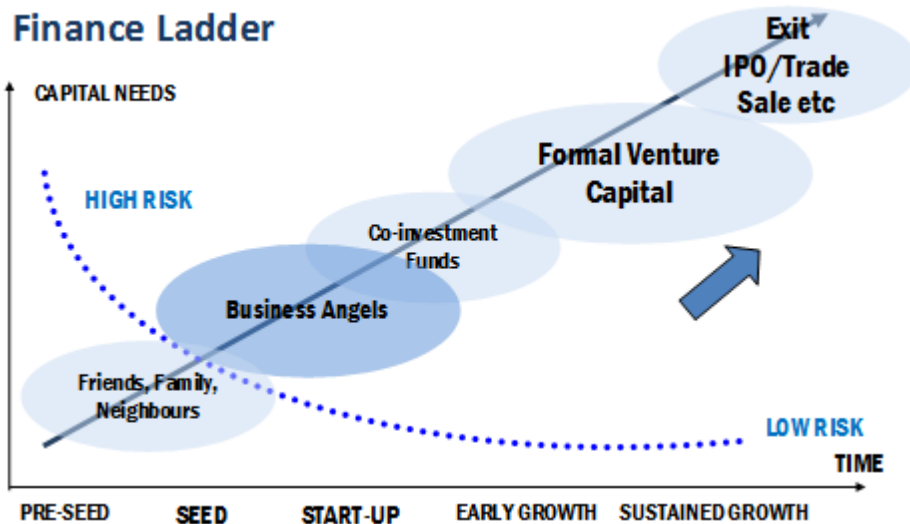
In addition, research suggests that there are asymmetric information market failures affecting the demand side for businesses seeking finance. Individuals or SMEs may not fully understand the potential benefits to their business of raising finance or their likely chance of success in gaining finance, which ultimately means they do not apply. This may restrict the growth of businesses. Business owners can also lack knowledge of funding sources available or lack the skills to present themselves as investable opportunities to investors, which combine with problems on the supply-side. It is suggested that demand side market failures may be most acute in businesses seeking equity finance, with many SMEs lacking information on how equity finance works and where to obtain such finance.

- **Existence of positive externalities** - There is an under supply of equity finance to young high growth potential businesses due to the divergence of private and social benefits from investing in these businesses (as investors are primarily concerned with the financial returns from their investment). It is suggested that this results because investing in early stage innovative businesses can lead to a number of positive spill-over effects known as externalities through innovation and knowledge transfers to other parts of the economy, which private investors do not take into account when making their decision to invest in venture capital.
- **Market power** - Market power can arise as a result of insufficient actual or potential competition to ensure that the market continues to operate efficiently. Market power can also be created by high start-up costs, which can deter entry by competitors in the first place.

The 2011 Economic Appraisal suggested that this form of market failure is evident in the NI business angel and VC markets due to the limited supply of angel and VC funds and the lack of outside private investment. The relatively low levels of business angel and VC activity in NI means that the cost of business angel and VC management and set up costs are disproportionately high, which may be a deterrent to investors from outside NI. Market failure could be said to be brought about by the high fixed cost of the formal process. Within such markets the private sector will provide the capital but they require assistance with the delivery and set up costs i.e. if left purely to market forces such structured angel investment may not occur.

It was suggested that business angel investment could play an important role in closing this gap (especially at the £250k to £1m levels) as depicted below:

Figure 2.1: The role of business angels in closing the Equity Gap



- **Historic trends in Angel investment in NI-** It was (is) commonly noted that NI angel investment market is underdeveloped relative to the rest of the UK in terms of (amongst other things) the: number and average size of deals, the number and experience of its angels, the number of syndicates (1 at the time of funding¹⁶) that had been formed and the number of successful exits (0 at the time of funding).

The 2010, Interim Evaluation of Phase III of Halo suggested that “the Northern Ireland business angel market is still immature relative to other UK jurisdictions. Whilst the Halo (NI) project has made a good start, it is no more than that and there is a long way to go to develop the scale and scope of early stage funding that a successful knowledge-based, export-oriented economy requires.”

The 2011 Economic Appraisal and Phase III Evaluation suggested that NI is perceived to suffer from a number of factors including:

- The NI business sector is dominated by SMEs who are typically characterised as being conservative in nature and have been reluctant to sacrifice equity in exchange for finance
- Angel investing is relatively new in NI¹⁷ with NI-based investors historically choosing to invest in other opportunities such as property. As a result of their lack of angel investment experience, NI-based angels are viewed to be more prone to making ‘green’ investment mistakes, including:
 - Overconfidence in their ability to select the best investments and that these investments will provide a positive return. A 2009 Nesta report (“Siding with the Angels”) suggests that 56% of all investments will fail;
 - Only investing in a small number of investments (typically 1 or 2) rather than spreading their investments to share the risk. However, in order to succeed overall, the Nesta report suggests that angels should spread their investments across at least 10 companies. Similarly the report suggests that some 80% of UK investments are made with co-investors;
 - Investing too much too early in the process;

¹⁶ The Volcano syndicate.

¹⁷ The Halo network has only been running for 9 years. This is short in comparison to other UK regions e.g. Scotland which has been operating for over 15 years.

- Not sharing workload with other angels;
 - Not dedicating enough time to support the fledgling business;
 - Expecting positive results too soon. However, the Nesta report suggests that the average time for a positive outcome for an angel investment is 6 years;
 - Not undertaking robust due diligence. Unsurprisingly, based on its empirical findings, Nesta reports that Angels who did more than 20 hours of due diligence tend to fare much better.
- The lack of track record in angel investing creates some uncertainty regarding how to structure such deals;
 - Northern Ireland has traditionally had relatively little mentoring resource for business promoters;
 - There is a culture of privacy and secrecy regarding monies available to invest and subsequent investments made; and
 - NI is too small to sustain sector specific angel syndicates on its own.

- **Structural issues in the NI Economy** - The 2011 Economic Appraisal suggested that there are a number of structural issues associated with the NI economy that have an impact on the demand for equity finance. These issues, including the peripherality of NI, its small business population and high levels of economic inactivity, have all contributed to lower levels of GDP per head in NI than the rest of the UK. Overall these have a negative impact on the demand for early stage and development finance.

Furthermore, the Appraisal noted that a number of other economic factors, more specifically related to early stage and development investment activity, have resulted in market imperfections, including the relatively small number of technology and knowledge based businesses, a smaller number of universities from which spin-outs can emerge and a dependency on government grants, which have helped to displace equity. It was the view of the Appraiser that these structural problems exist in NI, which impact on the demand and supply of business angel investment, are unlikely to change in the short term.

- **Additionality** - The 2011 Appraisal suggested that “*the Halo project does not appear to present any concerns in relation to additionality*”. Moreover the Appraisal suggested that:
 - Like similar initiatives across the UK and RoI, public sector intervention/assistance is necessary to support the set-up and delivery costs of business angel networks. The experience of other regions¹⁸ suggests that angel networking is almost never able to be financially self-sustaining, and therefore requires public sector intervention to operate and maintain momentum;
 - The NI business angel market remains underdeveloped relative to other regions of the UK and RoI; this would therefore suggest that additional support is required to further develop the NI angel market;
 - Government policy recognises the limitations of market-driven processes: left to themselves, markets cannot always be relied upon to deliver outcomes that ensure opportunity for all, and there is a role for government to intervene where this is the case;
 - There is a need for public sector intervention in the delivery of angel networks to act as a catalyst for private sector investment in the angel market. NI is a peripheral region and it is difficult to attract and retain VC fund management skills to NI and this has enhanced the attractiveness of angel investment; and
 - Without intervention from government, the momentum required to sustain angel investment is likely to diminish.

¹⁸ This coincides with the Evaluation Team benchmarking analysis where all regions benchmarked are in receipt of public sector support. The Evaluation Team is unaware of any other business angel networks that are self-sustaining.

- **Duplication** – The 2011 Appraisal suggested that Halo NI “does not appear to present any significant concerns in relation to displacement” as it was (is) the only business angel network of its kind in Northern Ireland, and “it has been demonstrated that there is a clear continuing need for angel investment to support early stage business funding and development, on the ‘finance ladder’ continuum of funding”.

Further information on the need for the Halo Phase IV, as presented in the Economic Appraisal, is detailed in Appendix II.

2.3 Strategic Context

Subsection 2.2 provides a summary of the operational ‘fit’ of the Halo with the various Governmental strategies and imperatives that existed (or continue to exist) for the period under review.

2.3.1 NI Programme for Government 2008-2011 (PfG, 2008)

The Programme for Government (PfG) 2008-11 set out the Northern Ireland Executive’s strategic priorities and key plans for the period 2008 - 2011. The overarching aim of the strategy was to:

“Build a peaceful, fair and prosperous society in Northern Ireland, with respect for the rule of law and where everyone can enjoy a better quality of life now and in years to come.”

Programme for Government 2008-2011

Under its ‘Growing a Dynamic Innovative Economy’ Priority (the top priority over the lifetime of the PfG), the Government acknowledged that “our companies must become more innovative and invest more in research and development”.

Key PSAs which sought to support the ‘Growing a Dynamic, Innovative Economy Priority’ and were particularly pertinent for the TDI Scheme included:

- **PSA 1: Productivity Growth** - Improve Northern Ireland’s manufacturing and private services productivity; and
- **PSA 3: Increasing Employment** - Subject to economic conditions, increase employment levels and reduce economic inactivity by addressing the barriers to employment and providing effective careers advice at all levels

2.3.2 DETI Corporate Plan 2008-2011

As part of the DETI’s 2008-2011 Corporate Plan, the Department’s goal is “to grow a dynamic, innovative economy”. As part of achieving this goal, DETI is committed to contributing to a number of relevant Public Service Agreements (PSAs), including PSAs 1 and 3, and have established a number of key objectives relating to these. The 2011 Economic Appraisal suggested that there was the potential for Halo facilitated projects to contribute to the following DSOs actions, outputs and targets within PSA1 and PSA3¹⁹:

Table 2.1: Halo’s strategic fit with PSA1 and 3	
PSA 1: Productivity Growth	
DSO	Action/Target
DSO1 - Promote a Competitive and Outward Looking Economy	<p>Action - Invest NI will assist businesses that have a focus, or ambition to focus, on markets outside Northern Ireland or are seeking to generate wealth from outside Northern Ireland.</p> <p>Specific activity outputs include: 600 new first time exporters; Support companies to diversify into new markets; Improve the sales and marketing</p>

¹⁹ Please note that the PSAs do not feature in DETI’s current Corporate Plan and hence no longer apply.

Table 2.1: Halo’s strategic fit with PSA1 and 3	
PSA 1: Productivity Growth	
DSO	Action/Target
	capability of NI businesses; Support 45 new start-ups exporting outside the UK and 300 exporting to GB.
DSO2 - Attract and support high quality investment, both foreign and locally-owned	<p>Actions – Invest NI will prioritise its resources on:</p> <ul style="list-style-type: none"> Existing client companies whose investment plans demonstrate increasing productivity; Attracting inward investment projects that will promote jobs with salaries above the Private Sector Median (PSM) or increase the value added in the relevant sector; and New inward investment marketing activity that seeks to secure contestable projects that promote jobs with salaries above the NI PSM or increase the value added in the relevant sector. <p>Specific activity outputs include: Secure investment commitments of £1.2bn; Support 90 inward investment projects; and Support 45 new start-ups exporting outside the UK and 300 exporting to GB.</p>
DSO4 - Promote higher value-added activity through innovation and the commercial exploitation of R&D	<p>Actions – Invest NI will:</p> <ul style="list-style-type: none"> Secure Research & Development investment commitments of £120m; 300 companies to engage in Research & Development for the first time; and <p>Increase the commercialisation of intellectual property from NI’s university and company research base.</p>
PSA3: Increasing Employment	
DSO/Indicator/Target	Potential Project fit
DSO3 - Increase employment opportunities by attracting high quality inward investment and supporting domestic investment	<p>Indicator 6: Annual wages and salaries secured Target: By March 2011, total annual wages and salaries secured of £345M from inward investment successes and growth from locally-owned clients. Indicator 7: Jobs created from inward investment Target: 6,500 new jobs from inward investment</p>
DSO4 - Promote business growth	<p>Indicator 8: Number of business start-ups exporting to GB and outside UK Target: 45 Global Start companies created exporting outside the UK and 300 Export Start companies created exporting to GB.</p>

2.3.3 Invest NI Corporate Plan 2008-2011

Invest NI’s Corporate Plan for the period 2008-2011 stated that the priority of the Corporate Plan was to increase business productivity, the means by which wealth can be created for the benefit of the whole community. It was anticipated that this would be achieved by:

- Realising the potential of existing businesses - In realising this objective, the Corporate Plan suggested that this would require businesses to innovate at all levels. As such, Invest NI committed to promoting and embedding an innovation culture in its clients levels of their businesses;
- Shifting the sectoral focus towards higher value-added sectors; and
- Nurturing the development of frontier technologies in our companies and in universities.

The Invest NI Corporate Plan was developed within the strategic framework set out in DETI’s Corporate Plan and the PfG for the same period. As such, the main actions, outputs and targets for the Corporate Plan have been developed in this context. Those relevant to the proposed project have been outlined in the tables above.

In focusing on these priority actions, and in particular ‘Frontier Technologies’, Invest NI aims to ensure a stream of risk capital for early-stage technology ventures to support indigenous and overseas based entrepreneurs to locate in Northern Ireland.

2.3.4 Independent Review of Economic Policy (IREP Panel, 2009)

‘The Independent Review of Economic Policy’ (IREP) aimed to consider the extent to which DETI/Invest NI policy should change in order to stimulate convergence in productivity and ultimately living standards between NI and the rest of the UK.

The report contains a number of recommendations on policy issues relating to DETI and Invest NI. The review addresses the role DETI and Invest NI have to play in the Venture Capital market in Northern Ireland, making the following recommendation with regard to Northern Ireland public sector involvement in Venture Capital:

*‘The Review Panel recommends that, aside from those funds designed to support seed stage projects, Invest NI should disengage its direct involvement with Venture Capital funds. Rather than direct participation in the market, **Invest NI should act as a facilitator between companies and VCs.** In the case of seed stage VC funds, Invest NI should avoid placing restrictions on the market.’*

In response to this specific recommendation, the DETI Minister’s statement on 25 January 2010 to the Assembly included the following excerpts:

*“Then, with regard to the financing of businesses, I recognise that high growth businesses are a key driver of economic growth, not just because they develop themselves and generate significant employment growth, but also because their dynamism stimulates competition and innovation throughout the economy as a whole. **In many instances, equity funding is the most appropriate type of financing for such companies.** Recent evaluations demonstrate that an equity gap still persists in Northern Ireland, particularly covering the seed, early and development stages for deal sizes up to £2 million. Therefore, I am of the view that Invest NI continues to intervene to support the development of the venture capital market in Northern Ireland.”*

The 2011, Economic Appraisal suggested that “the Halo project represents an appropriate intervention in the context of the Minister’s statement on IREP”.

2.3.5 NI Programme for Government 2011-15

The NI Programme for Government (PfG) 2011-2015 (published March 2012) sets out that the Executive has taken the important step of making the economy its top priority.

The PfG contains 5 key priorities, one of which is: “Growing a Sustainable Economy and Investing in the Future”. The primary purpose of this Priority is to achieve long term economic growth by improving competitiveness and building a larger and more export-driven private sector. To do this, the PfG notes that we must *rebuild* the labour market in the wake of the global economic downturn and *rebalance* the economy to improve the wealth and living standards of everyone.

Primarily, Halo offers the potential to contribute to the NI Government’s associated objective of ‘growing the private sector’, with the support provided through the Network also offering the potential to facilitate ‘more jobs’ and ‘encouraging innovation and R&D’.

In terms of specific ‘key commitments’, Halo offers the potential to facilitate the delivery of ‘Achieving £1 billion of investment in the Northern Ireland economy.’

2.3.6 DETI Corporate Plan 2011-2015

In-line with the NI PfG and Economic Strategy, DETI’s current Corporate Plan places focus on creating wealth and employment through a focus on export-led economic growth. In reflection of this,

the Department's goal over the life of the Plan is to "*promote the growth of a competitive and export led economy*".

The Plan highlights the need for the NI Government to place focus on *rebalancing* and *rebuilding* the Northern Ireland economy, i.e. focusing on actions that will deliver the necessary rebalancing of the economy over the longer term, while taking immediate steps to rebuild the local labour market after the recession.

Within the Strategic Framework, a number of key priorities have been identified under the twin themes of rebuilding and rebalancing the economy. Of particular relevance to Halo, the Plan highlights the need to increase private sector productivity by (amongst other things) 'encouraging business growth'. Key measures and targets that Halo offers the potential to contribute to include:

- Increasing the number of new business start-ups; and
- Improving access to finance for businesses.

2.3.7 Invest NI Corporate Plan 2011-15

In-line with the NI PfG, Invest NI's 2011-2015 Corporate Plan sets out the organisation will contribute to the rebalancing and rebuilding of the NI economy to increase the overall standard of living by driving productivity growth and increasing employment. The Plan states that the support provided will be fully aligned with the drivers of economic growth (including 'encouraging business growth') and its activities will be targeted to increase the size, competitiveness and value of the private sector by '*embedding innovation, growing our local companies to scale, increasing our export base and attracting inward investment*'.

By way of encouraging business growth, Invest NI states that it will "*support ambitious entrepreneurs to accelerate growth, encourage higher levels of investment in local business formation and help eliminate the real and perceived barriers to growth.*" In doing so it is envisaged that this will lead to increased productivity and profitability amongst supported businesses.

The Corporate Plan notes that on the basis that "*Northern Ireland has suffered from market failure in the micro-financing, debt finance, venture capital, technology transfer and business angel funding markets*" steps will be taken to "*ensure that early stage businesses with high growth potential are not unduly constrained by lack of investment*". Whilst Invest NI states that it intends to utilise its Access to Finance Strategy to ensure this investment is provided, it is the Evaluation Team view that Halo also plays a vital component in the financing ecosystem and hence offers the potential to contribute to Corporate Plan's/Strategy's objectives including to:

- Encourage a thriving entrepreneurial economy with an increased flow of innovative start-ups;
- Support the emergence of strong export focused businesses operating in clusters based on the market need they serve;
- Enable more businesses to pursue aggressive and progressive growth strategies to succeed in international markets;
- Lower the costs of doing business and increased competitiveness; and
- Increase productivity amongst supported businesses.

Specific Corporate Plan targets that Halo offers the potential to contribute to under the theme of 'encouraging business growth' include:

- Promote 6,500 new jobs through local business starts;
- Promote 6,300 jobs in locally owned businesses, with 50% paying salaries above the Northern Ireland Private Sector Median and a further 6,500 new jobs in new start-up businesses;

- Secure £400 million investment commitments reflecting the growth of local businesses and £120 million in additional wages and salaries; and
- Enable 300 small and medium sized enterprises to access the funding required to drive growth.

2.3.8 Invest NI Access to Finance Strategy (July 2011)

As part of the Invest NI Access to Finance Strategy, Invest NI acknowledges that NI businesses are facing greater difficulties in financing growth given the lower levels of grant that is available and more stringent lending regimes by banks. However, alternative sources of finance, such as micro-financing, debt finance, venture capital, technology transfer and business angel funding, have not been widely available in Northern Ireland. This is partly because of the reluctance of small businesses to sacrifice equity and because larger venture capital companies from outside Northern Ireland are not interested in the relatively small size of potential deals.

Against this background it is clear that new financial instruments, such as venture capital and debt financing, need to be made available to support local businesses. This will help to rebalance and rebuild our economy and to drive private sector growth. In response to this, Invest NI has developed and is putting in place a suite of venture capital and loan funds totalling £100m to ensure that early stage companies with high growth potential are not held back because they cannot access finance.

The core tenets of this strategy are to:

1. Promote a continuum of funds;
2. Create a deal flow chain across seed, early and development funds; and
3. Retain and build on skills and capability of venture capitalists locally.

It is the Evaluation Team's view that Halo offers the potential to contribute to the objectives of the Access to Finance Strategy by contributing to the continuum of funds available to support the creation and growth of high potential early stage companies. Further information on the 'fit' of Halo with the Access to Finance Strategy is detailed in Section 5.

2.4 Summary Conclusions

The preceding analysis suggests that:

- At the time of Halo's approval there was a need for Government to provide support to facilitate the development and growth of the NI business angel network which was recognised to be underdeveloped relative to the rest of the UK in terms of Business Angel activity;
- Specifically, there was a gap in the continuum of the supply of finance for deals up to £2m for start-up and early growth businesses. This gap had arisen due to (amongst other things) key structural market failures (including asymmetric information, risk aversion and market power), the downturn in the economy which affected the availability of finance and structural issues associated with the NI Economy; and
- There was (at the time of approval), and continues to be, clear alignment between the aims and objectives of Halo and the strategic imperatives of the NI Government (including with DETI and Invest NI's Corporate Plans and the Invest NI Access to Finance Strategy). Specifically, in line with Government's strategic focus, the activities supported by Halo offers the potential to grow the private sector by facilitating the provision of investment and expertise to start-up and early growth businesses. In doing so, Halo offers the potential to *"help eliminate the real and perceived barriers to growth"*.

Please note that the Evaluation Team's analysis of the degree to which there continues to be a need for Government intervention (including the nature and extent of market failure that currently exists) can be found in Sections 5 and 8.

3. PROGRAMME ACTIVITY

3.1 Introduction

Section 3 provides an overview of the activity that was delivered through Halo during the period under review.

3.2 Overview of progress towards targets

Based on the Evaluation Team’s review of Halo monitoring reports²⁰ and consultation with Halo, Table 3.1 provides a summary of the progress that was made towards the targets that were established for the period under review. Further detail on the activity is provided in the succeeding paragraphs.

Table 3.1: Summary of progress towards targets										
Target	May 2011 – April 2012				May 2012 – April 2013				May 2011 – April 2013 ²¹	
	Target	Actual	Target Achievement	Variance	Target	Actual	Target Achievement	Variance	Target Achievement	Variance
Output										
Angel Investment	£1.125m	£405k	Target not achieved	-64%	£1.150m	£2.658m	Target achieved	+131%	Target achieved	+35%
Number of Deals	10	9	Target not achieved	-10%	10	15	Target achieved	+50%	Target achieved	+20%
Leverage following Angel investment	£2.25m	£399k	Target not achieved	-82%	£2.3m	£4.185m	Target achieved	+82%	Target achieved	+1%
EIS Fund or other angel Fund established ²²	1	1	Target achieved	0%	1	0	Target not achieved	-100%	Target not achieved	-50%
EIS Fund or other angel Fund raising (minimum)	£250k	£100k	Target not achieved	-60%	£250k	£0	Target not achieved	-100%	Target not achieved	-80%
EIS or other angel Fund Deals	4	1	Target not achieved	-75%	4	3	Target not achieved	-25%	Target not achieved	-50%

²⁰ Please note that the figures presented reflect the summary of activity noted by Halo on a monthly basis. Figures relating to the size of individuals investments are not included within these spreadsheets and the Evaluation Team has not undertaken an audit of the monthly summary figures presented.

²¹ Please note that targets for the cumulative activity for the first two years of Phase IV were not established. However, the Evaluation Team has included this analysis (by summing the quantified targets and actuals across the two years) to gain an overall perspective of the progress that was made across the entire period under review.

²² Please note that the Evaluation Team understands that the term ‘established’ relates to the time period within which the fund closes for business angel investment (in the case of the two Halo EIS funds that were established) or when the minimum business angel investment threshold was reached (in the case of the Halo Grow Fund).

Table 3.1: Summary of progress towards targets

Target	Year 1 - May 2011 – April 2012				Year 1 - May 2012 – April 2013				May 2011 – April 2013	
	Target	Actual	Target Achievement	Variance	Target	Actual	Target Achievement	Variance	Target Achievement	Variance
<i>Activity</i>										
Angels Registered	150	113	Target not achieved	-25%	175	108	Target not achieved	-38%	N/A	N/A
Meetings with pitching companies	60	77	Target achieved	+28%	60	84	Target achieved	+40%	Target achieved	+34%
Halo investment meetings	5	6	Target achieved	+20%	5	5	Target achieved	0%	Target achieved	+10%
Investment meetings outside Belfast	1	0	Target not achieved	-100%	1	0	Target not achieved	-100%	Target not achieved	-100%
Entrepreneur pitches (incl. virtual)	30	46	Target achieved	+53%	30	43	Target achieved	+43%	Target achieved	+48%
Angel networking events	5	10	Target achieved	+100%	5	9	Target achieved	+80%	Target achieved	+90%
PR articles or broadcasts	20	38	Target achieved	+90%	20	32	Target achieved	+60%	Target achieved	+75%
New syndicates formed	1	0	Target not achieved	-100%	1	1	Target achieved	0%	Target not achieved	-50%

3.2.1 Halo Business Angel membership

At present (July 2013), there are 108 business angels registered as part of the Halo network, disaggregated by the following locations of origin:

Location	No. of Business Angels	% of Business Angels
Belfast	36	33%
Rest of Northern Ireland	56	52%
Republic of Ireland	4	4%
England	10	9%
Scotland	1	1%
USA	1	1%
Total	108	100%

As can be seen from the table above, 85% of all registered business angels are from NI with the remainder (15%) being located outside NI. Of the total number of NI business angels (N=92), 39% are located in Belfast and the remainder (61%) are from the rest of NI.

Membership of Halo by business angels remained broadly static during the period under review, with the number of registered angels being between 103 and 113 at any one time. It should however be noted that the number of registered angels was significantly below the number projected (25% less in Year 1 and 38% less than in Year 2). During consultation Halo confirmed that the target relating to number of registered angels had not been achieved during the period under review as a result of two interrelated reasons, namely:

- The targets, which were developed at a time of increasing membership and based on an assumption that membership levels would continue to rise, were (in hindsight) overly optimistic. During consultation, Invest NI also confirmed that the target was set at a time when the size of the angel market was unknown (both in overall terms and the potential number that would be willing to become Halo members); and
- The introduction of membership charges (£200 per business angel per annum) had served to remove angels that were attending Halo events on a more passive basis (e.g. out of interest) rather than utilising it as a vehicle for making investments, as well as those who could not commit sufficient time to the Halo process. It is the view of Halo that whilst the introduction of these charges may have contributed to c.40 business angels leaving the network, the network has been left with a pool of more ‘focused’ angels that are interested in utilising the network to make investments. As such, it is the view of Halo, and shared by the Evaluation Team, that the quality of the Angels is of greater importance than their quantity. Furthermore, benchmarking analysis undertaken by Halo with other networks across the UK suggests that levels of angel turnover are similar to that being experienced in NI.

Withstanding this, the Evaluation Team notes that Halo continues to undertake targeted recruitment activities of appropriate professionals and intermediaries to increase the number of angels in the network. It is anticipated that this targeted approach, coupled with the focus of creating new angel groups to syndicate deals and the use of business angel Funds, will serve to increase the quantity and quality of business angels in the network.

On the basis that growth in the key output and outcome metrics of the network (i.e. the number of value of investments) is likely to be achieved through the growth of network including the number of business angels, consideration should be given by Invest NI to removing this as a formal SMART target. However, we would recommend that Invest NI and Halo continue to closely monitor the number of registered business angels on the basis that any reduction in the number may have a detrimental impact on achieving the growth in these output and outcome metrics.

3.2.2 Facilitation of Halo events

During the period under review, a total of eleven Halo meetings were facilitated (1 more than was anticipated over the two-year period), at which there were 89 entrepreneur/business pitches²³ (48% more than anticipated) and 161 meetings between business angels and pitching entrepreneurs/businesses (34% more than anticipated).

In addition to the core halo event run at the NISP, Halo sought to deliver two investment meetings outside Belfast to increase opportunities for investment, as well as ensuring that the network is not viewed as being too Belfast-centric. However, whilst efforts were placed on organising these events, none were ultimately delivered during the period under review.

It should be noted that a Halo event was planned to be delivered in Derry~Londonderry during May 2012, however this had to be cancelled given uncertainty in relation to the number of high net worth individuals in the region²⁴ and the degree to which the local potential angel community were ready (in terms of their skills and experience) to make investments. As such, during the period of Phase IV, Halo has committed to running a number of masterclasses and meetings in the area in conjunction with intermediaries (e.g. solicitor and accountancy firms) to enhance the skill-sets of potential angels and ensure that they are appropriately prepared to make investments.

Furthermore, whilst outside the period under review, a Halo event was delivered (in June 2013) in Newry in conjunction with a local accountancy firm. Consultation with Halo suggests that whilst the proportion of ‘guest’ angels was considerably higher than typical Halo events, the majority of angels were not suitably prepared to make investments on the basis that this was their first event. As such, Halo has suggested that there is a need to ensure that support and Halo events continue to be delivered in the area in order to foster both a culture towards, and levels of, investment.

In addition to the traditional Halo-type events, Halo also facilitated a number of pitching events (such as ‘Pitchfest’²⁵) in conjunction with other organisations (e.g. NISP Connect, Par Equity (Edinburgh)). Whilst these events do not provide monetary investment to the pitching entrepreneurs/businesses (and hence do not contribute to the targets detailed in Table 3.1), they do offer the entrepreneurs/businesses scope to develop their pitching skills, as well as the opportunity to network and build relationships with experienced investors.

3.2.3 Angel Networking Events

In addition to the main Halo events, Halo also delivered 19 Angel networking events over the two-year period (90%) more than anticipated. These non-investment meetings (which included two ‘Angel without Companies’ meetings and two Angel masterclasses per annum) sought to facilitate business angel networking and the delivery of business angel ‘masterclasses’ (by an experienced angel investor²⁶) in order to:

- Enhance the investment knowledge and expertise of less experienced investors;
- Increase opportunities to form business angel groups (in order to syndicate deals); and
- Stimulate overall levels of investment through the network.

²³ Includes virtual pitches.

²⁴ Specifically, Halo suggested that information provided by the local Chamber of Commerce about which high net worth individuals had funds to potentially invest, was out of date.

²⁵ Two Pitchfest meetings were delivered in conjunction with NISP Connect during the period under review. These meetings facilitated 23 entrepreneurs/businesses pitching to in excess of 20 business angels.

²⁶ Angel investors delivering the masterclasses included Nelson Gray (from Scotland) and Bill Payne (USA).

3.2.4 Formation of Angel Groups (Syndicates)

By way of fostering higher levels of investment activity, Halo has actively sought to provide support to form groups of angels who would subsequently syndicate investment deals. In doing so, this allows business angels to share the financial risk with other angels and providing the angel with the opportunity to spread its investment across a number of different deals (thus sharing the financial risk across all the deals). Syndication also provides the opportunity to increase the level of knowledge and experience that can be provided to the entrepreneur/business (i.e. the investee).

During the period under review, it was anticipated that two angel groups would be developed with the support of Halo, however only one was actually created. Formed in March 2013, the Arran Syndicate is made up of seven business angels (3 from NI, 2 from Scotland and 2 from England) with considerable experience in business angel investing and the retail, engineering, marketing and accountancy sectors. Whilst at the time of evaluation (July 2013), the Arran Syndicate had made no investments, the syndicate is now actively examining potential deals (through the Halo events) and is undertaking networking activities (facilitated by Halo) with other business angels and angel networks. It is anticipated that with time, new business angels (both from NI and outside NI) will be attracted to engage in the angel group²⁷.

At present (July 2013), the Arran Syndicate is the only active NI-based angel group. The Evaluation Team understands that Halo's first angel group - 'Volcano I' - which was formed in April 2010 to foster investment in Sophia Search, continues to operate as an angel group but is not currently looking at any new investments. Halo is currently working with two members of the Volcano I group to create a new 'Volcano II' angel group.

The cross border 'M1 Syndicate' which was formed in 2011 as part of a joint collaborative project between Halo and the Halo Business Angel Network (HBAN)²⁸ has not made any investments on the basis that only a small number of the ten angels that make up the group are seen to be 'active'. As a result, during the recent (June 2013) Newry Halo event, a call was launched for potential new angels for a new angel group. This new grouping, if formed, is likely to have a new angel group name.

3.2.5 Angel Investment

Based on monitoring information provided by Halo a total of £3.063m of business angel investment was made to NI-based businesses through 24 deals²⁹ during the period under review, 35% more than was initially anticipated. However, as detailed in Table 3.1, a disaggregation of the data by year suggests that the investment was heavily skewed towards the second year (May 2012 to April 2013), with 87% (or £2.658m) of the business angel investment generated during this year. The average business angel deal size was c. four times higher in Year 2 (when it was c. £177k) vis-à-vis in Year 1 (when it was £45k). In reflection of this, the targets established in relation to the number of 'deals' done³⁰ and levels of business Angel investment were not achieved during Year 1 (by 10% and 64% respectively) but were exceeded in Year 2 (by 50% and 131% respectively). When examined on a cumulative basis, the target was exceeded (by 35%) over the two-year period.

²⁷ During consultation, Halo confirmed that all members of the syndicate will automatically become a member of Halo. These members will no longer pay annual membership charges but instead will pay an annual fee to the syndicate which in turn will be paid to Halo. Whilst it is likely that the total amount paid to Halo on a per capita basis may be lower (than potentially might be the case if the Angels joined on an individual basis), it is envisaged that the group will attract others to the Halo network.

²⁸ The Halo Business Angel Network (HBAN) is an all-island umbrella group for business angel investing across the island of Ireland

²⁹ Inclusive of 4 deals done through the Halo EIS Fund.

³⁰ During consultation, Halo suggested that the average number of angels involved per deal is 2-3. This average number increases to 4-5 angels per deal when centralised funds (such as the EIS) are utilised.

Table 3.3: Business Angel investment during the period under review				
	May 2011 – April 2012		May 2012 – April 2013	
	Target	Actual	Target	Actual
Angel Investment	£1.125m	£405k	£1.150m	£2.658m
Number of Deals	10	9	10	15
Average size of deal	-	£45k		£177.2k

Analysis undertaken by Halo suggests that 52% (or £1.581m) of the total investment (£3.063m) was made by 29 business angels that were Halo members during the period under review³¹. Based on the number of Halo angel members at the end of the period under review (i.e. 108³²) suggests that c.27% of business angels were ‘investment active’ during the period. Other salient points to note include:

- Levels of investment by Halo members (excluding investment made through the EIS Fund) ranged from £10 to £176k, with the average being £55k;
- The number of deals done on an individual Halo member basis (excluding investment made through the EIS Fund) ranged from 1 investment to 5 investments, with the average being 1.4 investments; and
- 7 of the Halo angels that had invested during the period under review are no longer Halo members. These angels made £515k of investment, representing 33% of the investment made by Halo angel members or 17% of the total investment. During consultation, Halo suggested that the main factor for these angels leaving the network (on a membership basis) was due to other commitments elsewhere. Halo suggested that a high net worth individual, who had previously made an investment through Halo as an angel member, may not be willing to pay the annual membership fee due to cultural factors (relating to a reluctance to pay for something that they do invest through that often). Also, the fact that Halo is not fully ingrained within the investment community in the manner it needs to be (i.e. investors are continuing to use other vehicles (e.g. intermediaries) to make investments)³³ may be an issue.

During consultation Halo confirmed that aforementioned differences in the annual levels of business angel investment (identified in Table 3.3) are reflective of the:

- Sporadic or ‘lumpy’ nature of business angel investment. That is to say, there can often be a lengthy time period between when business angels make their investments (i.e. rather than making continuous investment);
- Difficulties in the delivery and operation of NISPOs Invest Growth Fund (IGF). The Invest Growth Fund is a venture capital fund set up to invest in start-ups and early stage businesses based in NI. The Fund makes seed and early stage investments in businesses which can demonstrate that they are scalable, and innovative. IGF investment can range from £50k-£250k, with a requirement to have at least 30% of matched private sector funding from business angels or other private investors.

Based on the April 2012 Interim Evaluation of NISPO, the Evaluation Team understands that issues relating to the managing agent’s (E-synergy) delivery and operation of the IGF during 2011 led to considerably lower than anticipated levels of investments being made through the Fund.

³¹ Either across the whole two year period or at some point during the period. Figures exclude investments made through the EIS Fund. The remainder of investment will have been made by other non-Halo business angel and high net worth individuals (including 1 ex-Halo member and one guest angel).

³² The Evaluation Team appreciates that the number of business angel members will have been in excess (and possibly below) this number of registered angels and that the figure does not reflect the unique number of business angels (given net changes that may have occurred during the period under review)

³³ Please note that the reasons of these business angels leaving the Halo network could not be verified by the Evaluation Team during the research process (due to confidentiality reasons and business angels self-selecting to engage in the research process).

This consequently had a knock-on impact on the number of potential deals being brought forward to Halo to access private sector funding from business angels.

In addition to facilitating Halo investment meetings to foster increased levels of business angel investment, the network has undertaken considerable activity to increase levels of investment, which has included (but not limited to):

- Forming partnerships with equity crowdfunding³⁴ organisations - During the period under review, Halo has established partnerships with Seedrs³⁵ and a second crowdfunding organisation³⁶. The Evaluation Team understands that, unlike Halo, Seedrs has been licensed by the FCA to provide financial advice. Consequently, we recommend that Invest NI appropriately assess the risk of Halo working in collaboration with Seedrs (and any other organisations licensed to provide financial advice).
- Signing a Memorandum of Understanding (MoU) with Par Equity, a Scottish angel syndicate and fund management company. The MoU gives NI businesses access to a £5-10m fund willing to invest in NI. It also provides for joint membership i.e. NI angels will pay £300 per annum with £200 going to Halo where membership is automatic. Four joint pitching events will be held per annum with 3 companies, 1 each from NI and Scotland. In addition, Par will scan the Halo deal flow and may invite selected Par Syndicate members to invest;
- Working in conjunction with HBAN to identify opportunities for NI businesses to gain investment from new all-island sectoral (e.g. in medical devices and food) angel groups/syndicates.
- Joining LINC Scotland as an ‘ex patia’ member and seeking the organisation as a Halo member;
- Ongoing liaison with in excess of 50 intermediaries (e.g. accountancy, solicitor firms);
- Attendance of significant number of events to raise the profile of the network and encourage subsequent investment. A small sample of the events attended include:

- Astia Conference in London for female entrepreneurs;
- InterTradeIreland Investment Conference;
- EBAN Congress;
- The Business Leader Network Conference and the Cambridge Angels Summer Soiree in Cambridge;
- The BBAA dinner and conference;
- EBAN Winter Congress in Brussels;
- An angel event in 10 Downing St which was addressed by the Prime Minister;
- HBAN/HBAP meetings;
- The Innotribe Challenge where Fintech companies from across Europe pitched;
- A London meet and greet session with a number of VCs; and
- The Angel Capital Association conference in San Francisco.

- Other marketing activities including:
 - Revising the content and the private video site, as well as developing new Halo branding, on the newly launched NISP website;
 - Creation of a Halo blog (www.angelangle.ni);
 - Publication of an extensive number of articles in business related magazines (e.g. Ulster Business Magazine);
 - Media appearances; and

³⁴ Equity crowdfunding is the collective effort of individuals to pool their financial resources, usually via the internet, to provide financial support to a start-up or early stage businesses in exchange for equity in the business (thus enabling the sharing of risk amongst investees).

³⁵ Seedrs is an internet platform which enables start-up businesses to issue shares over the Internet in exchange for investments from registered users.

³⁶ Please note this has not yet been publically announced.

- Visiting all Invest NI offices and a number of the Enterprise Agencies³⁷.

Based on the information being monitored by Halo relating to the levels of investment during the period under review, it is the Evaluation Team's view that a number of improvements could be made to both the targets setting methodology and subsequent monitoring undertaken. Specifically these include:

1. It is the Evaluation Team's understanding that the target relating to 'angel investment' relates to investment made by both Halo network members and other non-Halo business angels. However, by way of assisting with the future measurement of the growth and level of maturity of the NI Halo business angel network, the Evaluation Team recommends that a target relating to Halo network member investment should also be established and subsequently monitored on an ongoing basis.
2. Allied to point 1, during the Evaluation process, discussion arose with Halo as to the most appropriate definition of 'what is' included within Halo business angel investment. That is:
 - Is it investment made by a business angel who has paid their membership fees for the period?; or
 - Does it include business angels who, at one stage paid their membership but may have made an investment outside the time period of them being a paid member?

Moving forward, the Evaluation Team recommends that this definition is clarified by Invest NI in conjunction with Halo and appropriate monitoring is undertaken thereafter. However, in our view, a Halo Business Angel investment should only be considered to be an investment made by an individual/syndicate during the period that they have paid their membership fee. We suggest this for a number of reasons:

- It minimises (but does not eliminate) ambiguity as to whether there is a causal link between Halo's facilitation role and any investment subsequently made; and
 - Given the limited access that the Evaluation Team had to Halo members, it could be argued that there is potential that business angels who may once have been a Halo member, and have subsequently made investments in local businesses have done so completely independently of Halo, and indeed may not have renewed their membership. We recognise that this is only one possible permutation; however, by excluding such individuals from any analysis of Halo's impact, it likely provides a more accurate assessment of Halo's role in fostering business angel investment.
3. Whilst the Evaluation Team could not undertake a complete verification exercise of the individual angel investment figures that comprise the total £3.063m reported by Halo, a number of discrepancies were identified between the levels of business angel investment provided by Halo and those reported to the Evaluation Team by investees (entrepreneurs/businesses) during the primary research process. During consultation Halo suggested that this is likely to reflect the fact that investees can often undervalue or do not establish a causal link between the support provided by Halo and the subsequent derivation of business angel investment. It is Halo's view that this issue can often be accentuated in circumstances where multiple investors (including Halo and non-Halo Angels) are involved in providing support to the entrepreneur/business.

Withstanding this, given the differences in the figures reported, and by way of assisting with the accurate measurement of levels of business angel activity/passivity, the Evaluation Team

³⁷ Whilst it is difficult to identify a direct link between the aforementioned marketing activities and the realisation of any tangible impacts to date, it is the Evaluation Team's view that the benefits of this activity are likely to be reflected in the wider outcomes achieved to date (detailed throughout this report). It is also the Evaluation Team's view that these marketing activities play a critical role in raising awareness of the Halo within the broader marketplace and, in doing so, offer the potential to foster increased levels of business angel investment through the network.

recommends that Invest NI encourages Halo to provide a disaggregation of investment made by both Halo and non-Halo business Angels in each entrepreneur/businesses, at an individual angel level. Given the sensitivities attached with identifying levels of investment made by individual Angels, this information could, where necessary, be provided in an anonymous format (e.g. by Halo allocating a unique reference number to each member Halo and non-Halo member).

The Evaluation Team has illustrated the range of complexities associated with the above points through the use of the following case studies. Please note that the case studies presented reflect the views of the individual businesses and Halo. In the case of both case studies, it is the view of Invest NI that the investment would not have occurred in the absence of the support that was provided through Halo.

Case study 1

- Halo reported to the Evaluation Team that £250k of business angel investment (by both Halo business angel members and non-members) had been made in Company A.
- Consultation with the business indicated that they ‘pitched’ at Halo investment meeting but did not believe that any investment that they derived was directly as a result of this. The consultee suggested that following the Halo event they consulted with a financial and legal advisor who approached the investors that ultimately invested. They believed that they would have approached these advisors regardless of the Halo support so feel that the investment would have been achieved anyway. They did note that the investors which invested in the business were Halo business angels but argued that the introduction which secured the investment was not through Halo.
- When this example was discussed with Halo, the network suggested that the business owner originally pitched at Halo c. 9 months previously but this was done to provide the entrepreneur with ‘pitching practice’ rather than being overtly focused on securing investment. Following this, business angel offers of investment encouraged the entrepreneur to reconsider their approach to funding the proposition and hence subsequently availed of the services of a financial expert to help structure the funding round. It was stated that the entrepreneur reported details of the investment to Halo and these were subsequently passed on to the Evaluation Team.
- Halo confirmed that on the basis that Halo angels were involved in this investment they were potentially made aware of the opportunity by both the financial adviser, as well as through the pitching event and Halo facilitation activities.
- This example potentially illustrates the aforementioned difficulties of establishing a causal link between the support provided through Halo and the subsequent derivation of business angel investment by entrepreneurs/business. The Evaluation Team notes that whilst it is the consultees view that they would have got the investment regardless of the support, it is difficult to determine what the outcome would have been had Halo not provided the entrepreneur with the opportunity to pitch (and subsequently provide him/her with the affirmation that the proposition should be pursued) or if the Halo business angels were made aware of the potential deal through Halo (either during or following the pitch).

Case study 2

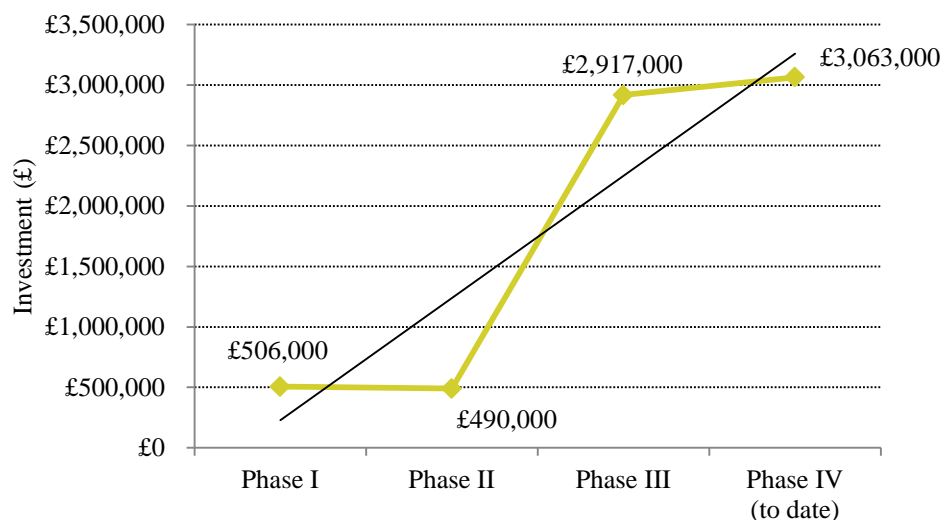
- Halo reported to the Evaluation Team that £225k of business angel investment (by both Halo business angel members and non-members) had been made in Company B.
- Discussion with the business indicated that they did not attribute any of the investment to the Halo support. It was stated that they had once made a pitch at Halo in previous years (before the consultee had joined the business) but felt that this had not impacted on the investment that was ultimately received. It was indicated that they received investment through Par Equity Edinburgh. They felt that this investment would have been secured regardless Halo.
- In relation to this Halo confirmed that a significant amount of the investment made in Company B was received through Par Equity and that the proposition was initially pitched at an investment meeting facilitated jointly by Halo and Par Equity at an intermediary’s premises. It was also noted that Company B had also previously pitched at Halo (before the current CEO took over). Whilst Halo notes that that the business’ CEO has a strong network of business connections, and hence could argue that the funding would have been received anyway, the network felt that the joint pitching event and subsequent MoU with Par Equity were strong factors in encouraging the investment.
- This example potentially illustrates the aforementioned difficulties of establishing a causal link between the support provided through Halo and the subsequent derivation of business angel investment by entrepreneurs/business.

It should be noted that whilst the case studies illustrate the difficulties in identifying the levels of business angel investment that can be directly attributed to Halo, the Evaluation Team has been able to mitigate (in part, but not wholly) against this through the application of additionality/deadweight analysis to the gross business angel investment that has been reported by Halo (see Section 5 for further details).

Whilst the Evaluation Team acknowledges that Halo’s remit is as a facilitator or broker only (i.e. plays no role in developing investment ‘deals’ beyond the initial introductory activities) and hence there is no onus of the business angel and/or business to disclose information relating to the quantum of investment made (i.e. the ‘deal’ size), Halo should be encouraged to continue to monitor (as far as possible) levels of investment made and the specific facilitation role that Halo played³⁸.

Figure 3.1 provides a summary of the levels of investment made through Halo since Phase I (2004).

Figure 3.1: Historic levels of investment³⁹



As can be seen, the trend in investment being made through the network is upward across the nine-year period, with a significant increase in levels of investment being experienced between Phases II and III (when investment levels were c. 6 time higher) when the network was reinvigorated. Positively, despite the aforementioned issues that potentially restricted levels of investment activity, during Phase IV (to date) levels of investment have increased by 5% vis-à-vis Phase III.

3.2.6 Halo Centralised Funds

During the 2009/2010 tax year, Halo facilitated the operation of its first HMRC approved tax fund known as the Halo Enterprise Investment Scheme (EIS)⁴⁰ which is designed to help to raise finance for high risk start-up by offering a range of tax reliefs to investors who purchase new shares in the businesses. From an angel perspective, the fund allows angels to more easily spread their money across a wider range of companies. It is structured to allow the Halo angels to be involved in the process of selecting, discussing and investigating which companies to invest in. However the final investment decision is taken by an FCA-approved fund manager.

³⁸ Especially, given the existence of SMART targets relating to levels of investment made by business angels.

³⁹ Source: Halo Phase I and II investment data - ‘Evaluation of the Halo project and Recommendations about the Future for the Project’ (2007), Phase III investment data - ‘Final Evaluation of Halo Northern Ireland’ (September 2013). Each Phase examined (including the Phase IV relates to investments made over a two-year period).’

⁴⁰ The Halo EIS has been run by Javelin Ventures, the FCA manager.

The first EIS fund opened for investment from business angels in December 2009 and closed in March 2010. It met the HMRC criteria of investing at least 90% of the fund in a minimum of 4 companies within 12 months (i.e. by March 2011). This fund then moved from investing to solely monitoring its investments⁴¹.

A second EIS fund opened for business angel investment during January 2011 and closed in March 2012⁴². This Fund was subsequently able to make its investments between April 2012 and March 2013. It had been anticipated that a second approved EIS fund would raise £250k of investment; however as part of this fund 12 business angels collectively invested £100k (i.e. 60% less than anticipated). These funds were subsequently invested in 4 businesses/deals (1 in Year 1 of the review period and 3 in Year 2)

It should be noted that a third Halo fund - the Halo Grow Fund⁴³ - was created in March 2013. However, the minimum threshold for business angel investment (£200k) to enable subsequent business investment was not reached by May 2013 (the end of Year 2) hence this fund is not included within the targets detailed in Table 3.1.

3.2.7 Leveraged investment

As detailed in Table 3.1, it was envisaged that entrepreneurs/businesses would leverage £2 of additional funding for every £1 invested by a business angel (Halo and non-Halo business angels). Whilst the level of leveraged funding (£399k) was significantly below (by 82%) that anticipated for Year 1 (£2.25m), the level of leveraged investment in Year 2 (£4.19m) was significantly above (by 82%) that anticipated (£2.3m) for the period. Over the course of the two years, the target was exceeded by 1%.

Please note whilst the level of follow-on investment may be a useful metric for Halo to monitor in order to help establish the real option value of the impact of the business angel investment to achieving any subsequent monetary outcomes, the Evaluation Team would question its appropriateness as a target for Halo on the basis that Halo does not have a direct remit to generate this follow-on investment (albeit an element of the investment may come through follow-on business angel investment). As such, in our view, the achievement of the target is largely outside the control of Halo and hence the Evaluation Team recommends that consideration is given to its exclusion within any future SMART targets.

3.2.8 Development of a strategic 'Roadmap' for Halo

During consultation, Halo confirmed that during the period under review, work had commenced on developing a 'roadmap' to outline the strategic development of Halo moving forward and how it would be affected as angel groups formed and developed. Halo confirmed the principal points of the roadmap to include:

⁴¹ The 1 year cycle is dictated by the EIS tax scheme. The Fund is only open to Halo members who will be notified when each year's new prospectus is available.

⁴² The second EIS fund was open for a substantially longer period of time (14 months) than the first EIS fund (4 months) to take advantage of the a change in HMRC's amendment in the rate of relief of the cost of the shares (which increased from 20% to 30% during the period).

⁴³ The Halo Grow Fund is non-HMRC approved and is a mixture of the EIS and Seed Enterprise Investment Scheme (SEIS). The Seed Enterprise Investment Scheme (SEIS) is designed to help small, early-stage businesses to raise equity finance by offering a range of tax reliefs to individual investors who purchase new shares in those companies. It complements the existing Enterprise Investment Scheme (EIS) which will continue to offer tax reliefs to investors in higher-risk small companies. SEIS is intended to recognise the particular difficulties which very early stage companies face in attracting investment, by offering tax relief at a higher rate than that offered by the existing EIS. The Halo Grow Fund is an 'evergreen fund' (i.e. open continually for investment) and is only open to Halo members and other people who can be certified as being 'High Net-worth' or as 'Sophisticated Investors' (as defined by the Financial Services and Market Act (FSMA) 2000).

- Move to an umbrella structure over a number of angel groups/syndicates;
- Create partnerships with other geographies e.g. LINC Scotland, HBAN and selected angel groupings in London;
- Create an environment where many companies can receive multiple angel rounds which are syndicated between angel groups (including those outside NI);
- Up skilling of NI angels by master classes and by exposing to working with experienced (UK) angels;
- Creation of a new type of permanent SEIS/EIS fund to be gradually developed as a major part of NI angel investing;
- Extending the geographical reach of Halo within NI e.g. in Derry and Newry; and
- Increased advocacy to NI government about angel and risk capital.

The Evaluation Team recommends that any future economic appraisal of Halo takes cognisance of the findings of this ‘roadmap’, especially as part of the setting of SMART targets.

3.3 Summary of progress towards targets

Based on the monitoring information provided by Halo, Table 3.4 provides a summary of the progress that was made towards the targets that were established for the period under review.

Table 3.4: Summary of progress towards targets			
Number of targets over the two-year period	No. of targets	No. of targets achieved	% of targets achieved
No. of individual targets	28	13	46%
No. of cumulative targets	13 ⁴⁴	8	62%

The analysis suggests that 46% of the individual targets (N=28) that were established for the two-year period were achieved. If the targets are combined and examined over the two-year period (which may be appropriate given the fact that investment will not occur on a continuous or straight-line basis), the analysis suggests that 62% of the targets (N=13) were achieved. It should be noted that the targets that Invest NI consider as priority targets (relating to levels of angel investment, number of deals, leveraged support, meetings with companies) were achieved when examined on a two-year basis.

3.4 Potential of Halo to achieve Year 3 targets

It is the Evaluation Team’s view that the extent to which the Year 3 investment targets will be achieved cannot be determined at this stage. This relates to the fact that the Evaluation Team does not have full oversight as to the likelihood and timing that a business angel will potentially make an investment, especially given the ‘lumpy’ nature of the investment process. This issue is best exemplified by the Evaluation Team’s analysis over the period under review which suggested that the business angel investment target was significantly below (by 64%) that anticipated in Year 1 but significantly above (by 131%) that anticipated in Year 2.

Withstanding this, based on historical trends and the Evaluation Team’s understanding of activity that has been undertaken by Halo during the first quarter of Year 3, we would suggest the following in relation to the targets:

- Targets relating to the number of investment meetings, number of companies pitching, meetings with pitching companies and angel networking event are likely to be achieved;
- The target relating to a further business angel centralised fund will be achieved (given the aforementioned creation of the Halo Grow Fund). However, the potential levels of investment in this fund cannot be determined at this stage (albeit the Evaluation Team notes that a key difference

⁴⁴ The target relating to the number of ‘Business Angel Registered’ cannot be examined on a cumulative basis; hence the number of cumulative targets is 13 and not 14.

with this fund vis-à-vis the previous HMRC approved Halo EIS funds is that it is ‘evergreen’ in nature);

- The target relating to the number of Angel members is unlikely to be achieved, as this would require an increase in the membership rate by 85% (i.e. from 108 to 200 business angel members);
- Given the progress made in establishing Volcano II and Halo’s ongoing efforts to establish angel groups/syndicates, the Evaluation Team would suggest this target is likely to be achieved; and
- The target relating to PR is likely to be achieved.

3.5 Risks

The 2011 Economic Appraisal identified eleven potential risks that could impact upon the successful delivery of Halo’s activities during the period under review. A summary of these risks is provided below with commentary provided as to whether these risks arose (and the associated actions that were undertaken).

Table 3.5: Assessment of risks		
Potential Risk	Risk occurrence (Y/N)	Commentary
Inability to access funding	N	Invest NI implemented appropriate approval procedures which enabled the timely award of funding to allocate support to Halo to ensure the continuity of its operation at a level envisaged with the Economic Appraisal.
Insufficient demand - Failure to attract sufficient number of angels	N	Whilst the number of registered Halo angels is below the number anticipated, this does not appear to have had a negative impact on the number of deals and level of angel investment that have been fostered through Halo’s activities. In addition, and as detailed previously, the Evaluation Team also notes that Halo continues to place effort in attracting additional angels into the Halo network.
Insufficient demand - Failure to attract sufficient number of entrepreneurs/companies	N	As detailed previously, the number of pitches at Halo investment meetings was considerably higher than anticipated.
Level of ‘passivity’ of angel network	Y	<p>As detailed previously, analysis undertaken by Halo suggests that 52% (or £1.581m) of the total investment (£3.063m) was made by 29 business angels that were Halo members during the period under review. Based on the number of Halo angel members at the end of the period under review (i.e. 108) suggests that c.27% of business angels were ‘investment active’ during the period.</p> <p>Furthermore, as detailed in Section 4, it is the view of the entrepreneurs, that a number of angels in attendance at investment meeting are potentially present on a more passive basis (e.g. out of interest and/or for social reasons and/or for kudos) and were not overtly interested or focused in making an investment at the event.</p> <p>As detailed previously, Halo has sought to minimise levels of angel passivity by (amongst other things):</p> <ul style="list-style-type: none"> • Filtering potential deals to ensure that only deals that are at an appropriate stage of development are presented during the investment meetings, thus increasing the opportunity for investments to be made;

Table 3.5: Assessment of risks		
Potential Risk	Risk occurrence (Y/N)	Commentary
		<ul style="list-style-type: none"> • Ensuring that businesses/entrepreneurs are appropriately skilled and prepared to ‘pitch’ to the business angels, thus increasing the opportunity for investments to be made; • Delivering support to angels through masterclasses and networking events to enhance the investment knowledge and expertise of business angels and hence give the greater confidence to make investments through the network; • Supporting investment activity through the provision of centralized funds (e.g. EIS funds and establishing partnerships with crowd funding organisations); • Developing angel groups/syndicates to minimise business angel risk and build investment portfolios; and • Introducing an annual membership fee of £200.
Low quality of entrepreneur projects	N	As detailed in Section 4, business angels expressed a high level of satisfaction with the potential opportunities that had been shortlisted for them to consider. It is the view of the business angels, and shared by the Evaluation that this is reflective of the positive filtering, including the screening and pre-selection of propositions by Halo during the application process.
Lack of relevant experience in angel investment	Y	<p>There is a general consensus that the NI business angel market is relatively immature when compared to other UK regions.</p> <p>During the period under review, Halo has delivered support to angels through masterclasses and networking events to enhance the investment knowledge and expertise of business angels and hence give the greater confidence to make investments through the network.</p>
Lack of management capability	N	At the Invest NI level, in December 2012 a Sponsor Control Review was undertaken of the sponsor control arrangements operated by Invest NI in relation to the management and delivery of the Halo by NISP on behalf of Invest NI. On the basis of the internal work performed the internal auditor considered that Invest NI had established ‘substantial’ risk management, control and governance arrangements in connection with Halo and no control weakness were noted.
Inability to deal with application numbers	N	<p>Similarly, as detailed in Section 4, both entrepreneurs/businesses and business angels expressed a high level of satisfaction with the role of Halo staff in delivering its core function during the period under review.</p> <p>Whilst the Evaluation Team concurs with the aforementioned assessment, we have made a number of recommendations relating to the setting of future SMART targets and monitoring procedures that should be</p>

Table 3.5: Assessment of risks		
Potential Risk	Risk occurrence (Y/N)	Commentary
		implemented (see Section 8 for further details).
Delays in project activity relating to uncertainty over evaluation outcomes	N	There is no evidence to suggest that there were delays in project activity taking place during the period under review.
Continued Economic downturn	Y	Whilst the economic climate is outside the control of both Invest NI and Halo and levels of business angel investment have been in excess of that anticipated (when examined over the two-year period), it is reasonable to assume that levels of business angel investment could have been higher had the economic climate been more favourable.
Changes in policy and legislation	N	<p>As detailed in Section 2, there was (at the time of approval), and continues to be, clear alignment between the aims and objectives of Halo and the strategic imperatives of the NI Government (including with DETI and Invest NI’s Corporate Plans). Specifically, in line with Government’s strategic focus, the activities supported by Halo offers the potential to grow the private sector by facilitating the provision investment and expertise to start-up and early growth businesses. In doing so, Halo offers the potential to “<i>help eliminate the real and perceived barriers to growth</i>”.</p> <p>In terms of legislation, Halo has kept abreast of all relevant HMRC changes (primarily relating to tax breaks and EIS funds) during the period under review and has provided information to relevant parties (e.g. business angels) as and when required.</p>

In addition to the above, as detailed in Section 7, the Evaluation Team’s review of the monitoring of Halo costs and income suggests that:

- The disaggregation of the total Invest NI contribution (c. £465k) between salary and overhead costs was not identified and documented;
- Whilst the total value of claims to Invest NI were monitored, actual costs incurred against key individual costs categories (salary and overhead costs) were not monitored; and
- Monitoring was not undertaken of the total actual costs and associated income on an ongoing basis.

Discussion with Invest NI indicates that (as detailed within the LoO) the NISP was responsible for funding any shortfall in income (and associated in costs) and hence the risk of the organisation not being able to undertake its core activities was minimal. However, the Evaluation Team notes that in not monitoring the overall costs and income associated with the operation of Halo, Invest NI was exposed to a risk of contributing towards a higher proportion of Halo’s operating expenditures than originally anticipated (i.e. more than the 62%). Associated risks of not monitoring against individual cost and income categories include the risk of not being able to identify the need for corrective action to be taken should income fall below the level anticipated or costs rise above those anticipated.

Whilst the aforementioned risk does not appear to have materialised during the period under review, the Evaluation Team recommends that corrective action is taken to minimise the opportunity of it occurring in the future (see Sections 7 and 8 for further details).

Given the fact that Invest NI and InterTradeIreland's have joint ownership of the Halo brand and assets, there is a further potential risk of differing opinion as to who should be granted the license (i.e. if it should be licensed to NISP or a different EDO) and the associated potential for a hiatus in the provision of support to develop NI's business angel ecosystem. However, during consultation, Invest NI confirmed that the opportunity for this risk occurring was unlikely on the basis that it is currently the sole funder of Halo and both organisations have confirmed that they are satisfied with the activities being undertaken by the current licensee (i.e. NISP).

In summary, it is the Evaluation Team's view that Halo's undertook appropriate steps to mitigate those risks that were envisaged at the outset and emerged during the period under review. In not monitoring the overall costs and income associated with the operation of Halo, Invest NI was exposed to a risk of contributing towards a higher proportion of Halo's operating expenditures than originally anticipated. Whilst the aforementioned risk does not appear to have materialised during the period under review, corrective action should be taken to minimise the potential for this to arise in the future.

3.6 Equality Considerations

Section 75 of the Northern Ireland Act 1998 requires that Invest NI shall, "in carrying out its function relating to Northern Ireland, have due regard to the need to promote equality of opportunity" between the following nine Section 75 groups:

- Persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- Men and women generally;
- Persons with a disability and persons without; and
- Persons with dependents and persons without.

In addition and without prejudice to these obligations, in carrying out its functions, Invest NI is also committed to promote good relations between persons of different religious belief, political opinion or racial group.

The Evaluation Team's review of Halo activity, monitoring information provided during the evaluation process and our discussions with entrepreneurs/businesses and business angels have identified:

- No evidence of higher or lower participation or uptake of different groups;
- No evidence to indicate that different groups had different needs, experiences, issues and priorities in relation to Halo activity;
- No opportunities to better promote equality of opportunity or better community relations by altering the work of Halo;
- No accessibility issues that might run contrary to the Disability Discrimination Act 1995.

On this basis, the Evaluation Team concludes that whilst Halo was not specifically targeted at any specific Section 75 categories, it does not appear to have had an adverse impact on any Section 75 group.

It should be noted however that, at the time of Evaluation (July 2013), Invest NI had not undertaken an Equality Impact Assessment (including a Section 75 Screening exercise or Human Rights Impact

Assessment) on the Halo Programme⁴⁵. As such, the Evaluation Team recommends that Invest NI undertakes an Equality Impact Assessment on the Halo Programme at the earliest opportunity.

3.7 Summary Conclusions

Salient points to note with regards to the Evaluation Team's review of Halo's activity during the period under review include:

- Halo facilitated 11 investment meetings, at which 89 entrepreneur pitches took place;
- There are currently 108 business angels registered in the Halo network, 85% of whom are from NI and the remainder are from outside NI;
- Monitoring information provided by Halo suggests that a total of £3.063m of business angel investment (by both Halo business angel members and non-members) was made to NI entrepreneurs/businesses through 24 deals. Whilst the Evaluation Team could not undertake a complete verification exercise of the individual angel investment figures that comprise the total £3.063m suggested by Halo, a number of discrepancies were identified between the levels of business angel investment provided by Halo and those reported to the Evaluation Team by investees (entrepreneurs/businesses) during the primary research process. That is, in a number of cases the levels of business angel investment reported by investees were either below or above those reported by Halo. Whilst the Evaluation Team acknowledges that Halo's remit is as a facilitator or broker only (i.e. plays no role in developing investment 'deals' beyond the initial introductory activities) and hence there is no onus of the business angel and/or business to disclose information relating to the quantum of investment made (i.e. the 'deal' size), Halo should be encouraged to continue to monitor (as far as possible) levels of investment made and the specific facilitation role that Halo played⁴⁶;
- Halo established one centralised EIS fund during the period under review. This raised £100k of funding which was subsequently invested in 4 businesses/deals (1 in Year 1 of the review period and 3 in Year 2);
- One new angel group/syndicate was formed (the Arran Syndicate) and this syndicate remains the only current active⁴⁷ syndicate in Northern Ireland;
- In addition to facilitating Halo investment meetings to foster increased levels of business angel investment, the network has undertaken considerable activity to increase levels of investment, which has included (but not limited to):
 - Forming partnerships with equity crowdfunding organisations and other fund management companies;
 - Working in conjunction with HBAN to identify opportunities for NI businesses to gain investment from new all-island sectoral (e.g. in medical devices and food) angel groups/syndicates;
 - Joining other Business angel networks;
 - Ongoing liaison with in excess of 50 intermediaries (e.g. accountancy, solicitor firms);
 - Attendance of significant number of events to raise the profile of the network and encourage subsequent investment;
 - Undertaking extensive marketing to raise the profile of the Halo network; and
- Based on the monitoring information provided by Halo the analysis suggests that 46% of the individual targets (N=28) that were established for the two-year period were achieved. If the targets are combined and examined over the two-year period (which may be appropriate given the fact that investment will not occur on continuous or straight-line basis), the analysis suggests that 62% of the targets (N=13) were achieved. It should be noted that the targets that Invest NI consider as priority targets (relating to levels of angel investment, number of deals, leveraged support, meetings with companies) were achieved when examined on a two-year basis.

⁴⁵ Albeit an Equality Impact Assessment had been undertaken on the Access to Finance Strategy.

⁴⁶ Especially, given the existence of SMART targets relating to levels of investment made by business angels.

⁴⁷ i.e. That is examining potential deals.

4. STAKEHOLDERS' SATISFACTION WITH, & VIEWS OF, HALO

4.1 Introduction

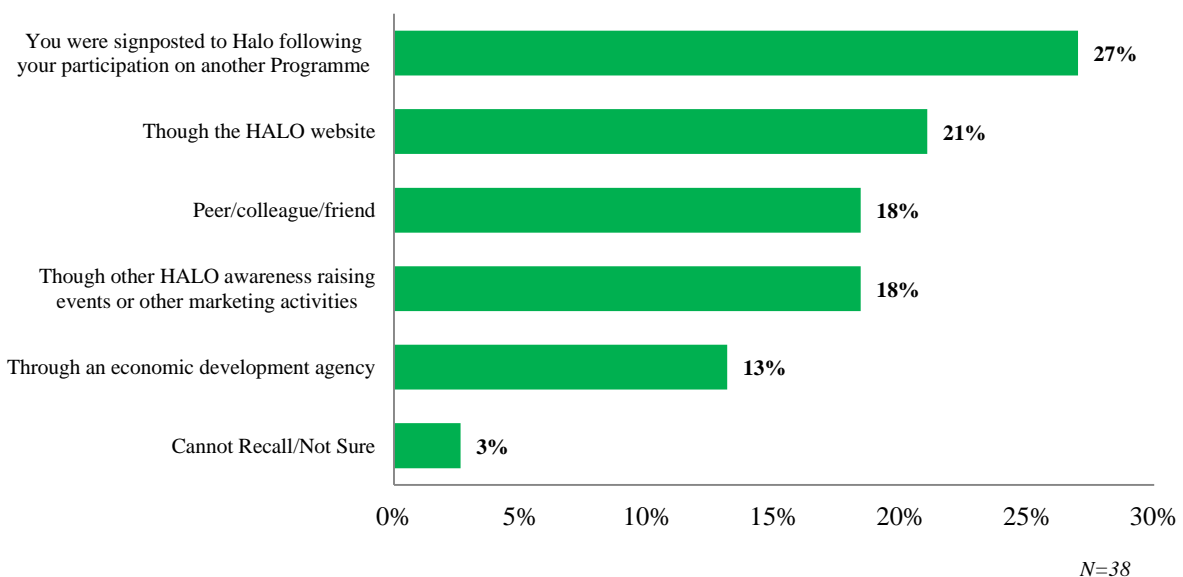
Section 4 provides a detailed analysis of the key findings emerging from the primary research with entrepreneurs/businesses and business angels, in terms of their satisfaction with, and views of Halo⁴⁸. As detailed previously, caution should be taken in interpreting the results as being representative of the respective stakeholder groups.

4.2 Entrepreneurs/businesses' satisfaction with, and views of, Halo

4.2.1 Programme Marketing and Promotion

Just under four-fifths (39% -N=38) of businesses suggested that their awareness of the Halo Network had been raised as a direct result of Halo's marketing activities which included the organisation's website (21% - N=38) and through other Halo awareness raising events or activities (18% - N=38). Just over one-quarter (27% - N=38) of businesses suggested that their awareness had been raised as a result of their participation on another Programme. These Programmes included the Invest NI Propel Programme, the NISPO Investment Readiness Programme and the NISP Springboard Programme.

Figure 4.1: Awareness of the Halo Network

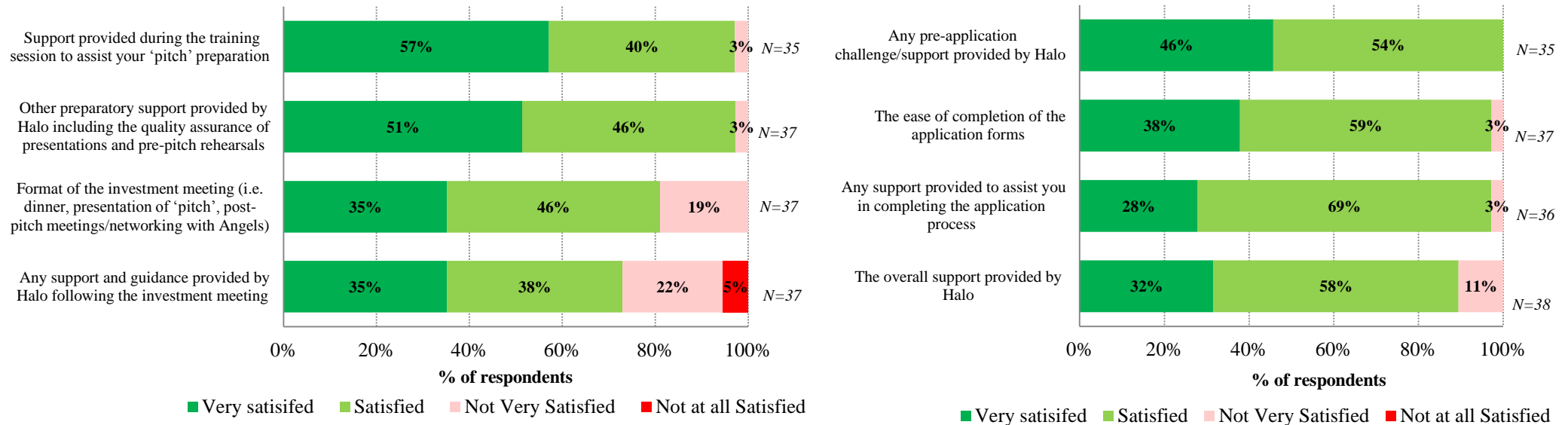


4.2.2 Satisfaction with support provided by Halo and the format of Halo events

Encouragingly, the vast majority (80%+) of businesses expressed a high level of satisfaction with the support provided by Halo and the format of Halo events. More specifically:

⁴⁸ Please note that, at the request of Invest NI, the view of stakeholders have been presented in percentage terms where the number of respondents was greater than thirty and in number terms where the number of respondents was less than thirty. Stakeholders satisfaction with, and views of, Halo were provided by Phase IV participants only i.e. 38 entrepreneurs/businesses (12 that received investment and 26 that 'pitched' but did not receive investment) and 6 business angels.

Figure 4.2: Satisfaction with support provided by Halo and the format of the Halo events



- All respondents (100% - N=35) expressed satisfaction with any pre-application challenge/support provided by Halo;
- 97% (N=37) of entrepreneurs/businesses indicated that the application forms were straightforward to complete, with the same proportion (97% - N=36) stating that they were 'very satisfied' or 'satisfied' with any support that was provided to assist them to complete the application process;
- Nearly all (97%) of respondents were either 'very satisfied' or 'satisfied' with the support provided during the training session to assist their 'pitch' preparation (N=36) and any other preparatory support provided by Halo including the quality assurance of presentations and pre-pitch rehearsals (N=37);
- Just over four-fifths (81% - N=37) of respondents were satisfied with the format of the investment meeting. The remaining entrepreneurs/businesses (19% - N=37), all of whom did not receive investment, felt that the format of the presentation stage could be improved suggesting that the current format is too rigid in terms of its content and length. However, it is the Evaluation Team's view that the current set format of the presentation stage allows business angels to establish the relative quality of pitches and propositions in a timely manner and hence should not be altered from its current format.
- Just under three-quarters (73% - N=37) of respondents were 'very satisfied' or 'satisfied' with any support and guidance provided by Halo following the investment meeting. The remaining entrepreneurs/businesses (27% - N=37), all of whom did not receive investment, suggested that they would have benefited from additional feedback as to why their 'pitch' was unsuccessful and advice on how they could potentially develop their idea to foster investment in the future; and
- 90% (N=38) of respondents were 'very satisfied' or 'satisfied' with the overall support that was provided by Halo.

“The Halo team provides you with all the information needed for your pitch at the investment meeting. You are well informed and prepared.”

“The support provided by Halo was outstanding. From the minute I met with Halo and right through the application and pitching process they were always on hand to provide useful information and advice of how best to maximise my potential to receive investment”

“Halo went above and beyond to help me prepare for the pitch. I wouldn’t be the most confident person in the world and through the practices pitches that were facilitated by Halo, my confidence grew and I developed a better understanding of how to articulate by business’ idea to potential investors”

“The support provided was very good however I felt that the presentation format is too rigid. Every company is individual but the format does not give a good opportunity to display this, meaning the angels get quite bored at the investment meeting. The same format for each business is not interesting therefore the angels lose interest and don’t pay attention.”

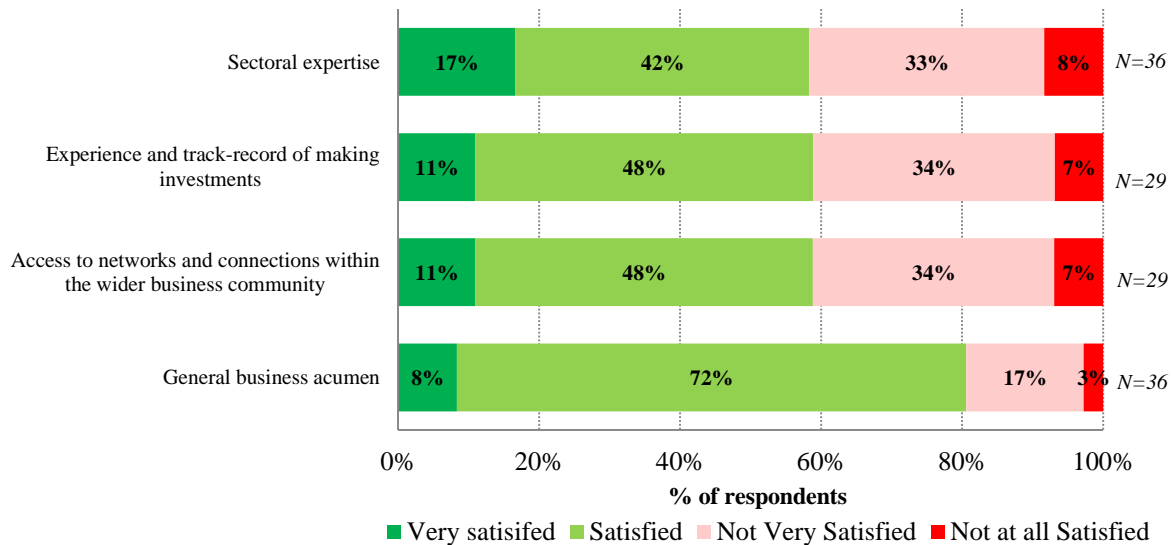
Entrepreneurs/businesses

4.2.3 Suitability of Business Angels in attendance of the Halo Events

In terms of the suitability of the business angels that were in attendance at the Halo events:

- Four-fifths (80% - N=37) of respondents suggested that they were ‘very satisfied’ or ‘satisfied’ with the business angels’ general acumen; and
- Just under three-fifths (59%) of respondents were satisfied with their:
 - Sectoral expertise (N=36);
 - Experience and track record of making investments (N=29); and
 - Access and connections within the wider business community(N=29)

Figure 4.3: Suitability of Business Angels in attendance of the Halo Events



It should be noted that c. 75% of respondents that suggested that they were either ‘dissatisfied’ or ‘very dissatisfied’ with the various aspects relating to the suitability of the angels in attendance, did not receive investment. It was the view of these entrepreneurs/businesses that a significant proportion of the business angels appeared to be in attendance in a more passive basis (e.g. out of interest and/or for social reasons and/or for kudos) and were not overtly interested or focused in making an investment at the event.

“The angels that were present at the investment meeting were excellent; they had great expertise and good contacts. It was a great opportunity to network and promote my idea.”

“There are not enough serious angels in NI. This is not a criticism of Halo but from a company perspective I feel that many angels were at the event just to network and socialise. Many are ‘tyre-kickers’ who have no real intention of investing.”

“It would have been more beneficial to businesses if there were a smaller amount of angels there who were interested in investing rather than a glamorous event. Many of the angels were there just to be seen, not to invest.”

Entrepreneurs/businesses

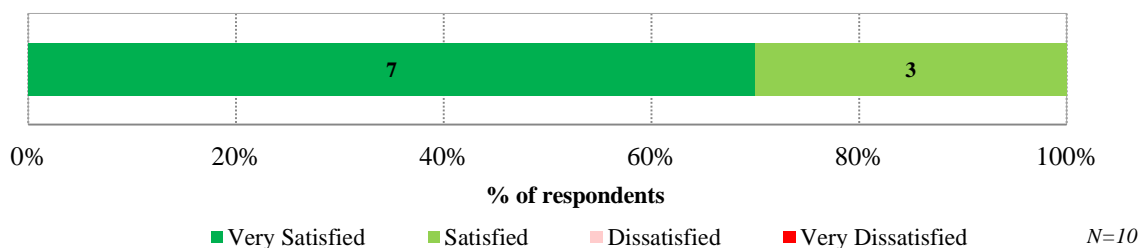
4.2.4 Satisfaction with non-investment support provided by Halo business angels

Of the 16 entrepreneurs/businesses that had received financial investment, 10 suggested that their business angel had provided them with other support, typically in the form of:

- Advice on how the idea could be developed to enhance its commercial attractiveness and how to effectively operate the business;
- Identifying of appropriate individuals/organisations that could support the entrepreneur/business to address any technical and operational difficulties;
- Identifying potential end-users/customers;
- Identifying potential follow-on sources on investment; and
- Networking opportunities with members of the wider business community.

All 10 entrepreneurs/businesses that had received additional support from their business angel suggested that they were either ‘very satisfied’ (7 respondents) or ‘satisfied’ (3 respondents) with the support that had been provided.

Figure 4.4: Satisfaction with the quality of any non-monetary support and advice provided



“If I have any problems with the business, my business angel is always available to help guide me in the right direction with their knowledge and expertise.”

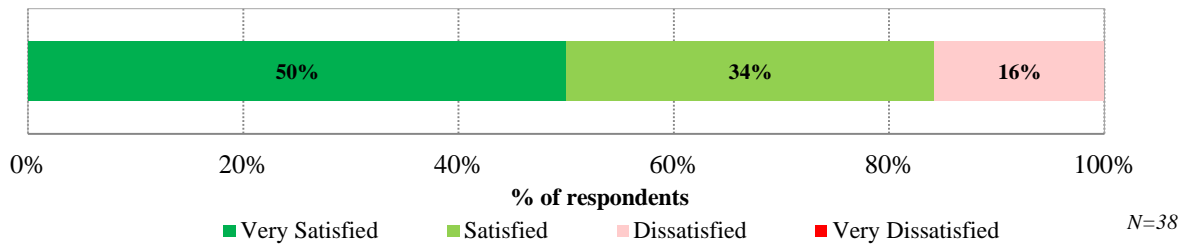
“In addition to the initial investment that was provided, my business angel has been on-hand to provide very useful advice on how to develop the product, attract additional investment and how to bring the product to market as quickly as possible. Without this support I don’t think I would have come half as far.”

Entrepreneurs/businesses

4.2.5 Overall Satisfaction and business’ recommendation for improvement

Just over four-fifths (84% - N=38) of entrepreneurs/businesses stated that they were ‘very satisfied’ (50%) or ‘satisfied’ (34%) with the support that was provided through Halo.

Figure 4.5: Overall satisfaction with support provided through Halo



“The people at Halo were very supportive and ensured that I got the best opportunity I could to secure funding.”

“The support provided to help me prepare for the pitch was excellent.”

“Those involved at Halo are very approachable and helpful; they went out of their way to help me and had great knowledge about the investment process; they kept me informed.”

“The staff at Halo is very professional and knowledgeable. They dealt with any queries I had quickly and efficiently.”

“Halo has a role to play growing fledgling businesses but there needs to be serious investors and a larger range of them. The right investor needs to be at the meeting and it can be very frustrating.”

Entrepreneurs/businesses

Aligned to the high level of overall satisfaction with Halo, the vast majority (86% - N=42⁴⁹) of entrepreneurs/businesses stated that they would be content to recommend Halo to other potential start-ups and businesses who are in need of seed/early stage investment to support their creation and growth.

Given the high level of satisfaction with the support delivered through Halo, businesses made only a small number of recommendations on how it could be improved. These included:

- Amend the structure of the format of the investment meeting to allow the presentations to be more flexible and unique to each business;
- Provide additional time to ‘pitch’ to investors;
- Provide additional feedback in relation to entrepreneurs/businesses as to the rationale why they did not receive investment;
- Recruit a wider range of angels from different sectors to the investment meetings in order to increase opportunities for investment; and
- Encourage only angels who are interested in making investments (and have the funds available to do so) to attend the Halo events.

⁴⁹ Includes Phase III participants and all Phase IV participants

4.3 Business Angels' satisfaction with, and views of, Halo

Given the small sample (N=6) of business angels self-selecting to participate in the primary research, caution should be taken in interpreting the results as being representative of the Halo business angel community.

4.3.1 Programme Marketing and Promotion

Awareness of Halo had typically been generated amongst respondents through one of four means; namely a peer, colleague or friend; Halo's events or direct marketing activities; the Halo website; and/or an intermediary body (namely an accountancy practice).

4.3.2 Satisfaction with the Halo Investment Process and support provided by Halo

Positively, the vast majority of the business angels expressed a high level of satisfaction with regards to the investment process that has been established by Halo. For example, all six business angels that participated in the primary research process suggested that they were 'very satisfied' or 'satisfied' with the:

- Format of the investment meeting;
- The degree to which potential investees were appropriately prepared to deliver the pitch;
- Any support provided by Halo during or after the investment process;
- The angel 'masterclasses'; and
- The quality of advice provided by speakers and experienced angels in attendance at non-investment angel dinners.

Similarly, 5 of the 6 business angels suggested that they were 'very satisfied' or 'satisfied' with the:

- Types of investment opportunities that were shortlisted for their consideration;
- Quality of the presentations that were 'pitched' to them; and
- The degree to which potential investees' ideas/propositions were 'investment ready' (in terms of their level of development).

However, 3 of the 6 business angels suggested that they were dissatisfied with the degree to which businesses/entrepreneurs understood how equity finance works including the value of their business or idea/proposition. Specifically, it was the view of these businesses that there was a general tendency for entrepreneurs/businesses to overvalue their fledgling business/idea. During consultation, Invest NI suggested that a number of existing programme/initiatives within the marketplace (e.g. the Investment Readiness/Awareness Programme, Propel Programme, NISP CONNECT programmes) are currently focusing on increase businesses'/entrepreneurs' understanding of equity finance. This is discussed in further detail in Section 5.

"The format of the pitching events is just right in my opinion. They provide a relaxed and open atmosphere whilst still maintaining a level of professionalism and work-like environment."

"On the whole, I would agree that the businesses that pitched to me had ideas that were at an appropriate stage of development. Halo had clearly done a good job in selecting these."

"It is clear that Halo employ a robust filtering process to determine which businesses are select to pitch to us. Furthermore, they ensure that the investees are put through their paces and have the right principles in place."

"As a remote angel investor who uses the video conferencing facility I was very satisfied by the format of the investment meeting. Halo always identified the investments that may be of interest to me and signposted me accordingly."

“In regards to the types of investment opportunities there was an excellent spectrum of opportunities across a wide array of industries”

“The entrepreneurs have obviously been coached and advised well on how to present their proposition, but could often do with developing their understanding of how equity finance works and the true value of what they're pitching.”

“The angel masterclasses have been excellent in increasing my understanding of the most appropriate ways to invest in these businesses.”

Halo business angels

4.3.3 Appropriateness of the investment meetings

Positively, 5 out of the 6 business angels suggested that the number of investment meetings delivered through Halo on an annual basis (typically 6 per year) is ‘just right’. The one business angel that felt that there are too many investment meetings suggested that Halo should provide 2-3 investment meetings on an annual basis.

The majority (5 out of 6) of business angels were in agreement that the investment meetings are an appropriate mechanism to identify potential investment opportunities and there was not a better mechanism the facilitate investment activity. The one business angel that suggested that investment meetings were not an appropriate mechanism to identify potential investment opportunities suggested that an online investment forum, akin to existing and emerging ‘crowd funding’ models would be more appropriate.

“I think the number of meetings that are facilitated by Halo each year is just right. If you provided any more meetings you risk angels not turning up due to other business commitments and if you provide any less, you risk missing good opportunities.”

“Call me old fashioned but I like to look into the whites of investees eyes before making investment decisions. You need to gauge their levels of commitment and desire and overall levels of acumen to take the idea to market – investment meetings like those provided by Halo allow you to do that.”

Halo business angels

4.3.4 Provision of non-investment support provided by Halo business angels

All six Business Angels stated that they provided other expertise and support in addition to the initial investment they provided. Examples of additional support provided included:

- General business management advice;
- Advice on how the idea could be developed; and
- Identifying potential follow-on sources of investment.

“In addition to my investment I have given the business new contacts and have assisted it in its contract negotiations.”

“Whilst I realised the potential of the idea, I was able to provide the business with some direction on where it needed to go to in order to improve it commercial potential.”

Halo business angels

4.3.5 Overall satisfaction

All 6 of business angels suggested that they were either ‘very satisfied’ (2 business angels) or ‘satisfied’ (4 business angels) with the Halo Programme.

“Halo is a very well-run programme, with clear focus on outcomes, and it is evident that they (Halo staff) put in the work and the energy to make it a success. The web portal is excellent and it is always up to date.”

“All in all, I think that Halo is an excellent programme that provides significant support to business angels and entrepreneurs alike.”

Halo business angels

Encouragingly, all business angels (N=6) suggested that:

- Halo is an effective conduit for channelling equity investment to SMEs at different stages of their development;
- There is a continued need for Halo;
- They anticipated playing an active role in the Halo network for the foreseeable future; and
- They would be willing to recommend Halo to other business angels who are seeking to invest in SMEs

Furthermore 5 of the 6 business angels suggested that they felt that the annual membership charge (of £200) represented value-for-money in respect of the value that they get from being part of the network.

“There is no other mechanism to assist in the matching process.”

“Without Halo I probably would not have known about the potential investees. The single most important benefit provided by Halo is to create a shop window for investee companies, and to provide a 'market place' for the 'marriage dance' for people with funds and people who need those funds...no Halo equals no marriage broker, when it comes to investments.”

“I want to continue to play an active role in the Halo network as I have available funds to invest, an intention to support young entrepreneurs, an appetite for risk, an irrepressible sense of fun and a knowledge that I will not live forever.”

“It's a good network and gives exposure to start-ups that is hard to find elsewhere in NI.”

“I like the concept and I think we all need to support the staff to keep it fresh and evolving.”

“The key advantage of Halo is that it covers the whole Northern Ireland region. Other networks cover smaller regions/areas especially in England. It is beneficial for both investors and investees therefore I would recommend it.”

Halo business angels

Given the high level of satisfaction with the support delivered through Halo, business angels made only a small number of recommendations on how it could be improved. These included:

- Provision of additional funding to the Halo network to improve the quality of entrepreneurs/businesses and/or the ideas/propositions that are put forward to investors; and
- Encourage greater levels of investment through the introduction of a crowd funding model which would help NI to focus on the quality of deal flow. As detailed in Section 3, the Evaluation Team notes that Halo is in the process of creating partnerships with crowd funding organisations such as Seedrs.

4.4 Summary Conclusions

The preceding analysis suggests that investors and investees are, on the whole, highly satisfied with the support provided through the Halo network. Specifically, the feedback from business angels and entrepreneurs/businesses, that received support from Halo during the period under review, suggests that (amongst other things):

- Halo is playing an effective role in both selecting suitable entrepreneurs/businesses to ‘pitch’ to business angels for equity investment and ensuring that those selected to pitch are appropriately prepared and up-skilled to do so;
- The current format of the investment meetings (i.e. dinner, pitch presentation and post-pitch meetings/networking) is appropriate to facilitate the ‘matching process’ between investors and investees;
- Halo is providing an effective forum to facilitate business angel networking and the delivery of business angel ‘masterclasses’ (by an experienced angel investor) to enhance the investment knowledge and expertise of business angel investors; and
- Halo is an effective conduit for channelling equity investment to SMEs at different stages of their development.

5. IMPACT OF THE HALO PROGRAMME

5.1 Introduction

This Section considers the impact that the receipt of Halo support had on recipient entrepreneurs/businesses and business angels.

5.2 Activity Deadweight/Additionality

The net impact of the Halo support (i.e. its additionality) relating to entrepreneurs/businesses ability to receive investment and expertise and business angels likelihood of making the investments, or where relevant, to have done so to a similar scale and/or within a similar timescale, can only be measured after making allowances for what would have happened in the absence of the support from Halo. That is, the support must allow for deadweight. ‘Deadweight’ refers to activity that would have occurred without the intervention i.e. the Halo programme.

In summary, we have calculated levels of activity deadweight using a ‘participant self-assessment’ methodology. The methodology utilises a series of questions⁵⁰ within the participant survey and assigns weightings (provided by DETI’s Economist Team) to the individual responses. The outcomes of the analysis are provided below:

Table 5.1: Activity Additionality/deadweight - Entrepreneur/business (N=12)	
Fully Additional	33%
Partially additional	50%
Not additional	17%
Overall level of additionality	62.8%

The feedback from entrepreneurs/businesses suggests that 63% of investment and/or expertise would not have been achieved/received (or would not have been achieved/received in the same timescale and/or at the same level that was ultimately provided) without the support provided by Halo. The remainder of the investment and expertise (38%) would have been achieved/received or would have been achieved/received in a different timescale and/or manner.

Of the two angels that had made an investment and engaged in the primary research process, both were in agreement that this would not have occurred (or would not have occurred in the same timescale and/or at the same level) without the support provided through the Halo Programme.

5.3 Nature and Extent of Market Failure

Subsection 5.3 examines the factors that would have prevented businesses from achieving the investment and expertise that was provided by their business angel or achieving it in the same manner (i.e. at the same scale or in the same timescale) independent of the support provided through Halo. In doing so the analysis utilises a methodology agreed in conjunction with DETI to quantify the nature and extent of market failure⁵¹.

Based on the feedback, the factors that would have prevented businesses from undertaking the business development activities or undertaking them in the same manner included:

⁵⁰ In-line with DETI guidance, these questions focused on identifying the likelihood that the business would have undertaken similar activities to address the specific technical issues they were facing, what proportion of the impact would have occurred in the absence of support and (if relevant) how much later would the activity have been undertaken (if relevant).

⁵¹ Given the fact that the analysis seeks to examine the factors that would have prevented businesses from achieving the investment and/or expertise or achieving it in the same manner (i.e. at the same scale or in the same timescale) independent of the support provided through Halo, the analysis is intrinsically linked to the activity additionality / deadweight analysis detailed in subsection 5.2.

Table 5.2: Factors preventing businesses from receiving investment and expertise provided by their Business Angel ⁵²	
Need for support	No. of businesses
You were not aware of appropriate investors (e.g. Business Angels) that could offer the investment and expertise required to address your business needs	7
The business or idea/proposition was too risky to be of interest to other potential financial sources (e.g. the bank)	4
The cost of gaining finance for the business or idea/proposition was prohibitive	1
The business would have lacked the knowledge and skills to present itself as an investible opportunity resulting in it not appearing 'investment ready' to investors	1
You did not seek investment from other sources because you did not understand the potential benefits to the business of raising finance or your likely chance of success in gaining finance	1
Larger venture capital companies were not interested in the size of the potential deal	0%
You did not understand how equity finance worked and hence were reluctant to seek investment from investor	0%
N =	9⁵³

Based on these findings, the Evaluation Team was able to undertake an analysis of the degree to which market failure played a role in preventing them from receiving investment and expertise. This analysis involved categorising businesses' motives for participation based on:

- **No Market failure** – The business felt that the activity 'definitely would have happened anyway' or stated that they would not have received investment and expertise in the absence of the Halo Programme due to the fact that the cost of gaining finance for the business or idea/proposition was prohibitive or larger venture capital companies were not interested in the size of the potential deal;
- **Partial Market failure** - The participant's decision to participate was due to **both** non-market failure and market failure factors. That is to say, they would not have started their business or developed it in the same manner, because:

- The cost of gaining finance for the business or idea/proposition was prohibitive (not a market failure); and/or
- Larger venture capital companies were not interested in the size of the potential deal (not a market failure); **and**
- The business or idea/proposition was too risky to be of interest to other potential financial sources (e.g. the bank) (market failure – asymmetric information and risk aversion) and/or
- The business would have lacked the knowledge and skills to present itself as an investible opportunity resulting in it not appearing 'investment ready' to investors (market failure – asymmetric information) and/or
- The business was not aware of appropriate investors (e.g. Business Angels) that could offer the investment and expertise required to address your business needs (market failure – asymmetric information); and/or
- The business did not seek investment from other sources because you did not understand the potential benefits to the business of raising finance or your likely chance of success in gaining finance (market failure – asymmetric information); and/or
- The business did not understand how equity finance worked and hence were reluctant to seek investment from investor (market failure – asymmetric information).

⁵² This question was asked only to those businesses who received investment in Phase IV of Halo.

⁵³ Whilst the primary research examined the feedback from the 12 businesses, 3 businesses suggested that they would have achieved all the investment and received similar expertise in the absence of the support provided through the Halo Programme. Respondents were able to select more than 1 response.

- **Full Market Failure** - The company’s decision to participate was solely due to market failure factors (asymmetric information) i.e.:

- The business or idea/proposition was too risky to be of interest to other potential financial sources (e.g. the bank) (market failure – asymmetric information and risk aversion) and/or
- The business would have lacked the knowledge and skills to present itself as an investible opportunity resulting in it not appearing ‘investment ready’ to investors (market failure – asymmetric information) and/or
- The business was not aware of appropriate investors (e.g. Business Angels) that could offer the investment and expertise required to address your business needs (market failure – asymmetric information); and/or
- The business did not seek investment from other sources because you did not understand the potential benefits to the business of raising finance or your likely chance of success in gaining finance (market failure – asymmetric information); and/or
- The business did not understand how equity finance worked and hence were reluctant to seek investment from investor (market failure – asymmetric information).

The results of this analysis are presented in the table below:

Table 5.3: Impact of market failure on the Halo Programme Recipients	
	% of Businesses/entrepreneurs
No Market Failure	25%
Partial Market Failure	8%
Full Market Failure	67%
Total (N=12)	100%

In summary, 75% of businesses/entrepreneurs suggested that **the investment and/or expertise would not have been taken place or achieved to the same scale or within the same timescale due to either ‘full’ or ‘partial’ market failure factors**. Thus, the Evaluation Team concludes that Halo has been successful in supporting businesses to overcome those market failure barriers that are preventing them from receiving investment and expertise.

5.4 Assessing the level of net additional business angel investment

On the basis that both business angels and entrepreneurs/businesses identified the likelihood that they would have made (in the case of business angels) or received (in the case of the entrepreneur/business) the investment, the potential impact of Halo in fostering this investment can be examined from both perspectives, as detailed in the table below:

Table 5.4: Net additional business angel investment			
Stakeholder	Total business angel investment	Level of activity additionality⁵⁴	Net additional business angel investment achieved
Entrepreneur/business (N=12)	£3,063,000	62.84%	£1,924,839

The application of the level of entrepreneur/business activity additionality (62.84%) to the total level of business angel investment that was made during the period under review (i.e. £3,063,000⁵⁵) suggests that Halo directly supported the creation of £1,924,839 in investment⁵⁶.

⁵⁴ Given the small number of business angels that self-selected to participate in the primary research and had made an investment (N=2), the Evaluation Team has not attempted to calculate the net additional business angel investment achieved based on business angels’ views.

⁵⁵ Figures are as reported by Halo in their monitoring spreadsheets.

⁵⁶ At a confidence levels of +/- 20%.

5.5 Achievement of Outcomes

Subsection 5.5 provides a summary of the tangible business impacts derived by entrepreneurs/businesses that received investment during Phases III or IV.

It is the Evaluation Team's view that caution should be taken in relation to any assessment of the impact that Halo has had on generating outcomes and impacts at this stage on the basis that it is widely recognised that there is a time-lag (which can amount to years) between businesses receiving business angel investment and any subsequent realisation of outcomes and impacts. This time-lag typically relates to the fact that businesses will often require further developmental work (which may be supported through further follow-on investment) to be undertaken before a product or process can be brought to market. This assertion is reflected by research undertaken by Nesta⁵⁷ which suggests that, on average, it may take six years to generate a positive outcome as a result of business angel investment. Withstanding this issue, the Evaluation Team has sought to establish the impacts that have been derived to date.

5.5.1 Overview of impacts/outcomes achieved

As detailed in Table 5.5, 14⁵⁸ of the 16 businesses that had received investment during Phases III or IV suggested that they had derived subsequent impacts/outcomes⁵⁹.

Table 5.5: Impact/Outcomes Achieved to date				
Impact/outcome	No. of businesses deriving the impact/outcome			
	Phase III		Phase IV	
	No. of businesses	Quantification ⁶⁰	No. of businesses	Quantification
Impact on the business' survival	3	N/A	9	N/A
Increased employment (FTEs) within the business	2	4 employees	6	13 employees
Employment Safeguarded / Retained	2	7 employees	7	36 employees
Additional follow-on investment	-	-	5	£3m (projected)
Entry into new geographic markets	2	N/A	2	N/A
Improved the skills of your workforce	2	N/A	3	N/A
Increased sales in NI market	1	£30k	1	£60k
	1	£20k (projected)	1	£100k (projected)
Increased sales in GB market	1	-	4	£140k
	1	£40k (projected)	4	£1.095m (projected)
Increased sales in export markets (outside UK)	1	-	2	£20k
	1	£40k (projected)	2	£900k (projected)
Increased expenditure on R&D	1	£200k	4	£60k (projected)
Increased competitiveness	1	N/A	6	N/A
Reduction in costs	-	-	1	-
Increased access to business networks/contacts	4	N/A	7	N/A
N=		4		12

⁵⁷ See Nesta, *Siding with the Angels*. It is also noted by the research that 56% of exits failed to return capital.

⁵⁸ 3 of the 4 investees/businesses surveyed from Phase III of the Programme and 11 of 12 investees/businesses surveyed from Phase III of the Programme.

⁵⁹ The remaining businesses did not envisage received impact/outcomes in the future.

⁶⁰ Where applicable and businesses were able to quantify during the primary research process. Please note that in a number of cases businesses were unable to quantify the change in the impact/outcome metric.

In summary, the feedback from businesses in receipt of angel investment suggests that a minimum of:

- 17 new jobs had been created;
- 43 jobs have been retained/safeguarded;
- £250k of increased sales had been achieved in NI, GB and export markets; and
- £200k of further R&D expenditure had been undertaken.

Please note that whilst there appears to be a disconnection between the number of jobs that have been created and the increase in sales that have been achieved⁶¹, the Evaluation Team suggests that this difference relates to two factors; namely:

- A number of businesses were unable to quantify the level of increase sales that they had achieved; and
- The increased employment levels are likely to have been supported by further follow-on investment that has been derived by the businesses.

In addition to these monetary/quantifiable measures, the majority of businesses suggested that there had been a positive impact on their business' survival and had achieved increased access to business networks/contacts and competitiveness as a result of the initial investment and/or expertise provided by the Business Angel.

5.5.2 Assessment of GVA impacts⁶²

Gross Sales and GVA derived

As detailed previously, businesses that engaged in the primary research suggested that they had derived £250k of gross sales as a result of the initial investment and/or expertise provided by the Business Angel. Given the breadth of businesses that availed of Halo support, we have applied the NI average level of GVA⁶³ (i.e. 31%) to the estimate the level of gross GVA. This analysis suggests that businesses that received investment during Phase III (N=4) contributed £9.3k in gross GVA, whilst the businesses that received investment during Phase IV (N=12) contributed £68.2k in gross GVA (i.e. £77.5k across the 16 businesses), as detailed in Table 5.6

Table 5.6: Calculation of Gross GVA						
Location of sales	Phase III (N=4)			Phase IV (N=12)		
	No of businesses able to quantify impact	Value (£)	Gross GVA (@31%)	No of businesses able to quantify impact	Value (£)	Gross GVA (@31%)
NI Sales	1	£30,000	£9,300	1	£60,000	£18,600
GB Sales	-	-		2	£140,000	£43,400
Outside UK Sales	-	-		1	£20,000	£6,200
Total sales	-	£30,000	£9,300	-	£220,000	£68,200

⁶¹ That is to say, the Evaluation Team suggests that an increase in sales of £250k is unlikely to be sufficient to support the increase in jobs (17 jobs) when examined on a fully loaded basis.

⁶² As detailed previously, given the low number of investees/businesses contact details (N=32) that were provided for investees/businesses in receipt of investment during Phases III and IV (N=42) and the subsequent number of investees/businesses and Business Angels providing feedback during the primary research, the Evaluation Team has not (at the request of Invest NI) applied a 'grossing-up' methodology to examine the impact of activity at a programme level.

⁶³ Source: Northern Ireland Annual Business Inquiry 2012 (DFP 21 December 2012).

In order to estimate the gross GVA impact on profits and wages/salaries (in the absence of actual wage/salary information), we have determined the split of GVA across profits and wages through the use of figures from the ONS Regional Accounts (December 2012) which sets out GVA in terms of “gross operating surplus” (i.e. profits) and “compensation of employees” (i.e. wages/salaries).

GVA Breakdown	2011	% of total
Gross operating surplus (GOS) – profits	£12,139	41%
Compensation of employees – wages/salaries	£17,731	59%
Total NI GVA	£29,870	100%

Using this information, we can estimate the Scheme’s gross GVA impact on additional profits and wages/salaries arising from businesses assisted, as

GVA Breakdown	Phase III (N=4) Value (£)	Phase IV (N=12) Value (£)
Gross operating surplus (GOS) – profits	£3,813	£27,962
Compensation of employees – wages/salaries	£5,487	£40,238
Total Gross GVA	£9,300	£68,200

Net additional GVA derived (including impact additionality and displacement considerations)

By way of calculating the net additional GVA contributed by Phase III and Phase IV businesses, it is important to take account of two further considerations; namely:

- Impact deadweight/additionality;
- Displacement.

5.5.3 Impact additionality

The net impact of the Halo Programme (i.e. its additionality) on recipients businesses’ sales, employment or other outturns can only be measured after making allowances for what would have happened in the absence of the intervention. That is, the impact must allow for deadweight. ‘Deadweight’ refers to outcomes that would have occurred without their support.

Please note that given that most evaluations are undertaken some time after an activity is implemented, the Evaluation Team does not consider it appropriate to apply ‘activity additionality’ to impact measures. The reason being that, in the intervening period any variety of factors (and support interventions) may have had an impact on the business deriving these impacts and outcomes⁶⁴. Therefore, this measure ascertains the level of deadweight/additionality relating to business outturns.

The analysis of individual survey responses and application of the same ‘participant self-assessment’ methodology used to assess ‘activity additionality’, results in the following levels of ‘impact deadweight and additionality’:

⁶⁴ This issue is particularly pertinent in the context of Halo, which acts as a facilitator between business angels (the investors) and the businesses/entrepreneurs (the investees). However, there is likely to be a number of other factors (and support interventions) that ultimately contribute to the business achieving the impacts. Thus the impact additionality methodology seeks to establish the levels of impacts/outcome that can be attributed to the support from Halo and the investment and expertise from the Business Angel which is facilitated through the Halo process.

Table 5.9: Impact Additionality/deadweight		
Phase	Deadweight	Additionality
Phase III	30.3%	69.7%
Phase IV	38.2%	61.8%

The Evaluation Team notes that ‘impact additionality’ is high for both Phase III (70%) and Phase IV (62%) of the Halo Programme. ‘Activity additionality’ was not considered for Phase III however the Phase IV ‘activity additionality’ (63%) is similar to the ‘impact additionality’ reflecting the fact that the investment and expertise provided by the business angels played a pivotal role in businesses realising the outcomes and impacts.

Positively, as detailed in the Table 5.10, the Evaluation Team’s benchmarking of Halo’s level of ‘impact additionality’ with other similar interventions shows that Halo is performing significantly better than these. For example, the level of Halo impact additionality for Phase III is 17 percentage points higher than for ‘Individual enterprise support’ interventions across the UK regions (where it is 52.7%). Similarly, for Phase IV the level of Halo impact additionality is 9.1 percentage points higher than that across the UK regions under this sub-theme.

Furthermore, the level of impact additionality is higher than for all types of interventions and programme interventions.

Table 5.10: Benchmarking of impact additionality/deadweight⁶⁵			
Location	Nature of interventions	Mean Additionality	Mean Deadweight
UK Regional	All interventions	57.0%	43.0%
	Programme interventions only	56.2%	43.8%
	Individual enterprise support⁶⁶	52.7%	47.3%
NI	Halo - Phase III	69.7%	30.3%
	Halo - Phase IV	61.8%	38.2%

5.5.4 Displacement

The Evaluation Team has also considered the potential displacement that might be created by the impact of the Halo Programme. To assess this, we have again utilised a series of questions; the answers to which are assigned a ‘displacement factor’ in both the NI market and the broader UK market.

We have calculated displacement based on two factors:

1. The proportions of the businesses that participants compete with that are based in NI/UK, keeping in mind the markets which their company sells into.
2. Whether, in the participants’ area of business, market conditions have improved over the period since receiving support.

On an overall level, the Evaluation Team’s analysis suggests that that the displacement factor;

- For Phase III is 17% at both the NI and the UK levels; and
- For Phase IV is 16.25% at the NI level whilst at the UK level it is 42.67%.

⁶⁵ Source: *Research to Improve the Assessment of Additionality* (BIS, 2009)

⁶⁶ Please note BIS defines ‘individual enterprise support’ as programmes or projects that aim to provide access to finance for SMEs and/or promote enterprise and assist company start-ups. It is the Evaluation Teams view that Halo’s activity is aligned to these definitions.

5.5.5 Calculation of net additional GVA

The application of the outturns of the impact additionality and NI displacement analysis suggests that:

- The 4 businesses that participated in the primary research process, and had received business angel investment through Phase III of Halo, contributed c. £5,380 in net additional GVA, £2,206 of which was in wages and the remainder (£3,174) was in profits; and
- The 12 businesses that participated in the primary research process, and had received business angel investment through Phase IV of Halo, contributed c. £35,327 in net additional GVA, c. £14,484 of which was in wages and the remainder (£20,843) was in profits.

A summary of this analysis is provided below:

Table 5.11: Net additional GVA for all businesses Phase III (N=4)				
	Sales Achieved	Removal of Impacts Deadweight' (@30.3%)	Net additional sales (removal of NI displacement @17%)	Net additional GVA (@31%)
NI	£30,000	£20,910	£17,355	£5,380
GB	-			
Outside UK	-			
Total sales	£30,000	£20,910	£17,355	£5,380

Table 5.12: Net additional GVA for all businesses Phase IV (N=12)				
	Sales Achieved	Removal of Impacts Deadweight' (@38.15%)	Net additional sales (removal of NI displacement @16.25%)	Net additional GVA (@31%)
NI	£60,000	£37,110	£31,080	£9,635
GB	£140,000	£86,590	£72,519	£22,481
Outside UK	£20,000	£12,370	£10,360	£3,212
Total sales	£220,000	£136,070	£113,959	£35,327

Table 5.13: Disaggregation of Net additional GVA		
GVA Breakdown	Phase III	Phase IV
Gross operating surplus (GOS) – profits	£2,206	£14,484
Compensation of employees – wages/salaries	£3,174	£20,843
Total Net Additional GVA	£5,380	£35,327

5.5.6 Assessment of gross and net additional employment impacts

New Employment (full-time equivalents)

As detailed previously, 2 businesses that received investment during Phase III suggested that the Halo support had supported the creation of 4 new full-time equivalent (FTE) jobs⁶⁷, all of which were above the NI median salary level (i.e. £18,876 per annum). Making allowances for the calculated levels of 'impact additionality' and NI displacement suggests that Halo has directly created 2 net additional jobs in these businesses to date, all of which were above the NI median salary level.

⁶⁷ Based on the feedback, this increase in employment was, in part, linked to increases in levels of sales within the businesses.

Table 5.14: Net additional FTE jobs created from business receiving investment during Phase III	
	No of FTE jobs
FTE jobs created - survey sample (N=4)	4
Removal of 'Impacts Deadweight' (@30.30%)	3
Net additional FTE jobs created (following the removal of NI displacement @17%)	2

In terms of businesses receiving investment through Phase IV, 6 businesses suggested that the Halo support had supported the creation of 13 new full-time equivalent (FTE) jobs⁶⁸, all of which were above the NI median salary level (i.e. £18,876 per annum). Making allowances for the calculated levels of 'impact additionality' and NI displacement suggests that Phase IV of Halo has directly created 7 net additional jobs in these businesses to date, all of which were above the NI median salary level.

Table 5.15: Net additional FTE jobs created from business receiving investment during Phase IV	
	No of FTE jobs
FTE jobs created - survey sample (N=12)	13
Removal of 'Impacts Deadweight' (@38.15%)	8
Net additional FTE jobs created (following the removal of NI displacement @16.25%)	7

Employment retained/safeguarded

In addition to the creation of new FTE jobs, the Evaluation Team's analysis suggests that the Halo Programme directly contributed to safeguarding 6 net additional jobs in businesses that received investment during Phase III and 22 net additional jobs in businesses that received investment during Phase IV, as detailed in the tables below:

Table 5.16 - Net additional jobs safeguarded from business receiving investment during Phase III	
	No of jobs safeguarded
Jobs safeguarded - survey sample (N=4)	7
Net additional jobs safeguarded (following the removal of 'Impacts Deadweight' @30.3%)⁶⁹	6

Table 5.17 - Net additional jobs safeguarded from business receiving investment during Phase IV	
	No of jobs safeguarded
Jobs safeguarded - survey sample (N=12)	36
Net additional jobs safeguarded (following the removal of 'Impacts Deadweight' @38.15%)	22

5.5.7 Assessment of other monetary impacts

In addition to the impact of Halo on the aforementioned metrics, the Evaluation Team's analysis suggests that the Programme also encouraged businesses that received investment during Phase III (and engaged in the primary research process) to undertake a further c. £139k of R&D expenditure. Phase IV participants did not quantify any other monetary impacts.

⁶⁹ Please note that displacement impacts do not need to be considered as the analysis related to jobs safeguarded, rather than jobs created i.e. the activity could not displace jobs that were already in existence.

Table 5.18 – Phase III Impact on expenditure on R&D	
	Expenditure on R&D
Survey sample (N=4)	£200,000
Net additional impact (following the removal of ‘Impacts Deadweight’ @30.3%)⁷⁰	£139,400

5.5.8 Projected Impacts/Outcomes

Given the aforementioned likely time lag between businesses receiving business investment and subsequently deriving any monetary impacts, the Evaluation Team sought to establish the potential monetary impacts envisaged by businesses in receipt of support.

Positively, 1 of the 4 businesses surveyed, that had received investment during Phase III, anticipated achieving £100k in further sales, whilst 4 of 12 businesses surveyed, that had received investment during Phase IV, anticipated achieving £2.1m in further sales.

Table 5.19: Businesses quantification of projected sales				
Location of sales	Phase III (N=4)		Phase IV (N=12)	
	No of businesses able to quantify impact	Value (£)	No of businesses able to quantify impact	Value (£)
NI Sales	1	£20,000	1	£100,000
GB Sales	1	£40,000	4	£1,095,000
Outside UK Sales	1	£40,000	2	£900,000
Total sales	-	£100,000	-	£2,095,000

5.6 Unexpected Impacts

7 of the 16⁷¹ entrepreneurs/businesses indicated that they had received unexpected impacts or benefits as a result of the support provided through Halo. Specifically, these businesses cited the support had helped them:

- Increase their ability to effectively ‘pitch’ their ideas/propositions to potential investors;
- Broaden their network of contacts; and
- Increase their exposure amongst potential investors.

5.7 Achievement of motives for engaging in the Halo Business Angel Network

Key reasons cited by the six Business Angels for engaging in the Halo Business Angel Network included to:

- Make investments that would ultimately provide you with a positive return-on-your investment (noted by all 6 angels as being the most important reasons);
- Diversify their investment portfolio;
- Network with like-minded entrepreneurs/investors;
- For the personal satisfaction of being involved in entrepreneurial firms; and
- For philanthropy reasons.

Whilst the majority of the angels suggested that they had achieved these aforementioned motives (either wholly or partially), all six angels were of the view that it would take a considerably longer period of time to derive a positive return on their investment (albeit they anticipated doing so).

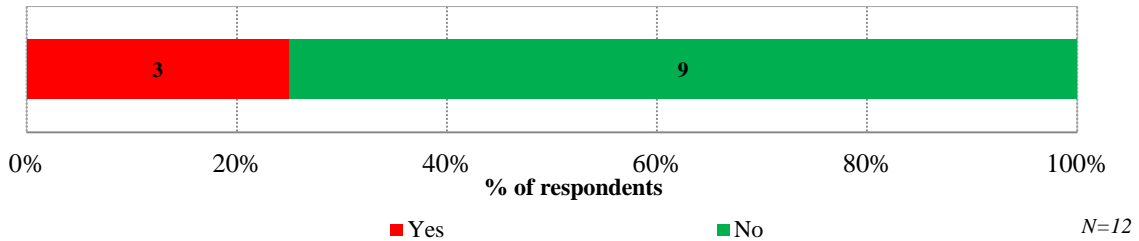
⁷⁰ Please note that displacement impacts do not need to be considered as the analysis related to jobs safeguarded, rather than job created i.e. the activity could not displace jobs that were already in existence.

⁷¹ N=16 as this question was asked to those who received investment in Phase III and Phase IV.

5.8 Duplication and Complementarity

9 of the 12⁷² entrepreneurs/businesses indicated that, in the absence of Halo, they would not have been able to get the same or similar support elsewhere.

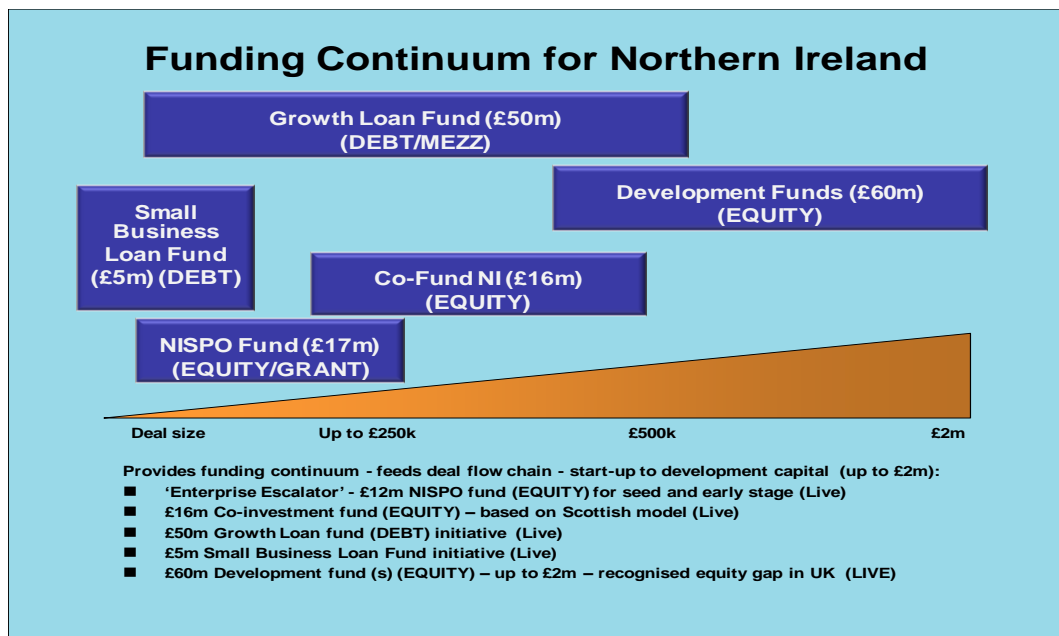
Figure 5.1: Ability of businesses to get the same or similar support elsewhere



Of those businesses that suggested that they would have been able to get the support elsewhere (N=3), these businesses suggested that they could have got the investment from VCs and got the other advice and non-monetary support from mentors.

It was the view of consultees, and shared by the Evaluation Team, that Halo plays an important role in promoting a continuum of funds and creating a deal flow chain for deals up to £2m for start-up and early growth businesses. In doing so, it was suggested that Halo complements the other key financial initiatives currently being delivered through the Invest NI Access to Finance Strategy and, in particular, the NISPO IGF and Co-Fund NI which requires businesses/entrepreneurs to have at least 30% and 50% respectively of matched private sector funding from business angels or other private investors.

Figure 5.2: Support provided through Invest NI’s Access to Finance Strategy



⁷² This question was asked to those who received investment in Phase IV.

Table 5.20: Overview of the Access to Finance initiatives		
Name of fund	Fund total	Extent of loans/investments
Small Business Loan Fund	£5m	Up to £50,000
NISPO (IGF)	£12m	Between £50,000 and £250,000 for seed and early stage capital
Co-fund NI	£16m over 6 years	Between £250,000 and £450,000 made in co-operation with business angels
Development Fund	£60m over 10 years	Between £450,000 and £2 million comprising both public and private funding
Growth Loan Fund	£50m	Loans for SMEs of £50,000 to £500,000

In addition to the support provided through Invest NI’s Access to Finance initiative, Halo also complements a number of other initiatives that seek to support the continuum of funds for start-up and early growth businesses including:

Table 5.21: Other initiatives supporting the continuum of funds for start-up and early growth businesses		
Programme (Provider)	Initiative	Programme overview
£25k awards (NISP CONNECT)	(NISP)	The ‘25k Awards’ is an annual competition designed to showcase the most innovative research and intellectual property from the publicly funded institutions in Northern Ireland. Over the course of six months, select teams are supported to develop comprehensive business plans to present to a panel of highly qualified and experienced judges. In order to compete for a share of the £25,000 prize, teams are challenged to refine their business idea and incorporate key start-up strategies at an early stage. The competition is open to any member of research staff, academic, masters or PhD student, doctors, nurses or individual in any facility where public money is spent on R&D.
VC Forum (NISP CONNECT)	((NISP))	NISP CONNECT’s VC Forum is an exclusive, private, invitation-only showcase for promising emerging companies in the region. Selected entrepreneurs will have the opportunity to present to a group of premier venture capital providers actively funding investments. VCs will be invited from USA, Scotland and England as well as Irish and local.
Seedcorn Competition (InterTradeIreland)	Competition	<p>The InterTradeIreland Seedcorn Competition is aimed at seed and early-stage businesses in any sector with an equity funding requirement and offers prize money of €280,000. The competition aims to develop and improve business plans and make companies’ investor ready through exposure to venture capitalists and other equity providers.</p> <p>There are two competition categories for:</p> <ul style="list-style-type: none"> • High-growth companies (which have been established for less than 5 years and have a funding requirement of up to €500,000); and • Emerging companies (which have been established for less than 3 years and have a funding requirement of up to €100,000). <p>The competition is aimed at independent ventures incorporated on the island of Ireland in the seed, start up or early stages of business development and ideally targeting international markets. Ventures which have already raised external equity in excess of €1m (or sterling equivalent) are not eligible.</p>

Furthermore, it was the view of consultees, and shared by the Evaluation Team, that the preparatory support provided by Halo businesses/entrepreneurs complements a range of other skills development/mentoring programmes/initiatives that presently exist in the marketplace to up-skill the entrepreneurs of high-potential businesses including:

Table 5.22: Skills and mentoring programmes complementing the preparatory support provided by Halo		
Programme (Provider)	Initiative	Programme overview
NISPO Readiness/Awareness Programme (IRP/IAP) ⁷³ (E-synergy funded by Invest NI)	Investment	<p>Through the provision of workshops, the NISPO IRP/IAP seeks to provide entrepreneurs, who have ambitions to raise investment finance, with an understanding of the investment process; how to prepare for investment and how to subsequently utilise investment funds to best effect. More specifically, the Programme seeks to support entrepreneurs to:</p> <ul style="list-style-type: none"> • Determine whether venture capital is indeed a viable source of funding for them; • Begin to understand the VC/business angel investor perspective on their business; • Hone their presentation skills and refine their ‘elevator’ pitch • Understand the necessary process of company valuation; • Appreciate the importance ‘aligning interests’; • Examine common investment terms as they might apply to their businesses; • Know what to expect from the due diligence process; • Become familiar with some of the procedural and legal requirements; • Get an insight into early stage investment structures; and • Understand how to manage the post-investment scene to best effect.
Propel Programme (Invest NI)	Investment	<p>Propel is a programme for entrepreneurs, who have the greatest potential to start up and scale an export focused business that is innovative, and has the potential to become a significant exporter and employer. The programme is specifically targeted at those who have the commitment to take an idea forward to commercialisation via an intensive programme of support leading to business start-up and ongoing Invest NI mainstream support. The programme operates over two phases and provides (amongst other things):</p> <ul style="list-style-type: none"> • Financial support - up to £20k is available to eligible participants who attend programme training and events and who achieve key milestones in Phase 2 of the programme) • Workshops - A series of workshops are delivered covering themes such as: <ul style="list-style-type: none"> – Developing your Strategy – Networking and Personal Brand – Finance and Revenue Models – Partnering in International Markets – Leadership and Personality Styles – Approach to Export Marketing – Business Plan / Business Planning – Pitching for Investment • Mentoring support on a one-to-one and team basis from experienced international entrepreneurs and executives; • Access to business networks
Springboard CONNECT)	(NISP	<p>The Springboard programme offers free assistance to life science and high tech companies in all stages of development to refine and validate the strategic foundations of an entrepreneur’s business idea or company. Applicants meeting the programme criteria, from concept-stage inventors and scientists to companies seeking funding, spend 8 to 12 weeks in coaching sessions with experienced Entrepreneurs-in-Residence (EIRs) to help them develop their business model and/or commercialisation strategy. Ultimately Springboard culminates in a panel presentation, offering entrepreneurs feedback from seasoned industry veterans and top tier service providers.</p>

⁷³ Please note that the IRP is due to be rebranded as the Investment Awareness Programme (IAP) under NISPO II.

Table 5.22: Skills and mentoring programmes complementing the preparatory support provided by Halo

Programme (Provider)	Initiative	Programme overview
Enterprise Forum (NISP CONNECT)		Enterprise Forum seeks to educate entrepreneurs in an informative and entertaining environment in front of a diverse audience of Northern Ireland’s business leaders and technologists, as well as capital and service providers. Enterprise Forum provides access to world class market intelligence and a distinctive perspective on challenging business issues facing start-ups by producing forums and case study presentations featuring Northern Ireland’s emerging growth technology companies.
Frameworks (NISP CONNECT)	Workshops	Many of today’s business founders and future entrepreneurs have scientific and technical backgrounds but have had limited experience in industry, so they often lack exposure to critical information which is essential to leading a start-up. To fill this gap, Frameworks workshops offer content-rich, targeted, educational programmes that help young to mid-staged companies build a business around their promising science or technology. Subject matter expertise is provided by knowledgeable professionals to facilitate the transfer of knowledge and experience. The Programme seeks to provide valuable business vocabulary and tactical skills and presenters gain credibility with future business leaders.

The Evaluation Team notes that both the NISPO IRP/IAP and Invest NI Propel programmes offer support to businesses and entrepreneurs to ‘pitch’ to prospective investors. During consultation, Invest NI confirmed that the support delivered through these programmes focus on up-skilling entrepreneurs at different levels and plays an important role in the deal flow pipeline. As such, it is Invest NI’s view that the opportunity of duplication is minimal.

The Evaluation Team also notes that Invest NI is currently appraising the need for a Pilot Accelerator Programme⁷⁴. Empirical evidence suggests that Accelerator Programmes will typically culminate in a demonstration day which gives the start-ups an opportunity to meet with investors (mostly consisting of VCs and business angels) and pitch their products in order to attract follow-on investment. By way of supporting the provision of follow-on investment to the start-ups supported through any future Accelerator programme, Invest NI should explore the mechanics of how Halo should be embedded within its future operation.

5.8.1 Achievement of benefits by businesses who did not receive investment

19 of the 26⁷⁵ businesses who did not receive investment from the Business Angels indicated that they received benefits from engaging in the Halo process. Specifically, these businesses cited the support had increased their:

- Confidence to engage with potential investors
- Ability to effectively ‘pitch’ their ideas/propositions to potential investors;
- Understanding of equity finance;
- Broadened their network of contacts; and
- Increased their exposure amongst potential investors.

⁷⁴ The core business model of accelerators involves investors investing in an accelerator programme which acts as a small fund. Typically, some part of the fund goes on the costs of running the accelerator programme while some of the fund is invested into start-ups that are accepted onto the programme. The accelerator programmes take equity in the start-ups and hope to make a return on those shares.

⁷⁵ N=26 as this question applies only to those who pitched in Phase IV but did not receive investment

"I feel more confident in talking to potential investors and have greatly improved my pitching skills as a result of the support provided through Halo."

"I have gained contacts from the process that are knowledgeable and inspirational; they have given me motivation and provided advice."

Halo Network Participants

11 of the 26 entrepreneurs/businesses indicated that they were able to gain investment from other sources to support the establishment and development of their business. 9 respondents noted that they were able to get the same level of investment that was requested from the Business Angels during the Halo process. 1 respondent suggested that they had received 75% of the level of investment requested and the remaining respondent noted that they had received 50%.

Of the respondents who have not gained investment, one has abandoned the idea and another business has gone into liquidation. The remaining respondents noted that they are continuing to seek investment for the business or idea/proposition which they had initially 'pitched' to the business angel.

5.9 Wider and regional benefits

In addition to the aforementioned benefits, the support provided through Halo has contributed to delivering a number of wider and regional benefits to the NI economy, as detailed in the Table below:

Table 5.23: Halo's contribution to wider and regional benefits	
Wider benefits	
Knowledge transfer	<p>The activities of Halo have encouraged the transfer of knowledge on a number of levels including between:</p> <ul style="list-style-type: none"> Halo and businesses/entrepreneurs - As detailed in Section 1, Halo will provide preparatory support and training to businesses/entrepreneurs to (amongst other things) prepare them to pitch to the business angels and develop their pitch presentation. The feedback from businesses/entrepreneurs suggests that this support has been effective in supporting the development of their 'pitching' skills; Business angels - As detailed previously, with the support of experienced angel investors, Halo runs angel 'masterclasses' to enhance the investment knowledge, skills and expertise of less experienced investors; and Business angels and businesses/entrepreneurs - In addition, to providing investment the feedback suggests that business angels can also provide other expertise and support to the business/entrepreneur e.g. general business management advice; advice on how an idea could be developed; and support in identifying potential follow-on sources of investment.
Skills development	
Entrepreneurship	By the very nature of its focus, Halo seeks to stimulate entrepreneurial activity and growth amongst new start-ups and early stage businesses. A total of £3.063m was invested through 24 deals during the period under review.
Encouraging FDI	As detailed in Section 3, 15% of the total number of business angels (N=108) are from outside NI. Investment from these angels will directly contribute to generating additional FDI in NI.
Regional benefits	
Degree of R&D being injected	<p>Whilst not a direct benefit generated from the facilitation activities delivered by Halo, the investment made by business angels has supported businesses/entrepreneurs to engage in additional development activities and encourage product and process innovation.</p>
Innovative nature of the project	

5.10 Future Assessment of Outputs, Outcomes and Economic Impact

5.10.1 Monitoring and the establishment of targets for Halo outputs

It is the Evaluation Team's view that the nature of output and outcome metrics examined as part of any future Evaluation should be wholly aligned to the strategic focus of Halo, including its aims and objectives. Given the fact that Halo seeks to create a business angel network that will channel growth finance to start-up and early stage companies, it is the view of Invest NI (and shared by the Evaluation Team) that the level of private sector investment should remain the key output target⁷⁶. However, as noted previously, by way of examining levels of Halo member activity/passivity, the Evaluation Team recommends that the level of investment is disaggregated by investment made by both Halo and non-Halo business Angels⁷⁷.

Furthermore, whilst the level of follow-on investment may be a useful metric for Halo to monitor in order to help establish the real option value of the impact of the business angel investment to achieving any subsequent monetary outcomes, the Evaluation Team questions its appropriateness as a target for Halo on the basis that Halo does not have a direct remit to generate this follow-on investment (albeit an element of the investment may come through follow-on business angel investment). As such, in our review, the achievement of the target is largely outside the control of Halo and hence the Evaluation Team recommends that consideration is given to its exclusion within any future SMART targets.

All other current output targets appear reasonable both in the context of the aims and objectives of Halo and the monitoring frameworks that have been put in place by other economic development organisations and business angel networks.

5.10.2 Assessment of outcomes and economic impact

Whilst acknowledging the facilitating role played by Halo in bringing together business angels (investors) and businesses/entrepreneurs (investees) in order to channel growth finance to start-up and early stage companies, the Evaluation Team recommends that the longer term impacts of the investment on the NI economy are examined. In line with Invest NI's EAM, NIGEAE and the analysis undertaken within this Evaluation, this should include consideration of a range of impacts including (at a minimum):

- Monetary impacts
 - GVA impacts (both gross and net additional);
 - Employment impacts (both in terms of new job created and jobs safeguarded);
 - Productivity impacts; and
 - Other monetary impacts (e.g. reduction in costs, increased expenditure of R&D)
- Non-monetary impacts
 - Impact on business' survival; and
 - Entry into new sectoral and/or geographic markets
- Wider and regional benefits

Where appropriate, cognisance should be given to deadweight and displacement considerations when determining the contribution that Halo has made to the achievement of these benefits. In addition, given the fact that research undertaken by Nesta suggests that the average time for a positive outcome for an angel investment is 6 years, a longitudinal approach should be taken to evaluating the longer

⁷⁶ Please note this is consistent with the main outcomes metric being monitored in other regions. See Section 6 for further details.

⁷⁷ That is, business angels who were registered as being a Halo member at the time of making the investment.

term impact of the activities delivered by Halo. This will require future evaluations to revisit previous phases of the Programme to ascertain the impact that has been derived.

During consultation, Invest NI confirmed that it intends to undertake a wider review (during 2013/14) of the impacts of the Halo programme to date and the Evaluation Team recommends that cognisance is taken of the findings of this research, and the current evaluation, in establishing any future outcome targets.

5.11 Summary Conclusions

Based on the feedback from both businesses angels and businesses/entrepreneurs, the following key conclusions can be drawn with regards to the monetary and non-monetary economic impact of Halo during the period under review:

- Given the calculated level of ‘activity additionality’ (63%), it was the view of entrepreneurs/businesses that the majority of investment and/or expertise that was derived would not have been achieved/received (or would not have been achieved/received in the same timescale and/or at the same level that was ultimately provided) without the support provided by Halo;
- Based on the primary research, 9 of 12 businesses/entrepreneurs suggested that the investment and/or expertise would not have been taken place or achieved to the same scale or within the same timescale due to either ‘full’ or ‘partial’ market failure factors typically in the form of asymmetric information (relating to businesses/entrepreneurs lack of awareness of potential investors) and risk aversion (on the part of other potential financial sources). Thus, the Evaluation Team concludes that there is a continued need for Halo within the NI marketplace and the organisation has been successful in supporting businesses to overcome those market failure barriers that are preventing them from receiving investment and expertise;
- As detailed previously, an informed assessment of the monetary impact made by Halo Phase IV can only be taken in the medium to longer term. Withstanding this, the Evaluation Team notes that the 12 businesses that participated in the primary research process, and had received business angel investment through Phase IV of Halo, contributed c. £35,327 in net additional GVA, c. £14,484 of which was in wages and the remainder (£20,843) was in profits. These businesses also created 7 net additional jobs (all of which were above the NI median salary level) and safeguarded 22 net additional jobs;
- The analysis suggests that Halo plays an important role in promoting a continuum of funds and creating a deal flow chain for deals up to £2m for start-up and early growth businesses. In doing so, it was suggested that Halo complements the other key financial initiatives currently being delivered through the Invest NI Access to Finance Strategy and other initiatives that seek to support the continuum of funds for start-up and early growth businesses. It is also noted that the preparatory support provided by Halo businesses/entrepreneurs complements a range of other skills development/mentoring programmes/initiatives that presently exist in the marketplace to up-skill the entrepreneurs of high-potential businesses;
- In addition to the aforementioned benefits, the analysis suggests that the support provided through Halo has contributed to delivering a number of wider (e.g. knowledge transfer, skills development, entrepreneurship etc.) and regional benefits (degree of R&D being injected and innovative nature of the project) to the NI economy; and
- Businesses/entrepreneurs who received preparatory support through Halo but did not receive investment suggested that they had derived a number of non-monetary benefits including:
 - Increased confidence to engage with potential investors;
 - Increased ability to effectively ‘pitch’ their ideas/propositions to potential investors;
 - Increased understanding of equity finance;
 - Broadened their network of contacts; and
 - Increased their exposure amongst potential investors.

6. BENCHMARKING

6.1 Introduction

As part of the research process, the Evaluation Team benchmarked the support provided through the Halo Programme with two other Business Angel Networks in GB namely LINC Scotland and Xénos, Wales.

Whilst Appendix III provides an overview of each of the business angel networks, by way of assessing the relative level of maturity of the Halo business angel network, the remainder of the section provides an overview of the key metrics demonstrating the activity that has been supported through each network over the last two year period.

6.2 Benchmarking of activity levels

Table 6.1 provides a comparison of the key metrics examined over the two-year period, with further detail provided in the succeeding paragraphs.

Table 6.1: Benchmarking Investment Activity Summary (2011 – 2013)					
Halo – Est. 2004		Xénos – Est. 1997		LINC Scotland – Est. 1993	
Angel Investment (Halo and Private)	£3,063,000	Total Investment by Xénos Members	£4,933,645	Total Investment by LINC Members	£25,938,616
Leveraged Investment	£4,584,000	Leveraged Investment	£3,027,000	Other Private Investment	£23,220,104
				Total Public Sector Finance	£16,791,980
Total Value of Investment Raised	£7,647,000	Total Value of Investment Raised	£7,960,645	Total Value of Investment Raised	£65,950,700
Average Deal Size (Angel Investment)	£127,625	Average Deal Size (Xénos Members)	£114,736	Average Deal size (LINC Members)	£162,116
Average Deal Size (Total investment)	£318,625	Average Deal Size (Total investment)	£185,131	Average Deal Size (Total investment)	£412,192
Number of Investments	24	Number of Investments	43	Number of Investments	160
Total No. of Businesses Supported	23	Total No. of Businesses Supported	43	Total No. of Businesses Supported	115
Business Angel Members	108	Business Angel Members	126	Business Angel Members	700+
No. of Syndicates	1	No. of Syndicates	0	No. of Syndicates	19
Number of Business Exits	0	Number of Business Exits	6	Number of Business Exits	12 ⁷⁸
Number of centralised Fund	1	Number of centralised Fund	0	Number of centralised Fund	Not known ⁷⁹
Investments through centralised funds	4	Investments through centralised funds	0	Investments through centralised funds	Not known
Follow-on Investment	16%	Follow-on Investment	Not Known ⁸⁰	Follow-on Investment	60%

⁷⁸ Please note that this is based on a best estimate by LINC Scotland as they do not hold exact information relating to this, this is held by the individual groups involved in the investments.

⁷⁹ This information is not held by LINC Scotland but rather by the 19 individual syndicates that it represents so comment cannot be made in relation to this.

⁸⁰ Information relating to this could not be provided by Xénos at the time of undertaking the benchmarking consultation.

Salient points to note include:

- Caution should be taken in comparing levels of investment made through each of the networks on the basis that Halo includes investments from both members and non-members, whilst the benchmarked networks only record investments made by network members.
- The total level of investment made through Halo is lower than both Xénos member investment and LINC Scotland member investment. Related to this, the average deal size of investment by member angels (or in the case of Halo member and non-member angels), was highest in Scotland (27% higher than Halo Average) and lowest in Wales (11% less than Halo average).
- In relation to leveraged investment, Halo outperforms Xénos even though the angel element in Halo investment was lower. The situation with LINC Scotland is different. LINC Scotland records two categories of leveraged investment (Other Private Investment and Public Sector Finance). Consultation with LINC Scotland confirmed that the vast majority of the Public Sector Finance is through the Scottish Enterprise Co-investment Fund which provides up to 50% of any investment made. As detailed previously, as part of its Access to Finance Strategy, Invest NI provides a number of similar schemes to support the continuum of growth finance. For example, the NISPO IGF and Co-Fund NI which requires businesses/entrepreneurs to have at least 30% and 50% respectively of matched private sector funding from business angels or other private investors.
- Including all private and public sector investment (including leveraged); LINC Scotland had the highest total investment (c. 8 times greater than that of Halo or Xénos). Again, this is primarily due to the amount of match funding being received through the Scottish Enterprise Co-investment Fund.
- On an overall basis when looking at the total investment amounts, LINC Scotland's average deal size was highest, 29% greater than Halo. Xénos had the lowest average deal size based on total investment; this was 42% lower than Halo.
- Both networks receive support to facilitate their ongoing operation;
- Halo had the lowest number of investments over the two year period with only 24 compared to 43 completed by Xénos members and 160 by LINC Scotland members. The high number in Scotland is a key characteristic of the maturity of the Scottish market, the angels here are investing through groups and these are making smaller investments in more businesses (reducing their level of risk for the angels), resulting in more deals being completed in Scotland.
- In terms of membership of Angels, Halo has the lowest number with only 108 registered business angels. Wales is only a slight increase on the Halo number as they have 126 registered business angels whilst Scotland outperforms each of these organisations with 700+ registered business angels (the vast majority of these are registered due to being a member of a Scottish angel group, discussed more in the paragraph below).
- In terms of angel groups/syndicates (which are typically viewed as being a key indicator of the maturity of the network), Halo performed better than Xénos (which created no business angel groups during the period) but created substantially less than in Scotland. During consultation, LINC Scotland suggested that the Scottish Enterprise Co-investment Fund has played an important role in establishing these angel groups on the basis that individual angels cannot access the Fund.
- Business exits by each of the two benchmarked organisations were higher relative to Halo. In the two year period under review Xénos reported 6 business exits whilst LINC Scotland indicated that on average they would have had 6 per year over that period. In line with the Nesta research, consultation with the benchmark organisations suggested that it will typically take 6-9 years before achieving a business exit. On the basis that Halo (9 years operating) has been operating for considerably less time than Xénos (16 years operating) and LINC Scotland (20 year operating), these findings are therefore somewhat unsurprising.
- In relation to centralised funds, Halo created 1 over the period under review; this fund was an HMRC approved EIS Fund. Xénos as an organisation did not manage any centralised funds and information relating to this was not available from LINC Scotland as any funds would be managed

by the individual angel groups that are members of LINC Scotland, not by LINC Scotland themselves.

- Commitment to follow on investment is strong within LINC Scotland members, 60% of investments made in the period of review were follow-on investments, compared to 16% in the Halo investments this is reflective of the greater investment capacity in Scotland, influenced by having angel groups and by the Scottish Enterprise Co-Investment Fund. However, it was noted during consultation with LINC Scotland that they intend to try and refocus their member groups on making investments in businesses new to the portfolio.

6.3 Summary Conclusions

Overall Halo compares well to Xénos across a number of metrics (e.g. angel groups/syndicates) but performs less well in relation to other metrics (number of investment deals). LINC Scotland, which has been in operation for a significantly longer period than Halo (11 years more) performs significantly better than Halo across all metrics reflecting the relative maturity of its business angel ecosystem.

Whilst it is the Evaluation Team's view that it is difficult to state with any certainty what could realistically be achieved by the Halo network in terms of the key output metrics and the associated timeframes in which the network would realise these, discussions with Invest NI and Halo suggests that the network should be aspiring to achieve levels of outputs akin to that currently being realised by LINC Scotland. Whilst achieving outputs akin to LINC Scotland is likely to take a considerable duration given the relative maturity of the NI business angel ecosystem, it was the view of consultees (and shared by the Evaluation Team) that Halo is currently undertaking appropriate activities to grow the network and realise its potential in the longer term and that radical changes are not required (nor should they be encouraged).

7. PROGRAMME FINANCE

7.1 Introduction

Section 7 examines the costs associated with administering the Halo Programme over the period under review. In doing so, the Section also examines the value-for-money (VFM) that has been delivered by the Programme to date.

7.2 Assessment of actual versus proposed Invest NI costs

As detailed in Section 1, the total costs of delivering Phase IV of Halo were envisaged to be c. £747k over the 36 month period disaggregated as follows:

Cost category	2011/12 (11 months)	2012/13 (12 months)	2013/14 (12 months)	2014/15 (1 month)	Total
Salaries (x3 FTEs)	£143,147	£163,317	£171,483	£14,347	£492,294
Accommodation/establishment costs	£30,356	£34,634	£36,365	£3,043	£104,398
Investor fora	£12,833	£14,642	£15,374	£1,286	£44,135
Marketing, PR and promotional	£10,083	£11,504	£12,080	£1,011	£34,678
Travel and subsistence	£4,583	£5,229	£5,491	£459	£15,763
Equipment (laptops, etc.)	£1,833	£2,092	£2,196	£184	£6,305
Legal	£9,167	£10,458	£10,981	£919	£31,525
Subscriptions	£1,833	£2,092	£2,196	£184	£6,305
Sundry	£3,300	£3,765	£3,953	£331	£11,349
Total Cost	£217,136	£247,733	£260,120	£21,763	£746,752

It was anticipated that the costs would be met from a number of sources including Invest NI (towards key salary and overhead costs), the NISP and income from other sources⁸¹, as detailed in table 7.2 below.

Funding:	2011/12 (11 months)	2012/13 (12 months)	2013/14 (12 months)	2014/15 (1 month)	Total £000
Invest NI	147	155	151	12	465
NISP	32	38	35	3	108
Income	38	55	75	6	174
Total	217	248	261	21	747

Based on its research, the Evaluation Team notes that:

- The disaggregation of the total Invest NI contribution (c. £465k) between salary and overhead costs was not identified and documented⁸²;
- Furthermore, whilst the total value of claims to Invest NI were monitored, actual costs incurred against key individual costs categories (salary and overhead costs) were not monitored;
- Monitoring was not undertaken of the total actual costs and associated income on an ongoing basis;

⁸¹ Primarily in the form of Halo membership fees paid by business angels and corporate sponsorship of Halo investor evenings.

⁸² The Evaluation Team notes that the Phase IV Letter of Offer (Annex 2 – Part 2) only documents the costs that would potentially be eligible for support. Based on consultation, the Evaluation Team does note that Invest NI wished to provide Halo with a level of flexibility on how it wished to allocate its overhead contribution between key overhead categories.

- Discussion with Invest NI indicates that (as detailed within the LoO) the NISP was responsible for funding any shortfall in income (and associated in costs) and hence the risk of the organisation not being able to undertake its core activities was minimal. However, the Evaluation Team notes that in not monitoring the overall costs and income associated with the operation of Halo, Invest NI was exposed to a risk of contributing towards a higher proportion of Halo's operating expenditures than originally anticipated (i.e. more than the 62%); and
- Associated risks of not monitoring against individual cost and income categories include the risk of not being able to identify the need for corrective action to be taken should income fall below the level anticipated or costs rise above those anticipated.

7.2.1 Halo Management and Operating Cost

Table 7.3 provides a summary of the projected and actual direct management and operating costs (paid by Invest NI to the NISP) during the period under review.

Table 7.3: Projected ⁸³ and actual costs ⁸⁴												
Cost category	2011/12 (11 months)			2012/13 (12 months)			2013/14 (1 month)			Total		
	Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance
Salaries	£116,105	£112,995	-3%	£126,660	£102,562	-19%	£10,555	£9,009	-15%	£253,320	£224,565	-11%
Overheads	£30,895	£34,408	11%	£28,340	£36,783	30%	£2,028	£8,918	340%	£61,263	£80,110	31%
Total	£147,000	£147,403	0.3%	£155,000	£139,345	-10%	£12,583	£17,927	42.5%	£314,583	£304,675	-3.2%

Salient points to note include:

- Salary costs were 11% (or c.29k) lower than anticipated. The Evaluation Team understands that the then Halo Manager left the organisation during the 2012/13 financial year. Whilst an acting manager was put into place, Invest NI did not make a contribution towards this cost; hence salary costs were lower than anticipated⁸⁵;
- Overhead costs were 31% (or £19k) higher than anticipated. During consultation, Invest NI confirmed that it provided a higher than anticipated contribution towards overheads on the basis that income from membership and sponsorship was significantly lower⁸⁶ than anticipated; and
- On an overall basis, the total direct cost (c. £305k) of supporting Halo during the period under review was c. 3% (or c£10k) lower than anticipated.

⁸³ The Evaluation Team has applied a pro-rata calculation to estimate the projected costs for the respective financial years under review. To calculate the projected salary and overhead costs for the period under review, the Evaluation Team has assumed that eligible salary costs (relating to a Halo Director and Manager) detailed in the LoO were being supported. The difference between these costs and total projected Invest NI contribution for the period was then allocated to overheads.

⁸⁴ Actual costs have been confirmed by Invest NI.

⁸⁵ It should be noted that, following an application process, the acting manager was subsequently appointed as the permanent manager and Invest NI is now currently covering this management cost.

⁸⁶ Data provided by Invest NI suggests that, during the period under review, income from memberships and sponsorship was c. 45% lower (c. £55.3k compared to c. £99.3k) than anticipated. Reasons for this shortfall are discussed in Section 3 of this report.

7.2.2 Invest NI Costs

In addition to the £305k in management and operating costs paid to the NISP to support the delivery of Halo during the period under review, two further costs were incurred relating to Invest NI staff time and the current interim evaluation (of Phase IV).

Invest NI Staff Costs

An estimate of Invest NI staff time (by staff grade and FTE days) required to oversee the delivery of Halo on an annual basis has been provided by Invest NI.

Table 7.4: Annual Invest NI Staff Costs⁸⁷				
Grade/Department	Fully loaded cost	Estimate of time	No. of people	Annual Cost⁸⁸
Director	£151,964	2%	1	£3,039
G7	£80,196	12%	1	£9,624
E01	£48,551	10%	1	£4,855
Corp Comms	£80,196	2%	1	£1,604
Total				£19,122

The total staff cost associated with overseeing the delivery of Halo during the period under review was c. £38,244.

Evaluation Costs

The cost of undertaking the current Evaluation of Halo is £12,000 (inclusive of VAT).

The **total cost to Invest NI towards the delivery of Halo during the period under review was £354,919** (inclusive of management and operating costs provided to the NISP, internal Invest NI staff costs and external Evaluation costs).

7.3 Other costs incurred

Based on information provided by the NISP, an additional £109k of costs was incurred during the period under review disaggregated as follows:

Table 7.5: Costs incurred by the NISP (May 2011- April 2013)	
Nature of cost	Income/cost
Salary costs ⁸⁹	£34,411
Room hire	£7,740
Halo share of NISP Marketing salary ⁹⁰	£21,168
Halo share of NISP corporate management charge ⁹¹	£46,000
Total	£109,307

The Evaluation Team also notes that the NISP was in receipt of c. £55k of income from membership fees (£47,846) and sponsorship⁹² (£7,500), c. 40% lower than anticipated (c. £93k). It should be noted however that the anticipated level of income was based (in the main part) on an estimate of the number

⁸⁷ Source: Invest NI

⁸⁸ Staff costs are inclusive of ERNI plus superannuation, and loadings.

⁸⁹ Costs relates to the salary of the acting manager during the 2012/13 financial year. Invest NI did not make a contribution towards the cost of this salaried position.

⁹⁰ During consultation, the NISP confirmed that this cost related to the 1 day marketing input per week.

⁹¹ Information relating to what proportion the identified cost represented of the overall corporate management charge was not available at the time of analysis.

⁹² Sponsorship income was typically derived from corporate sponsorship of Halo investor evenings.

of business angels that could be recruited, which was (in retrospect) overly optimistic. In addition, as detailed previously, the introduction of membership fees also led to more passive business angels leaving the network which resulted in a loss in anticipated income.

However, it is unclear how this income was utilised e.g. if it was used to contribute towards the costs identified in Table 7.5 or other key costs (not identified) incurred by the NISP during the period under review. As such, this precludes the Evaluation Team from developing an informed understanding of both the full economic costs incurred and the income/contribution that was derived to support Halo activity during the period under review. In addition, as detailed in Section 5, given the lack of clarity with regards to the proportion of income/in-kind contributions that has come from Invest NI and non-Invest NI sources (i.e. NISP, membership fees and sponsorship income), the Evaluation Team has been unable to state with certainty the proportion of benefits that is directly attributable to the support provided by Invest NI (i.e. £305k) to Halo.

7.4 Corrective action required

Given the aforementioned issues, the Evaluation Team recommends that Invest NI undertakes a review of the procedures that have been put in place to monitor the total actual costs incurred (by key cost categories) and income/in-kind contributions derived (i.e. from NISP, membership fees and sponsorship income) against those anticipated at the outset.

7.5 Value-for-Money

As detailed in Section 5, it is the Evaluation Team’s view that a fully informed assessment of the value-for-money delivered by Halo can only be undertaken in the medium to longer term. This assertion is based on the fact that it is widely recognised that there is a time-lag (which can amount to years) between businesses receiving business angel investment and the subsequent realisation of outcomes and impacts. This time-lag typically relates to the fact that businesses will often require further developmental work (which is typically supported through further follow-on investment) to be undertaken before a product or process can be brought to market. This assertion is reflected by research undertaken by Nesta⁹³ which suggests that, on average, it may take six years to generate a positive outcome as a result of the business angel investment.

In addition, as detailed previously, based on historic monitoring, the Evaluation team has been unable to determine the full economic costs of delivering Halo during the period under review, which precludes Cogent from making a definitive statement as to the degree to which Halo has delivered VFM. Withstanding these issues, the Evaluation Team notes the following:

Table 7.6: Summary of Value for Money	
VFM Indicator	Conclusion
Strategic Fit	<p>At the time of Halo’s approval there was a need for Government to provide support to facilitate the development and growth of the NI business angel network which was recognised to be underdeveloped relative to the rest of the UK in terms of Business Angel activity. Specifically, there was a gap in the continuum of the supply of finance for deals up to £2m for start-up and early growth businesses. This gap had arisen due to (amongst other things) key structural market failures (including asymmetric information, risk aversion and market power), the downturn in the economy which affected the availability of finance and structural issues associated with the NI Economy.</p> <p>There was (at the time of approval), and continues to be, clear alignment between the aims and objectives of Halo and the strategic imperatives of the NI Government (including with DETI and Invest NI’s Corporate Plans and the Invest NI Access to Finance Strategy). Specifically, in line with Government’s strategic focus, the activities supported by Halo</p>

⁹³ See Nesta, *Siding with the Angels*. It is also noted by the research that 56% of exits failed to return capital.

Table 7.6: Summary of Value for Money

VFM Indicator	Conclusion
	<p>offers the potential to grow the private sector by facilitating the provision of investment and expertise to start-up and early growth businesses. In doing so, Halo contributed to <i>“helping eliminate the real and perceived barriers to growth”</i>.</p>
<p>Need & Market Failure</p>	<p>At the time of approval a significant body of research suggested that there was a recognised gap in the continuum of the supply of finance for deals up to £2m for start-up and early growth businesses resulting from (amongst other things) structural market failures caused by asymmetric information on the supply and demand side, existence of positive market failures and market power.</p> <p>Based on the primary research, 9 of 12 businesses/entrepreneurs suggested that the investment and/or expertise would not have been taken place or achieved to the same scale or within the same timescale due to either ‘full’ or ‘partial’ market failure factors typically in the form of asymmetric information (relating to businesses/entrepreneurs lack of awareness of potential investors) and risk aversion (on the part of other potential financial sources). Thus, the Evaluation Team concludes that there is a continued need for Halo within the NI marketplace and the organisation has been successful in supporting businesses to overcome those market failure barriers that are preventing them from receiving investment and expertise.</p>
<p>Additionality / deadweight</p>	<p>The results of this analysis suggests that 63% of investment and/or expertise would not have been achieved/received (or would not have been achieved/received in the same timescale and/or at the same level that was ultimately provided) without the support provided by Halo.</p> <p>The Evaluation Team notes that ‘impact additionality’ for Phase IV of the Halo Programme is 62%. ‘Activity additionality’ (63%) is similar to the ‘impact additionality’ reflecting the fact that the investment and expertise provided by the business angels played a pivotal role in businesses realising the outcomes and impacts.</p> <p>Positively, the Evaluation Team’s benchmarking of Halo’s level of ‘impact additionality’ with other similar interventions shows that Halo is performing significantly better than these. For example, the level of Halo impact additionality for Phase III is 17 percentage points higher than for ‘Individual enterprise support’ interventions across the UK regions (where it is 52.7%). Similarly, for Phase IV the level of Halo impact additionality is 9.1 percentage points higher than that across the UK regions under this sub-theme.</p>
<p>Duplication and complementarity</p>	<p>9 of the 12 entrepreneurs/businesses indicated that, in the absence of Halo, they would not have been able to get the same or similar support elsewhere.</p> <p>It was the view of consultees, and shared by the Evaluation Team, that Halo plays an important role in promoting a continuum of funds and creating a deal flow chain for deals up to £2m for start-up and early growth businesses. In doing so, it was suggested that Halo complements the other key financial initiatives currently being delivered through the Invest NI Access to Finance Strategy and, in particular, the NISPO IGF and Co-Fund NI which requires businesses/entrepreneurs to have at least 30% and 50% respectively of matched private sector funding from business angels or other private investors.</p> <p>In addition to the support provided through Invest NI’s Access to Finance initiative, Halo also complements a number of other initiatives that seek to support the continuum of funds for start-up and early growth businesses including the £25k awards (NISP CONNECT), VC Forum ((NISP CONNECT) and the Seedcorn Competition (InterTradeIreland). Furthermore, it was the view of consultees, and shared by the Evaluation Team, that the preparatory support provided by Halo businesses/entrepreneurs complements a range of other skills development/mentoring programmes/initiatives that presently exist in the marketplace to up-skill the entrepreneurs of high-potential businesses including the NISPO Investment Readiness/Awareness Programme (IRP/IAP), Propel Programme (Invest NI), Springboard (NISP CONNECT) and the Enterprise Forum (NISP CONNECT).</p>

Table 7.6: Summary of Value for Money

Table 7.6: Summary of Value for Money									
VFM Indicator	Conclusion								
	The Evaluation Team notes that both the NISPO IRP/IAP and Invest NI Propel programme offer support to businesses and entrepreneurs to ‘pitch’ to prospective investors and hence recommends that Invest NI gives consideration to the potential for duplication between these aspects of the programmes and the support provided through Halo.								
Economy, Efficiency and Effectiveness	<table border="1"> <thead> <tr> <th>Indicator</th> <th>Evaluation Team’s Commentary</th> </tr> </thead> <tbody> <tr> <td>Economy measures are concerned with showing that the appropriate inputs (i.e. the resources used in carrying out the project) have been obtained at least cost</td> <td>As detailed in Section 1, Invest NI undertook an internal economic appraisal of a business plan submitted by NISP to support Phase IV Halo activity. This outcomes of the appraisal process suggested that the level of support (i.e. £465k) had been obtained at level required to support the delivery of the forecasted activity levels. As such, it is the Evaluation Team’s is content that Invest NI has made appropriate effort to ensure that inputs have been obtained at least cost to NI.</td> </tr> <tr> <td>Efficiency relates to measures that are concerned with achieving the maximum output from a given set of inputs</td> <td>As detailed previously, the Evaluation Team is unaware of the full quantum on inputs (specifically relating to in-kind contributions) that have been utilised to deliver activity during the period under review and hence cannot conclude on the degree to which Halo has delivered upon the efficiency measure of VFM.</td> </tr> <tr> <td>Effectiveness measures are concerned with showing the extent to which aims, objectives and targets of the project are being achieved</td> <td> <p>The analysis suggests that 46% of the individual targets (N=28) that were established for the two-year period were achieved. If the targets are combined and examined over the two-year period (which may be appropriate given the fact that investment will not occur on a continuous or straight-line basis), the analysis suggests that 62% of the targets (N=13) were achieved.</p> <p>It should be noted that the targets that Invest NI consider as priority targets (relating to levels of angel investment, number of deals, leveraged support, meetings with companies) were achieved when examined on a two-year basis.</p> <p>The Evaluation Team notes that there were a number of factors that contributed to Halo not achieving the other SMART targets (identified in Section 3).</p> </td> </tr> </tbody> </table>	Indicator	Evaluation Team’s Commentary	Economy measures are concerned with showing that the appropriate inputs (i.e. the resources used in carrying out the project) have been obtained at least cost	As detailed in Section 1, Invest NI undertook an internal economic appraisal of a business plan submitted by NISP to support Phase IV Halo activity. This outcomes of the appraisal process suggested that the level of support (i.e. £465k) had been obtained at level required to support the delivery of the forecasted activity levels. As such, it is the Evaluation Team’s is content that Invest NI has made appropriate effort to ensure that inputs have been obtained at least cost to NI.	Efficiency relates to measures that are concerned with achieving the maximum output from a given set of inputs	As detailed previously, the Evaluation Team is unaware of the full quantum on inputs (specifically relating to in-kind contributions) that have been utilised to deliver activity during the period under review and hence cannot conclude on the degree to which Halo has delivered upon the efficiency measure of VFM.	Effectiveness measures are concerned with showing the extent to which aims, objectives and targets of the project are being achieved	<p>The analysis suggests that 46% of the individual targets (N=28) that were established for the two-year period were achieved. If the targets are combined and examined over the two-year period (which may be appropriate given the fact that investment will not occur on a continuous or straight-line basis), the analysis suggests that 62% of the targets (N=13) were achieved.</p> <p>It should be noted that the targets that Invest NI consider as priority targets (relating to levels of angel investment, number of deals, leveraged support, meetings with companies) were achieved when examined on a two-year basis.</p> <p>The Evaluation Team notes that there were a number of factors that contributed to Halo not achieving the other SMART targets (identified in Section 3).</p>
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	Economy measures are concerned with showing that the appropriate inputs (i.e. the resources used in carrying out the project) have been obtained at least cost	As detailed in Section 1, Invest NI undertook an internal economic appraisal of a business plan submitted by NISP to support Phase IV Halo activity. This outcomes of the appraisal process suggested that the level of support (i.e. £465k) had been obtained at level required to support the delivery of the forecasted activity levels. As such, it is the Evaluation Team’s is content that Invest NI has made appropriate effort to ensure that inputs have been obtained at least cost to NI.							
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Cost effectiveness	<p>A review of the Phase IV economic appraisal suggests that cost effectiveness was examined in terms of the cost/NPC per unit of non-monetary benefit only.</p> <p>Based on Invest NI costs only (i.e. £354,919), the analysis suggests that every £1 invested generated £8.63⁹⁴ in gross additional business angel investment and £5.42⁹⁵ net additional business angel investment. However, the Evaluation Team notes that it would be more appropriate to work these cost effectiveness ratios based on full economic costs (which cannot be determined at this stage due to the aforementioned reasons).</p>								
Quantitative Economic Efficiency test results	As detailed previously, an informed assessment of the monetary impact made by Halo Phase IV can only be taken in the longer term and the Evaluation Team has not ‘grossed up’ the outcomes of the businesses/entrepreneurs feedback to measure the impact of the support at a programme level ⁹⁶ .								

⁹⁴ I.e. £3,063,000/£354,919 = £8.63

⁹⁵ I.e. £1,924,839/£354,919 = £5.42

⁹⁶ At the request of Invest NI.

Table 7.6: Summary of Value for Money

VFM Indicator	Conclusion
	Withstanding this, the Evaluation Team notes that the 12 businesses that participated in the primary research process, and had received business angel investment through Phase IV of Halo, contributed c. £35,327 in net additional GVA, c. £14,484 of which was in wages and the remainder (£20,843) was in profits. These businesses also created 7 net additional jobs (all of which were above the NI median salary level) and safeguarded 22 net additional jobs.
Qualitative wider and regional benefits	As detailed in Section 5, the support provided through Halo has contributed to delivering a number of wider (e.g. knowledge transfer, skills development, entrepreneurship etc.) and regional benefits (degree of R&D being injected and innovative nature of the project) to the NI economy.

8. CONCLUSIONS & RECOMMENDATIONS

8.1 Introduction

The section presents the Evaluation Team's key conclusions and recommendations arising from the evaluation process.

8.2 Conclusions

8.2.1 *Strategic Context and Rationale (TOR Points 19b and 19c)*

At the time of Halo's approval, there was an identified need for the Government to provide support to facilitate the development and growth of the NI business angel network which was recognised to be underdeveloped relative to the rest of the UK in terms of business angel activity. Specifically, there was a gap in the continuum of the supply of finance for deals up to £2m for start-up and early growth businesses. This gap had arisen due to (amongst other things) key structural market failures (including asymmetric information, risk aversion and market power), the downturn in the economy which affected the availability of finance and structural issues associated with the NI economy.

There was (at the time of approval), and continues to be, clear alignment between the aims and objectives of Halo and the strategic imperatives of the NI Government (including with DETI and Invest NI's Corporate Plans and the Invest NI Access to Finance Strategy). Specifically, in line with Government's strategic focus, the activities supported by Halo offers the potential to grow the private sector by facilitating the provision of investment and expertise to start-up and early growth businesses. In doing so, Halo contributed to "*helping eliminate the real and perceived barriers to growth*".

8.2.2 *Rationale for intervention (TOR point 19d)*

At the time of approval a significant body of research suggested that there was a recognised gap in the continuum of the supply of finance for deals up to £2m for start-up and early growth businesses resulting from (amongst other things) structural market failures caused by asymmetric information on the supply and demand side, existence of positive market failures and market power.

Based on the primary research, 9 of 12 businesses/entrepreneurs suggested that the investment and/or expertise would not have taken place or been achieved to the same scale or within the same timescale due to either 'full' or 'partial' market failure factors typically in the form of asymmetric information (relating to businesses/entrepreneurs lack of awareness of potential investors) and risk aversion (on the part of other potential financial sources). Thus, the Evaluation Team concludes that Halo has been successful in supporting businesses to overcome those market failure barriers that are preventing them from receiving investment and expertise.

Given the fact that that the analysis suggests that 63% of investment and/or expertise would not have been achieved/received, largely due to the continued existence of key market failures (including asymmetric information and risk aversion), it is the Evaluation Team's view that there is the continued need for Halo within the marketplace.

The Evaluation Team's benchmarking analysis suggests that other business angel networks (many of whom have been operating considerably longer than Halo and are relatively more mature) continue to receive public sector subvention on the basis that business angel fees and other sponsorship income is not sufficient to support their ongoing management and operational activities. It is the Evaluation Team's view that, if Halo is to build on the positive outcomes achieved to date and reach similar levels of maturity as other business angel networks, public sector intervention will continue to be required in the longer term.

8.2.3 Operation and Delivery (TOR Points 19e-19h)

Appropriateness of the Business Angel network model (including operation and management arrangements employed)

It was the view of consultees, and shared by the Evaluation Team, that the model of support being employed by Halo to foster the supply of finance to start-up and early stage businesses/entrepreneurs is, on the whole, appropriate and had been well managed and delivered by the NISP Halo management team.

This view is supported by feedback from business angels and entrepreneurs/businesses that received support from Halo during the period under review, who suggested that (amongst other things):

- Halo is playing an effective role in both selecting suitable entrepreneurs/businesses to ‘pitch’ to business angels for equity investment and ensuring that those selected to pitch are appropriately prepared and up-skilled to do so;
- The current format of the investment meetings (i.e. dinner, pitch presentation and post-pitch meetings/networking) is appropriate to facilitate the ‘matching process’ between investors and investees;
- Halo is providing an effective forum to facilitate business angel networking and the delivery of business angel ‘masterclasses’ (by an experienced angel investor) to enhance the investment knowledge and expertise of business angel investors; and
- Halo is an effective conduit for channelling equity investment to SMEs at different stages of their development.

Whilst the Evaluation Team shares consultees’ views that Halo should be aspiring to achieve levels of outputs akin to that currently being realised by LINC Scotland, this is likely to take a considerable duration given the relative maturity of the NI business angel ecosystem. Furthermore, it is the Evaluation Team’s view that Halo is currently undertaking appropriate activities (e.g. delivering investment meetings, supporting the development of angel groups/syndicates, establishing centralised funds and connections with crowdfunding organisations etc.) to grow the network and realise its potential in the longer term and radical changes are not required (nor should they be encouraged).

Merits of EDO delivery arrangements in the future

During consultation Invest NI suggested that, in order to encourage the continued involvement of private sector business angels in the network (who value their anonymity and may be reluctant to engage directly with a public sector organisation when making investments) the future delivery of Halo should be retained by an EDO, rather than being delivered by Invest NI. It is also noted by Invest NI, that the current EDO (i.e. NISP) has established strong linkages with the business angel community and considerable experience and expertise (which may not presently exist within Invest NI) in fostering business angel investment.

Complementarity

It was the view of consultees, and shared by the Evaluation Team, that Halo plays an important role in promoting a continuum of funds and creating a deal flow chain for deals up to £2m for start-up and early growth businesses. In doing so, it was suggested that Halo complements the other key financial initiatives currently being delivered through the Invest NI Access to Finance Strategy and, in particular, the NISPO IGF and Co-Fund NI.

In addition to the support provided through Invest NI’s Access to Finance initiative, Halo also complements a number of other initiatives that seek to support the continuum of funds for start-up and early growth businesses including the £25k awards (NISP CONNECT), VC Forum ((NISP

CONNECT) and the Seedcorn Competition (InterTradeIreland). Furthermore, it was the view of consultees, and shared by the Evaluation Team, that the preparatory support provided by Halo businesses/entrepreneurs complements a range of other skills development/mentoring programmes/initiatives that presently exist in the marketplace to up-skill the entrepreneurs of high-potential businesses including the NISPO Investment Readiness/Awareness Programme (IRP/IAP), Propel Programme (Invest NI), Springboard (NISP CONNECT) and the Enterprise Forum (NISP CONNECT).

Risk management

It is the Evaluation Team's view that Halo's undertook appropriate steps to mitigate those risks that were envisaged at the outset and emerged during the period under review.

In not monitoring the overall costs and income associated with the operation of Halo, Invest NI was exposed to a risk of contributing towards a higher proportion of Halo's operating expenditures than originally anticipated. Associated risks of not monitoring against individual cost and income categories include the risk of not being able to identify the need for corrective action to be taken should income fall below the level anticipated or costs rise above those anticipated. Whilst the aforementioned risk does not appear to have materialised during the period under review, corrective action should be taken to minimise the potential for this to arise in the future.

8.2.4 Performance and Impact (TOR Points 19i-19m)

Achievement of SMART targets

Based on the monitoring information provided by Halo, the analysis suggests that 46% of the individual targets (N=28) that were established for the two-year period were achieved. If the targets are combined and examined over the two-year period (which may be appropriate given the fact that investment will not occur on a continuous or straight-line basis), the analysis suggests that 62% of the targets (N=13) were achieved. It should be noted that the targets that Invest NI consider as priority targets (relating to levels of angel investment, number of deals, leveraged support, meetings with companies) were achieved when examined on a two-year basis.

It is the Evaluation Team's view that the extent to which the Year 3 investment targets will be achieved cannot be determined at this stage. This relates to the fact that the Evaluation Team does not have full oversight as to the likelihood and timing that a business angel will potentially make an investment, especially given the 'lumpy' nature of the investment process. This issue is best exemplified by the Evaluation Team's analysis over the period under review which suggested that the business angel investment target was significantly below (by 64%) that anticipated in Year 1 but significantly above (by 131%) that anticipated in Year 2.

Withstanding this, based on historical trends and the Evaluation Team's understanding of activity that has been undertaken by Halo during the first quarter of Year 3, we suggest the following in relation to the targets:

- Targets relating to the number of investment meetings, number of companies pitching, meetings with pitching companies and angel networking event are likely to be achieved;
- The target relating to a further business angel centralised fund will be achieved (given the aforementioned creation of the Halo Grow Fund). However, the potential levels of investment in this fund cannot be determined at this stage (albeit the Evaluation Team notes that a key difference with this fund vis-à-vis the previous HMRC approved Halo EIS funds is that it is 'evergreen' in nature);
- The target relating to the number of Angel members is unlikely to be achieved, as this would require an increase in the membership rate by 85% (i.e. from 108 to 200 business angel members);

- Given the progress made in establishing Volcano II and Halo's ongoing efforts to establish angel groups/syndicates, the Evaluation Team suggests this target is likely to be achieved; and
- The target relating to PR is likely to be achieved.

Monetary impact of Halo

It is the Evaluation Team's view that a fully informed assessment of the value-for-money delivered by Halo can only be undertaken in the medium to longer term. This assertion is based on the fact that it is widely recognised that there is a time-lag (which can amount to years) between businesses receiving business angel investment and the subsequent realisation of outcomes and impacts. This time-lag typically relates to the fact that businesses will often require further developmental work (which is typically supported through further follow-on investment) to be undertaken before a product or process can be brought to market. This assertion is reflected by research undertaken by Nesta⁹⁷ which suggests that, on average, it may take six years to generate a positive outcome as a result of the business angel investment.

Withstanding this, based on monitoring information provided by Halo, the network has been successful in channelling £3.063m in gross or £1.935m in net additional private sector investment in start-up and early growth businesses/entrepreneurs.

Furthermore whilst downstream benefits (such as GVA and employment) are more likely to arise in future years, the Evaluation Team notes that the 12 businesses that participated in the primary research process contributed c. £35,327 in net additional GVA to the NI economy, c. £14,484 of which was in wages and the remainder (£20,843) was in profits. These businesses also created 7 net additional jobs (all of which were above the NI median salary level) and safeguarded 22 net additional jobs. It is the Evaluation Team's view that the benefits should be viewed positively at this early stage.

Non-monetary impact of Halo

The analysis suggests that the support provided through Halo has contributed to delivering a number of wider (e.g. knowledge transfer, skills development, entrepreneurship etc.) and regional benefits (degree of R&D being injected and innovative nature of the project) to the NI economy. Furthermore businesses/entrepreneurs who received preparatory support through Halo but did not receive investment suggested that they had derived a number of non-monetary benefits including:

- Increased confidence to engage with potential investors;
- Increased ability to effectively 'pitch' their ideas/propositions to potential investors;
- Increased understanding of equity finance;
- Broadened their network of contacts; and
- Increased their exposure amongst potential investors.

Level of Halo Maturity

The analysis clearly indicates that the trend in investment being made through the Halo network is upward across the nine-year period, with a significant increase in levels of investment being experienced between Phases II and III (when investment levels were c. 6 time higher) when the network was reinvigorated. Positively, despite a number of identified issues that potentially restricted levels of investment activity, during Phase IV (to date) levels of investment have increased by 5% vis-à-vis Phase III.

The benchmarking analysis suggests that on an overall basis Halo compares well vis-à-vis other business angel networks (e.g. Xénos) across a number of metrics (e.g. angel groups/syndicates) but

⁹⁷ See Nesta, *Siding with the Angels*. It is also noted by the research that 56% of exits failed to return capital.

performs less well in relation to other metrics (number of investment deals). LINC Scotland, which has been in operation for a significantly longer period than Halo (11 years more), performs significantly better than Halo across all metrics reflecting the relative maturity of its business angel ecosystem.

Whilst it is the Evaluation Team's view that it is difficult to state with any certainty what could realistically be achieved by the Halo network in terms of the key output metrics and the associated timeframes in which the network would realise these, discussions with Invest NI and Halo suggest that the network should be aspiring to achieve levels of outputs akin to that currently being realised by LINC Scotland. As detailed previously, whilst achieving outputs akin to LINC Scotland is likely to take a considerable duration given the relative maturity of the NI business angel ecosystem, it is the Evaluation Team's view that Halo is currently undertaking appropriate activities to grow the network and realise its potential in the longer term.

8.2.5 *Return-on-investment and Value-for-money (TOR Points 19n-19o)*

The Evaluation Team is unable to conclude on the return-on-investment that has been provided by Phase IV of Halo to date on the basis that:

- The Evaluation Team has not 'grossed up' the outcomes of the businesses/entrepreneurs feedback to measure the impact of the support at a programme level; and
- It has not been possible to determine the full economic costs of delivering Halo during the period under review.

In addition to the above points, it is the Evaluation Team's view that a fully informed assessment of the value-for-money delivered by Halo can only be undertaken in the medium to longer term. This assertion is based on the fact that it is widely recognised that there is a time-lag (which can amount to years) between businesses receiving business angel investment and the subsequent realisation of outcomes and impacts. This should not, however, detract from the significant benefits that have been delivered by Halo during the period under review in terms of fostering private sector investment in start-up and early growth high-potential businesses/entrepreneurs, as well as the significant wider and regional benefits that have been generated.

8.2.6 *Equality Considerations (TOR Points 19p)*

At the time of Evaluation, Invest NI had not undertaken an Equality Impact Assessment (including a Section 75 Screening exercise or Human Rights Impact Assessment) on the Halo Programme⁹⁸.

It should be noted however that the Evaluation Team's review of Halo activity, monitoring information provided during the evaluation process and our discussions with entrepreneurs/businesses and business angels have identified:

- No evidence of higher or lower participation or uptake of different groups;
- No evidence to indicate that different groups had different needs, experiences, issues and priorities in relation to Halo activity;
- No opportunities to better promote equality of opportunity or better community relations by altering the work of Halo; and
- No accessibility issues that might run contrary to the Disability Discrimination Act 1995.

On this basis, the Evaluation Team concludes that whilst Halo was not specifically targeted at any of the specific Section 75 categories, it does not appear to have had an adverse impact on any Section 75 group.

⁹⁸ Albeit an Equality Impact Assessment had been undertaken on the Access to Finance Strategy.

8.3 Recommendations

1. Invest NI should continue to support Halo and ensure that all approvals are obtained in a timely manner.
2. Invest NI should introduce a SMART target relating to Halo network member investment. This should only include investments made by an individual/syndicate during the period that they have paid their membership fee. Follow-on investment and number of business angel members should be monitored but there should not be an associated Halo target.
3. By way of assisting with the accurate measurement of levels of business angel activity/passivity, Invest NI should encourage Halo to provide a disaggregation of investment made by both Halo and non-Halo business Angels, at an individual angel level. This information could, where necessary, be provided in an anonymous format.
4. Invest NI should review the procedures that have been put in place to monitor the total actual costs incurred (by key cost categories) and income/in-kind contributions derived (i.e. from the NISP, membership fees and sponsorship income) against those anticipated at the outset.
5. Invest NI should appropriately assess the risk of Halo working in collaboration with Seedrs (and any other organisations licensed by the FCA to provide financial advice).
6. Any future economic appraisal should take cognisance of the findings of the 'roadmap' being developed by Halo, especially as part of the setting of future SMART targets.
7. In the event that approval is given to the creation of NI's first Pilot Seed Accelerator (currently being appraised by Invest NI), Invest NI should explore the mechanics of how Halo should be embedded within its future operation (and specifically the demonstration day element of the Accelerator Programme).
8. Invest NI should ensure that the longer term/downstream impacts of the investment on the NI economy are examined (in-line with NIGEAE and Invest NI's EAM). Cognisance should be given to deadweight and displacement considerations, as well as the level of support provided by Invest NI to Halo as a proportion of the total support/income when determining the contribution that Halo has made to the achievement of these benefits.
9. A longitudinal approach should be taken to evaluating the longer term impact of the activities delivered by Halo. This will require future evaluations to revisit previous phases of the Programme to ascertain the impact that has been derived.
10. Linked to the previous recommendation, it is recommended that cognisance should be taken of the outcomes of Invest NI's future review of the impacts made by Halo to date (due to be undertaken in 2013/14) when establishing future output and outcome SMART targets.
11. By way of ensuring that Invest NI is fulfilling its equality obligations (for example relating to Section 75 of the Northern Ireland Act 1998 and the Disability Discrimination Act) it is recommended that Invest NI undertakes an Equality Impact Assessments of Halo at the earliest opportunity.