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# Written Ministerial Statement

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## Enterprise, Trade and Investment

### Independent Review of Economic Policy (IREP)

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**The Minister of Enterprise, Trade and Investment (Mrs Foster):** I wish to update the Assembly on the progress that has been made in implementing those recommendations stemming from the Independent Review of Economic Policy.

A successful economy is vital for the future prosperity of everyone in Northern Ireland. The Executive took the important step of making the economy the top priority in the Programme for Government.

In that context, I commissioned, in December 2008, an independent review to assess the policies of my department and to determine whether they were sufficient to help to deliver the productivity goal contained in the Programme for Government. The panel, chaired by Professor Richard Barnett, reported to me on 29 September 2009, and I announced to the Assembly in January last year how I proposed to address the 58 recommendations contained within the report.

Until the recession, the Northern Ireland economy had enjoyed some success with increasing employment, although, as the Programme for Government recognises, raising our employment rate remains a key economic goal. However, the IREP report rightly considered that raising productivity and living standards was our main medium to longer term economic challenge, and it set out steps which we could take to deliver this.

However, in taking forward the recommendations, it was equally important for me to consider the significant impact of the recession, the full scale

of which was only apparent during 2010. For example, the number of employee jobs has fallen by 40,600 since its peak in June 2008. Unemployment as measured by claimant count has increased by 129.1% during this time. In addition, some key sectors of the economy have experienced significant declines in output as a result of the downturn.

This has brought new challenges to me as Enterprise Minister and to the wider Executive. Indeed, the IREP report recognised the need to provide short-term support for the economy in response to the global downturn and we have taken action in this regard, not least in terms of the £15m Short Term Aid Scheme which provided eligible businesses with financial assistance during the downturn. In addition, as part of the recent budget settlement, we will be moving ahead with the £19m Short Term Employment Scheme which has set a target to promote 5000 jobs between 2011 and 2015, with approximately 4000 jobs to be created by March 2014. Support will be concentrated on a range of sectors and programmes and will include:

- Support for new business starts by residents of Neighbourhood Renewal Areas & disadvantaged young people;
- Broader support for social enterprises;
- A new programme to accelerate business growth; and
- Employment support to specifically create new jobs in the Contact Centre, Knowledge Process Outsourcing and Food Processing sectors.

The IREP report stressed the importance of taking action to rebalance the Northern Ireland economy towards more value-added activities over the medium to long term. It is within this area that the majority of recommendations were made and this statement outlines the progress

we have made. I am pleased to report that many of the recommendations have already been implemented and there is a clear action plan to implement others, particularly as part of the ongoing work on the economic strategy.

This statement highlights to the Assembly the most significant achievements which have been made to date. I attach, to this statement, a table which details the progress which has been made with respect to each of the recommendations contained within the IREP report.

The report made recommendations in relation to policy development and also to governance structures and processes. A successful economy is ultimately the responsibility of the private sector as it is successful companies and organisations which produce wealth. However, to deliver growth it is imperative that we have in place the appropriate policies and initiatives that will support businesses. Such policies are not just for my department. Many, if not all, of the departments around the Executive table, have a role to play in ensuring we have a prosperous economy.

One of the most significant recommendations in the report was the proposal that there should be a single Department of the Economy which would cover the core economic functions of DETI and Department for Employment and Learning. As I indicated in my statement in January last year, I support this and submitted a paper to the Executive which proposed that this issue needs to be considered as part of the planned review of Strand One Institutions.

While the Executive agreed with this proposal, it also recognised the need to take the interim steps that were suggested by the IREP panel to improve the structures for the co-ordination of economic policy. Central to this has been the establishment of a sub-committee of the Executive to prioritise cross-departmental action on the economy. I chair this committee which includes those Ministers from DEL, DRD, DFP, DE and the Junior Ministers from OFMDFM.

The IREP panel suggested that the subcommittee should take forward the development of an economic strategy that builds on the findings of the review and produces a single overarching economic strategy that aligns with and helps to shape other Executive strategies. Since its establishment, the primary focus of the sub-committee has been on progressing an initial consultation

document which outlines a proposed framework for economic growth.

The consultation paper, Priorities for Sustainable Growth and Prosperity was launched on 13 January and closed at the end of last month. My officials are currently assessing the more than 60 responses.

The proposed economic framework for growth recognises the twin challenges facing the Northern Ireland economy. Firstly, the need to take immediate action to rebuild the labour market in the aftermath of the recession and secondly the importance of taking action to rebalance the economy towards higher value added activity in longer term, which was at the heart of the IREP report.

One of the reasons why we have only initially consulted on a framework for growth, rather than a full strategy, was recognition that the UK Government also needs to provide its own help in growing the economy.

We continue to press for policy levers that would help with the twin goals outlined in the economic framework. While this area was not within the remit of IREP, the Panel did express a view that “a reduced rate of corporation tax would improve NI’s value proposition” and that “a lower corporation tax rate could significantly boost value added FDI flows into NI”. In that regard, our officials have been working with their counterparts in HM Treasury and the NIO on the Government’s consultation paper on mechanisms to rebalance the economy through the tax system. The paper is very close to being finalised and will be launched very soon, perhaps even later this week.

To support development of the new economic strategy, and also to address one of the IREP recommendations, I have set up a new Economic Advisory Group to provide me with independent economic advice. The new group was established in May 2010 and I was delighted that Kate Barker, a former member of the Bank of England’s Monetary Policy Committee, agreed to serve as chair. The Group brings together experts in the fields of business, skills and economics.

Economic development is not just the responsibility of my department. In the context of working together on the economy, the IREP report also recommended that DETI, DEL and Invest NI should work together to more effectively implement their

liaison arrangements and I am encouraged to report significant progress in this area.

In my January 2010 statement, I outlined that, as part of the incentive to attract new investments and expansions in Northern Ireland, Invest NI and DEL would be taking forward a pilot programme to offer a skilled workforce tailored to the specific needs of companies. Since then, Invest NI and DEL have identified fifteen pilot projects and, along with the Employment Minister, we recently announced the first inward investor to benefit from this approach - Heritage Administration Services Limited who will establish a fund services operation in Belfast, which could create up to 46 high quality jobs.

This is a very exciting initiative to deliver a seamless approach to companies and early feedback has been encouraging. The pilot is currently being evaluated and I look forward to hearing the outcome of that evaluation in due course.

Central to the IREP report were the recommendations which related to specific areas of policy. In order to concentrate more on policy development, the IREP report recommended that my Department should undertake an internal review of its structures with a view to ensuring that the core functions of strategic policy development and performance monitoring should be brought together.

The panel also pointed to the need for more of my Department's resources to be made available for its core policy analysis and development function.

Since I announced my response to the IREP report last January, I can report that the Permanent Secretary of my Department has completed an internal review of DETI's structures. As a result of this work a number of structural changes will be implemented from 1 April 2011. In conjunction with a programme of process improvements and new ways of working, these changes will sharpen & strengthen the policy focus of the Department; facilitate more flexible deployment of resources and clarify roles/responsibilities within the Department especially in relation to NDPB oversight.

The IREP panel drew on the substantial body of evidence which suggested that innovation should be considered as the primary productivity driver for a regional economy such as Northern Ireland. In particular, the report recognised that innovation would be critical if local firms are to

maintain and improve their competitiveness in export markets. Specifically the report recommended, and I accepted, that a number of industry-led innovation communities, as suggested in the MATRIX report, should be developed to bring together business, academia and Government to exploit available market opportunities.

Substantial progress has been made in this area. Invest NI's Collaborative Networks Team has established a competitive call to stimulate the development of such communities in priority areas for the NI economy. A coherent and sustainable system for supporting them is now being finalised and it brings together the work of MATRIX, Invest NI, the NI Science Park (Connect Programme) and the Strategic Investment Board. The first true industry-led innovation community - the Global Maritime Alliance - was announced on 17 June last year, six months ahead of MATRIX's planned schedule.

The growth and development of companies is critically important if our economy is to prosper and Invest NI has a critical role to play in this. The IREP report made a number of important recommendations about how Invest NI could better assist companies. One of the key issues raised by the review panel was a concern that Invest NI support was not available for a large section of businesses in Northern Ireland. The panel therefore recommended that the concept of Invest NI "clients" should be removed to allow Invest NI to work with the entire business base in Northern Ireland to provide support for innovation, research and development, and export growth.

In reflecting on that recommendation, I recognise that Invest NI did provide support to the wider business base through many initiatives but support was delivered on a programme-by-programme basis which can result in a fragmented approach. I also noted that, in many cases, the 'client' approach was necessary given the need for Invest NI to maintain an ongoing relationship with certain companies where investments span a number of years.

I therefore asked the Invest NI Chief Executive to bring forward proposals to increase innovation and export growth across a much wider business base than was the case at that time. I have recently agreed the resulting proposals which will see Invest NI move from

an exclusive client focused approach to a new partnership approach working with a wider range of businesses to achieve export-focused growth. It will do this by delivering a differentiated service to each segment of the market.

This approach envisages three key elements.

- Firstly, the provision of information and advice to all businesses through the web based business portal, nibusinessinfo.co.uk which will be supported by an advisory centre, with regional points of presence throughout Northern Ireland.
- Secondly, it will provide market development and capability support to help companies grow their business and move into new markets; these services will be offered through a mix of seminars, workshops and standardised solutions.
- Thirdly, Invest NI will give tailored support to companies who are assessed as being likely to make the greatest contribution to meeting future targets for productivity, innovation and export growth in Northern Ireland.

This model will be based on companies' future contribution to the economy. It will be a dynamic, flexible approach which will allow companies to move between segments in order to reflect changing circumstances. A key priority will be how we support more companies to grow into businesses of scale.

While a standard level of service will be offered to all companies, Invest NI's resources and funding will be weighted towards those segments which can offer the greatest potential to deliver export-focused growth.

This is an innovative proposal which will allow Invest NI to work – directly or indirectly - across a much wider business base than it has to date.

Implementation of this change presents a significant challenge and Invest NI is preparing a detailed business and action plan to identify all of the activities, resources and timelines to deliver it. The proposal impacts on the current organisation structure of Invest NI and the development of a re-organisation plan, including setting up a Small Business Unit.

In adopting this approach, I want Invest NI to act as an enabler and catalyst to add value to the Northern Ireland economy. But the services

proposed cannot, or should not, be delivered solely by Invest NI. Rather, Invest NI will renew and strengthen its partnership approach with the District Councils, other departments and potential providers to deliver an efficient and integrated approach which removes duplication.

The IREP report made a number of recommendations which cover the actual financial assistance that DETI and Invest NI provides to industry. One key issue at the heart of the report was the view that there needed to be an accelerated shift towards support for commercially exploitable innovation and R&D. Investment in this area is recognised as the key long-term driver of productivity growth and company success.

While I fully accepted the analysis of the IREP panel with regard to the need to channel greater levels of resources towards supporting investments in R&D and innovation, I did recognise that there have been substantial advances in this area.

Invest NI had already taken action to skew resources towards innovation and R&D support, to the extent that, over the period of its current Corporate Plan, Invest NI anticipates having supported total investment in innovation of some £320m, which is almost three times more than its target of £120m. This is delivering results.

For example, the most recently available figures for R&D show that, in 2009, business expenditure on R&D increased by £139.8million (76%) to £323.7million – the highest level on record in Northern Ireland. This is extremely encouraging, especially in a time of recession.

However, while the need to encourage yet higher levels of investment in innovation will be critical, I also recognised that, at a time of rising unemployment, there would remain a very real requirement to support employment in the short term. With that in mind, Invest NI has developed proposals as to how we should best be using Selective Financial Assistance up until 2013.

Invest NI has introduced an early stage assessment tool whereby all projects that would be supported by Selective Financial Assistance will be assessed at the outset against an Employment / Productivity matrix.

In a constrained financial environment, Invest NI will prioritise support towards "High Productivity" projects, in line with PSA1. However, recognising



that increase and protection of the employment base remains a priority, those projects that deliver against PSA3 may also be attractive, with key considerations being the quality and scale of employment and location of project. Invest NI is also using this tool to assess competing projects and determine the best use of limited resources.

However, in these difficult times, it is also clear that jobs are vitally important. That is why, under the proposed framework for growth, resources will be devoted by Invest NI to both the rebuilding and rebalancing themes. However, I am equally clear that as the economy strengthens, then Invest NI resources should be directed more and more toward the rebalancing agenda.

The ability to use Selective Financial Assistance to encourage high quality inward investment, has made an important contribution to growing the value of our private sector and it is my view that Selective Financial Assistance still has a role to play in contributing to the rebuilding and rebalancing of the wider NI economy. Some recent independent studies have revealed that Belfast has become the UK's second most attractive city (after London) for foreign direct investment, particularly in the technology and financial services sectors. This has been reflected in the quality of projects we are now winning. Over the last three years, average salaries from new inward investments increasing by over 17%, whilst the cost of securing each job has reduced by 16%. This would not be possible without the ability to attract companies using Selective Financial Assistance.

I recognise that changes have already been made to the Regional Aid guidelines from 2011 but I would seek to reassure members and the wider business community that the Executive continues to work to ensure the best possible outcome for Northern Ireland in terms of further amendments to Regional Aid guidelines that may be made post 2013

The IREP report also challenged Invest NI to work to significantly reduce the number of its support programmes noting that with over 80 programmes, support was considered unnecessarily complex. As part of the implementation of IREP, I asked the Chief Executive of Invest NI to review the number and breadth of the programmes on offer.

Invest NI has completed this work. It has introduced a new approach and has now reduced this

complex product portfolio from 80 programmes to a set of 21 solutions, grouped under five themes.

The new framework covers all aspects of business support such as start-ups, R&D, export support, and the supply chain and is presented in a simple, easy to understand format. This is a significant change as to how Invest NI operates. To support this, it has just completed an extensive training programme involving some 400 members of staff to introduce the new approach.

The IREP report also recommended changes to Invest NI's support for exports and exporting firms. In response, Invest NI has launched a new fee-paying structure for selected export services from March 2010, and will develop further proposals, as appropriate, for enhancing this important area.

One of the IREP recommendations which I did not accept was the panel's view that, aside from those funds designed to support seed and early stage projects, Invest NI should disengage in its direct involvement in venture capital funds. Companies need finance and, whilst we recognise the difficulties banks might have in trying to meet new capital ratios, many will share my view that banks could do more to help local firms.

I would like to see more companies avail of opportunities to access other sources of finance and recent evaluation evidence confirmed a continuing equity gap in Northern Ireland covering seed and development stage investments with deal sizes up to £2m. In response, Invest NI has developed an Access to Capital strategy and is currently in the process of recruiting managers to run a £16m Co-investment Fund and a £30m Development Fund. These will fill a gap in the local venture capital market and ensure that early stage companies do not suffer from lack of investment.

The IREP report covered not only support given by Invest NI, but also commented on how it operated. A criticism often levelled at DETI and Invest NI, was that the governance and accountability framework remained too complex and time-consuming and that it impeded Invest NI's responsiveness. IREP recommended that the organisation should be given more freedom to operate and increased delegated authority in terms of project expenditure. I am pleased to report that a new framework for Delegated

Authority Limits was agreed between Invest NI, DETI and DFP, and became operational from 1st July 2010.

These changes mean that the Invest NI Board has, for the first time, absolute decision-making authority for investment decisions, and on top of that has the ability to approve expenditure up to £3 million for projects supported by Selective Financial Assistance and £6 million for all other projects without recourse to me as Minister. The Chief Executive also has a much greater level of decision making and accountability for major investments and in order to underpin the new delegation framework Invest NI has also introduced a simplified internal project casework approval process for all investments above £50,000.

Since the introduction of the new delegated limits, I am pleased to report that at a time when the number of projects over £1m has almost doubled, Invest NI has been able to deliver a 15% efficiency in average processing times.

I can also confirm that DETI and Invest NI have agreed the broad mechanisms for future reporting on Invest NI's strategic performance. This will be taken forward in the next financial year, when the Department will report on Invest NI's performance against its corporate plan objectives.

In closing, I am pleased to report that considerable progress has been made over the last year. Many of the key recommendations of the IREP panel have already been implemented and the strategic policy direction set by the panel has influenced the thinking of the Executive sub-committee on the economy as it has been developing a new Economic Strategy for Northern Ireland.

The last Programme for Government made the economy the Executive's number one priority. The action my Department and others have taken over the last year to address the recommendations of the IREP panel has underlined this commitment. As we move to develop a new Economic Strategy and Programme for Government it is imperative that the economy remains the key focus of the Executive and we build on what has been achieved to date.

## **Progress on List of Recommendations**

### **Economy Remain Top Priority of Executive**

The Executive has decided to defer publication of a new PfG until after the election, although preparatory work at an official level is ongoing.

The Executive Sub-committee on the Economy has agreed a broad framework for a new economic strategy which will include measures to support the local economy as it emerges from recession, as well as ensuring that it can take full advantage of the economic recovery.

On 13 January 2011, and on behalf of the Northern Ireland Executive Sub-committee on the Economy, Enterprise Minister Arlene Foster launched an initial 6 week consultation on the priorities for a new economic strategy for Northern Ireland.

The priorities identified in the developing NI Economic Strategy will determine the economic priorities of the new Programme For Government.

### **Create a Single Department of the Economy**

A Ministerial Paper, which sought Executive agreement to consider this issue in the context of the review of Strand one institutions, was agreed by the Executive on 15 April 2010.

There are no immediate plans to create a new department. The Panel (to conduct the review of Strand One institutions) has not yet been appointed but is among the matters to be covered by the draft report which is being prepared for consideration and agreement of the St Andrews Agreement Working Group established under the Hillsborough Castle Agreement.

### **Establish a Sub-Committee on the Economy**

On 15 April 2010, the Executive agreed to establish a Sub-Committee on the economy, comprising lead departments involved in economic development policy on 15 April 2010. The DETI Minister chairs the committee which includes those Ministers from DEL, DRD, DFP, DE and the Junior Ministers from OFMDFM.

The Sub-committee has met on several occasions since with the main focus being the development of a new Economic Strategy for Northern Ireland.

On 13 January 2011, and on behalf of the Northern Ireland Executive Sub-committee on the Economy, Enterprise Minister Arlene Foster launched an initial 6 week consultation on the priorities for a new economic strategy for Northern Ireland.

#### **Sub-Committee to Agree an Economic Strategy**

On 15 April 2010, the Executive agreed to establish a Sub-Committee on the economy, comprising lead departments involved in economic development policy on 15 April 2010. The DETI Minister chairs the committee which includes those Ministers from DEL, DRD, DFP, DE and the Junior Ministers from OFMDFM.

The Sub-committee has met on several occasions since with the main focus being the development of a new Economic Strategy for Northern Ireland.

On 13 January 2011, and on behalf of the Northern Ireland Executive Sub-committee on the Economy, Enterprise Minister Arlene Foster launched an initial 6 week consultation on the priorities for a new economic strategy for Northern Ireland.

The consultation, entitled, 'Priorities for Sustainable Growth and Prosperity, 'is the first of a two stage approach to the development of the strategy. This approach has been adopted as the outcome of the UK Government exercise into rebalancing the Northern Ireland economy has the potential to significantly influence the content of the economic strategy.

#### **Remove Concept of Invest NI 'Clients'**

Invest NI has developed a proposal to service the wider business base through a tiered and segmented approach working in partnership across the business support network. This will enable Invest NI to work – directly and indirectly – across the whole private sector business base.

The market segmentation approach envisages three key elements:

- the provision of information and advice to all businesses;
- market development and capability support to help companies grow their business and move into new markets; and
- tailored support to companies who are assessed as having the ability to make the greatest contribution to meeting future

targets for productivity, innovation and export growth in Northern Ireland.

The new approach will be reflected in Invest NI's next Corporate Plan.

#### **Invest NI Reduce Number of Support Programmes**

Invest NI has developed a new customer solutions framework to communicate its support to businesses. The framework is comprised of 21 solutions which are grouped under five themes covering the total breadth of Invest NI support from start-ups, capability development to R&D and export support.

Invest NI staff have received training support on the new solutions framework and the plan is to launch the new framework externally in May 2011.

The new approach will be reflected in Invest NI's next Corporate Plan.

#### **Redirect SFA to Provide Greater Levels of Support to R&D&I**

To optimise resources Invest NI has developed an early assessment matrix to assist with ranking and prioritising SFA projects against PSA 1 (Productivity) and PSA 3 (Employment). Furthermore, a more detailed assessment is carried out of all potential projects over £250K.

In a constrained financial environment, Invest NI has been and will continue to prioritise support towards "High Productivity" projects, in line with PSA1. However, recognising that the increase and protection of the employment base remains a priority in the aftermath of the recession, those projects that deliver against PSA3 are also attractive. Key considerations in allocating SFA have been the quality & scale of employment and the location of a project. Invest NI is also using this tool to assess competing projects and determine the best use of limited resources.

#### **Phase Out Grants for Business Expansions**

In the statement to the Assembly in January 2009, the Minister outlined that it was important to recognise the realities of business investment where a company will make an initial investment before progressing subsequent expansions.

The assessment tools outlined in Recommendation 7 will also be used to rank and prioritise support offered to assist companies achieve ambitious growth plans that would otherwise not happen.

### **Support Non-R&D&I Expansions Using Co-Investment Involving Sub-Ordinate Debt**

A proposal on the optimising of the use of Selective Financial Assistance (SFA) against productivity and employment measures was agreed by the IREP Steering Group in August.

In addition, Invest NI has developed an Access to Capital Strategy which provides an overarching strategy for venture capital and debt markets and seeks to provide a continuum of funding (£50K to £2m) to early stage and growth companies.

The Access to Capital Strategy includes a Loan fund targeting smaller businesses which are not attractive to the VC market.

### **Invest NI Reduce Support for Company Training**

The evidence underpinning this recommendation is drawn from an evaluation of the Company Development Programme (CDP) and this programme has been superseded by Business Improvement Training Programme (BiTP)

An evaluation of the BiTP Programme has been completed. The evaluation recommended that Invest NI continues to support company training with an increased focus on small businesses, particularly owner managed companies, as it is these companies which experience the most difficulty in both funding and identifying the training and development needs to improve their workforce skills.

The evaluation also recommends that the programme focuses on delivering where it is needed most with skills development focused on companies investing in R&D, innovation, exporting and on transferable skills

### **Invest NI Transfer Tourism Budget Back to DETI**

The Tourism (Amendment) Bill received Royal Assent on 25 January 2011. Provision is included in the legislation for NITB to grant assist tourist accommodation. This can be enacted by way of Commencement Order.

A business case to decide what aspects of support might be best provided by the NITB and Invest NI respectively is being prepared and that will help inform decisions on transfer.

### **Explore Commercially Orientated Research Institution Along Lines of VTT**

DETI commissioned research into best practice in economic development policy in other small open economies throughout the world with an aim of identifying transferrable lessons for Northern Ireland.

Finland (home of VTT) was one of the key case studies identified for this research. The final report is being considered by the Department and any decisions on the applicability of the VTT model to Northern Ireland will be taken forward in the context of the New Economic Strategy.

### **Develop Industry-Led Innovation Communities**

The MATRIX Secretariat is managing the development of a coherent and sustainable system for supporting IICs - known as the Innovation Gateway. As part of this Gateway, a comprehensive on-line business support service for Innovation Communities has been developed and is now being promoted by Invest NI & SIB.

Ten collaborative networks, all of which have characteristics of an Innovation Community, and one internationally trading Innovation Community were established by December. The first IIC - the Global Maritime Alliance - was announced on 17 June 2010 - six months ahead of MATRIX planned schedule.

The MATRIX Secretariat is leading on the development of a systems-based approach, the Market Opportunities Scanning System (MOSS), to stimulate the development of IICs in priority areas for the NI economy.

### **Provide more Support For Services Innovation**

Invest NI's proposal to service the wider business base, through a tiered and segmented approach, will cover both manufacturing and service businesses. In populating the customer segmentation model Invest NI will identify those segments of the services sector that have the potential to achieve the greatest contribution to GVA, Export and Innovation growth and determine the appropriate allocation of resources.

### **Finance R&D and Innovation Assistance from Savings in Existing Firm Support and Property**

Invest NI has already skewed more resources toward R&D&I support in recent years and over the period of its current Corporate Plan anticipates having supported total investment



in innovation of some £320m, which is almost three times more than its target of £120m.

DETI & Invest NI are currently finalising an evaluation of Invest NI's suite of property interventions. DETI & Invest NI will consider the findings of this evaluation and the impact on budget allocations.

#### **Dedicated Fee-Charging Export Assistance**

Invest NI introduced a new fee-charging structure for selected export services in March 2010.

An evaluation of Invest NI's export support is being finalised; Once the evaluation is completed, Invest NI will develop further proposals as appropriate to enhance export support

#### **Prepare Case for Retaining State Aid Limits**

The Commission has still to outline its timetable for replacing any of the State Aid rules that expire at the end of 2013. These rules include those for Regional Aid (i.e. programmes such as SFA) and well as the rules for R&D&I and Training.

The Commission is planning to hold a workshop on Regional Aid post 2013 on a date still to be finalised. It has been agreed that the devolved administrations will participate fully in the UK's preparation for this workshop and will be represented at the workshop.

DETI Economists are preparing a preliminary paper on the economic case for Retaining State Aid Limits, with input from other relevant bodies.

#### **Higher Priority to Promoting Energy Efficiency**

Energy efficiency and sustainable energy are key issues in the Strategic Energy Framework which was approved by the Executive and published on 27 September 2010.

#### **Review of Strategic and Sectoral Approach to Telecoms**

The MATRIX Telecoms Horizon Scanning Panel Report on Telecoms was launched as part of a "Telecoms Week" in early-December 2010.

This report is being built upon by the Invest NI funded collaborative venture, DNI 2020, which is exploiting the capability of NI's digital infrastructure to maximise the potential of the identified opportunities.

Evaluation of the Telecoms Strategic Action Plan 2006-2010 has been completed and the results

of this work are reflected in the successor Telecoms Action Plan for the period 2011-2015.

A full public consultation on the new Telecoms Action Plan was launched on 7 March 2011.

#### **Invest NI Disengage in VC Funds**

Recommendation noted but not accepted

Recent evaluations confirm that an equity gap continues to exist in NI covering seed and development stages with deal sizes up to £2m. This is in line with other UK regions.

Invest NI should therefore continue to intervene where appropriate to support the development of the venture capital market.

Invest NI has developed an Access to Capital strategy and received approval to proceed with setting up two new investment funds. CPD is currently managing a tender competition on behalf of Invest NI to appoint a fund manager for the Development Fund.

#### **Study into Attracting High Value Added FDI**

Work is ongoing in the context of developing the economic strategy. The research is due to report in Summer 2011.

The overarching aim of the research project is to identify the scope to improve the quality of FDI in Northern Ireland, as well as the key actions that will be needed to shift the pattern of investment towards higher value added sectors.

Particular objectives of the research include, assessing the proportion of global FDI flows which Northern Ireland could expect to contest if Corporation Tax was equalised to the rate in the Republic of Ireland and to make recommendations as to how the NI Executive could improve increase Northern Ireland's competitiveness in attracting higher value added FDI going forward by taking action in areas such as workforce skills, economic infrastructure, business regulation, and financial assistance to industry

#### **Study on Invest NI Land Acquisition Strategy**

DETI & Invest NI are currently finalising an evaluation of Invest NI's suite of property interventions. DETI & Invest NI will consider the findings of this evaluation and the impact on budget allocations.

### **Study into Social Economy**

DETI have commissioned a report into 'the role of the Social Economy sector and it's unique value in terms of economic, social and environmental impact in the Northern Ireland context'. To ensure best value for money the report will also evaluate the performance of the Social Economy Network and the impact of the SEE Strategy.

A final report is expected in May 2011.

### **Improve DETI, DEL, Invest NI Liaison Arrangements**

DETI and Invest NI continue to work closely with DEL and are currently progressing two major initiatives:

**Assured Skills:** Invest NI and DEL have jointly developed a pilot programme under the banner of Assured Skills. This programme contains a number of elements designed to provide a guarantee that companies creating new jobs in Northern Ireland will be able to fully satisfy their skills needs. The new approach has been particularly successful to date with potential new FDI investors; Ministers Foster and Kennedy announced, in February 2011, the first joint support package to a new FDI investor (Heritage) as part of this programme. The pilot programme will be evaluated by the end of March 2011.

**Management & Leadership Framework:** Invest NI and DEL have developed a joint approach to the provision of support in this area.

### **DETI should undertake an internal review of its structures**

There are two phases to the Organisational Review, Phase I involved the analysis of current Departmental activities and an assessment of the need for structural change and resource re-allocation.

Phase II of the Review will develop and implement the capacity and capability requirements of the new Departmental structure to develop and deliver policy.

Work on Phase I is now complete. A number of structural changes will be implemented from 1 April 2011 in conjunction with a programme of process improvements and new ways of working. These will:

- Sharpen/strengthen the Policy focus

- Begin to break down silo thinking and facilitate more flexible deployment of resources
- Provide greater coherence in the grouping of activities
- Provide access to policy support expertise
- Clarify roles/responsibilities between the Department and its NDPBs

Phase II has now commenced.

### **Core functions of strategic policy development and performance monitoring should be brought together within any revised DETI structures.**

The new structures and processes will ensure greater integration between strategic policy development and performance monitoring.

### **Invest NI should consider a n internal reorganisation that reflects the differing skills sets required to support FDI, exports, Innovation/R&D and small business support.**

Invest NI has completed an internal review and is currently considering options to re-align organisation structure to support delivery of the proposed Customer model (see recommendation 5) moving forward.

### **A Small Business Unit should be created within Invest NI**

The key functions to support small businesses have been considered as part of the proposal to widen the Invest NI customer base. This will require management of the network of support between Invest NI and its partners. The implications on structure & staffing resources will be considered as part of Invest NI's Organisation Plan.

### **Invest NI to providing world class training in sales and marketing (particularly those working internationally )**

Invest NI launched a new learning and development platform for internationally based staff in Feb 2010. An online learning platform has been rolled out to all staff in March 2011. Invest NI's suite of training programmes covers development of skills in the areas of communication, selling, negotiation and personal impact and effectiveness.

### **More Freedom to Operate for Invest NI**

A new framework for Delegated Authority Limits has been agreed between Invest NI, DETI and DFP, operational from 1st July 2010. The Invest NI Board and designated Accounting Officer, has assumed a much greater level of accountability for major investment decisions.

The number of cases over £1m almost doubled over the period July to December 2010 compared to 2009; despite this significant increase in the number of cases handled the average time to process a case fell by 15%.

### **Delegated Authority Limits for Invest NI**

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### **End Year Flexibility (EYF) for Invest NI Budget**

The IREP Steering-Group has concluded that, based on advice from DFP, the recommendation cannot be implemented.

It is noted that any concession would be highly repercussive. It has been concluded that is not possible to grant automatic access to EYF to Departments or other bodies such as Invest NI.

With regard to expenditure movement, it has been concluded that it is not possible to allow individual bodies, such as Invest NI, the flexibility to move between categories of expenditure as this would impact on the overall Treasury control total for the NI Block.

### **Establish Central Project Review Group (CPRG)**

A Central Project Review Group (CPRG) has been established. The protocol for this Committee has been endorsed by Invest NI, DETI and DFP.

The protocol stipulates that DFP will continue to maintain its independence and that its role on this Committee would be limited to an observational or advisory role and would not imply DFP approval in cases where formal DFP approval is required.

### **Project Appraisal Rules for Innovation and R&D Projects**

A proposal for an enhanced appraisal methodology has been developed and agreed by DETI & Invest NI and forwarded to DFP who have

considered and provided useful feedback. Work to finalise the methodology is continuing and it is hoped that the new appraisal rules can be introduced during 2011/12.

### **Invest NI Board should cease to perform executive functions and focus on providing strategic direction and oversight.**

Recommendation noted but not accepted.

The Invest NI Board will continue to focus on providing strategic direction and oversight. However, the Board provides a valuable challenge function to casework submissions and has approval authority for casework submissions at an appropriate level.

### **A senior member of DETI Departmental Board should be represented on the Invest NI Board**

Recommendation noted but not accepted.

Current DFP guidance is that there should not be joint membership, although it is important that there continues to be good communication senior level.

### **International Business Experience on Invest NI Board**

No change required. Criteria will continue to be applied in future Board appointments.

### **Ex-Post Assessments Taken on a Portfolio Basis**

Invest NI will adopt a portfolio approach to manage some of its financial investments in the new Corporate Plan period as there is merit in using a portfolio approach to set strategic objectives for investment and then to evaluate the effectiveness and value for money from that investment.

The nature of the portfolios will align with the proposed Customer Segmentation Model.

### **DETI / Invest NI Accounting Officer Memorandum**

The existing Accounting Office Memorandum has been reviewed and it is concluded that no amendments are required.

### **Management Statement and Financial Memorandum (MSFM)**

DETI and Invest NI are continuing to work together to review the existing MSFM and prepare a revised draft for consideration.

DFP has recently provided the final approved template for MSFM to be adopted by Departments / Agencies and DETI is re-aligning the current draft to meet the new template.

The new MSFM requires Departments to identify and specify the role / functions of a sponsor branch; DETI is considering this issue as part of its organisation review.

### **More DETI Resources for Policy Development and Monitoring**

Phase I of DETI's Organisational Review is now complete. A number of structural changes will be implemented from 1 April 2011 in conjunction with a programme of process improvements and new ways of working. These will:

- Sharpen/strengthen the Policy focus
- Begin to break down silo thinking and facilitate more flexible deployment of resources
- Provide greater coherence in the grouping of activities
- Provide access to policy support expertise
- Clarify roles/responsibilities between the Department and its NDPBs

Phase II of DETI's Organisational Review has now commenced this will seek to build the capability and capacity of staff to deliver these objectives.

### **DETI to Report on Strategic Performance of Invest NI**

The IREP Steering Group has agreed a preferred option for the review of Invest NI performance.

DETI will publish a review of Invest NI Performance during the current Corporate Plan period later in 2011.

### **Policies to be Updated Annually to Demonstrate Impact on Productivity Goal**

The 2011-14 Corporate Plans of DETI and Invest NI will reflect how policies impact on the productivity goal and will include identified KPIs.

Potential Key Performance Indicators have been identified with examples of absolute and relative performance measures to be developed.

The delay in developing a new PfG has impacted upon the development of the DETI and Invest NI Corporate Plans.

### **Targets to be Expressed in Relative and Absolute Terms**

The 2011-14 Corporate Plans of DETI and Invest NI will reflect how policies impact on the productivity goal and will include identified KPIs.

Potential Key Performance Indicators have been identified with examples of absolute and relative performance measures to be developed.

The delay in developing a new PfG has impacted upon the development of the DETI and Invest NI Corporate Plans.

### **Invest NI's Operating Plan Targets 2010/11 should Include Investment New to NI.**

Proposals outlining the definition and disaggregation of 'new' investment to Northern Ireland have been developed and accepted by the IREP Steering Group.

Invest NI's Operating Plan for 2010/11 includes targets specifically for investments new to Northern Ireland from April 2010, and where data availability allows, these will be expressed as a share of equivalent jobs coming into the UK.

### **DETI to Maintain Single Invest NI Database**

A statistician is now in place in Invest NI to take forward the development and maintenance of an integrated data sharing platform.

A permanent datalink between DETI and Invest NI has been installed to enable access to all databases.

This will facilitate improved measurement and reporting of Invest NI client performance and will aid the review of Invest NI performance, which is to be completed later in the financial year 2011/12

### **EDF to stand down and an Advisory Group to be established.**

The EDF was stood down following a Ministerial memorandum on 25 January 2010.

Membership and terms of reference were agreed for the Economic Advisory Group, with Kate Barker installed as Chair.



The EAG met for the first time on 28 May 2010 and in September 2010 agreed a programme of work with the DETI Minister.

It has met regularly since, and has responded to both the consultation on the draft budget and the initial consultation exercise on the executive's Sub-Committee framework for economic growth.

### **DETI to Appoint an Independent Economic Advisor**

Membership and terms of reference has been agreed for the Economic Advisory Group.

Kate Barker has been installed as Chair.

### **Stakeholders to Continue to Engage Bilaterally**

Engagement with economic development stakeholders is on-going.

As part of the initial consultation exercise to inform development of the new Northern Ireland Economic Strategy, officials from all Department's represented on the Executive Sub-Committee on the economy have held a number of meetings with key stakeholders during February.

### **Align Research in Universities and Public Research Bodies to Needs of Industry and Investors**

Work is ongoing to conduct a mapping exercise which outlines, by INI key sectors the existing University and public sector research initiatives. Discussions have been held between DETI, DEL and Invest NI to progress this recommendation and a research project is now underway.

Funding of the 300 additional PhDs announced as part of PfG and of 12 cross-border projects (£17m) is restricted to areas of "economic relevance".

Further work in this area will be reflected in the new Northern Ireland Economic Strategy.

### **Education System to prepare now for Increased Demand for STEM Subjects**

The draft Government STEM Strategy has been approved Executive. The consultation period has formally closed and it is envisaged that the finalised strategy will be published during 2011. A Government STEM group has been established which brings together the key government stakeholders (DHSSPS, DETI,

DARD, DCAL, DEL and DE) and is tasked with implementing the Government STEM strategy.

DE has been taking significant action on a number of fronts to ensure that STEM subjects are seen as exciting, stimulating and fulfilling by young people and has been enhancing STEM through:

- The development of specialist STEM schools at post-primary level;
- The development of Careers Education, Information and Advice and Guidance for STEM areas;
- The development of curriculum resources to support the growth of STEM take-up in schools;
- The promotion of STEM work in primary and post-primary schools through competitions and exhibitions; and
- The purchase of a major new STEM resource 'the STEM truck', which was launched in September 2009.

DEL continues to take forward a number of actions aimed at encouraging more people to study STEM, post 16. These actions include:

- the 'Step Up' programme;
- Funding Sector Skills Councils to take forward various projects aimed at raising the profile of opportunities available in STEM
- Support for a range of activities organised by the further education colleges and universities, including the Innotech Centre at South West College, the College STEM Initiative and STEM bursaries at Queen's University

These issues will be reflected in the developing Economic Strategy

### **Apprenticeships and Vocational Training to Emphasise Higher Level Qualifications**

The Apprenticeships NI and Training for Success programmes continue play a pivotal role in ensuring the development of skills and achievement of qualifications in readiness for the economic recovery.

These issues will be reflected in the developing Economic Strategy.

### **Develop Management and Leadership Skills**

Work is being taken forward and will feed into the Economic Strategy as it develops.

Invest NI and DEL have agreed a joint framework for Management & Leadership. The framework is based on the European Quality Model and the level and type of support offered will be based on the sophistication and needs of the company. The joint framework will involve a single access to support and a connected range of solutions from both Invest NI and DEL

### **ISNI 3 Should Take a Greater Economic Focus**

The Current Investment Strategy for Northern Ireland (ISNI 2) runs until 2018.

The framework for Economic Growth agreed by the Executive Sub-committee on the economy and published for consultation in January 2011, recognises the importance of capital investment in Northern Ireland's economic infrastructure.

### **Planning Service to be Given Comparable and Competitive Targets**

The introduction of streamlined council consultation has also been successful in speeding up the processing of non-contentious applications. The impact of these measures means that 60 per cent of all applications are now being processed and approved, on average, in just 40 days.

The Planning Bill (which provides for the transfer of the majority of planning powers from DOE to Councils) will have its final reading in the Assembly on March 23. The legislation will come into effect in circumstances and within a timescale to be agreed by the Executive Committee.

This will make the planning system more democratic, and the legislation also provides for streamlining the process with faster decision making.

### **Planning Service to Ensure Reform Timetable is Met**

The Planning Bill (which provides for the transfer of the majority of planning powers from DOE to Councils) will have its final reading in the Assembly on March 23. The legislation will come into effect in circumstances and within a timescale to be agreed by the Executive Committee.

This will not be until new governance arrangements for councils and an ethical standards regime (including a code of conduct for councillors) are brought into effect. The DOE Minister launched consultation on these on Nov 30 and legislation is expected early in next Assembly.

From 1 April, Planning Service will be de-agentised with planning functions taken forward by two new DOE Divisions. Local Planning Division (including the area planning offices) will take forward the development plan and development management functions that will eventually transfer to local government.

Strategic Planning Division will have advisory and oversight role and will continue to determine regionally significant applications and special projects (eg minerals and wind farms) and will be responsible for the marine plan.

Following consultation, regulations on the restructuring of planning fees are now with the environment committee. These proposals will improve cost recovery and the fairness of the system

### **Strategic Projects Team to deal with all applications relating to investment new to NI.**

As part of the wider reforms of Planning, a new Strategic Planning Division in DOE will have advisory and oversight role and will continue to determine regionally significant applications and special projects (eg minerals and wind farms) and will be responsible for the marine plan.

### **Pre Application Discussion (PAD) process to be more efficient**

Employing pre-application discussions with developers has already resulted in 90 strategic applications being processed to approval, resulting in excess of £2 billion investment. Since April 2009, 34 economically significant applications have been processed, the majority of which within 6 months.

The introduction of streamlined council consultation has also been successful in speeding up the processing of non-contentious applications. The impact of these measures means that 60 per cent of all applications are now being processed and approved, on average, in just 40 days.