

From: [Cooper, Trevor](#)
To: [Brankin, Bernie](#)
Subject: FW: Invitation INV/994/2013 : Minister to brief the ETI Committee on the NI Economic Strategy Annual Monitoring Report ***Thursday 12th December at 11.30am in Room 30 Parliament Buildings***
Date: 10 December 2013 10:56:00
Attachments: [INV_994-13 Readout ETI Committee Meeting 071113 Possible DETI Minister Oral Evidence Session on 121213 re NI Economic Strategy - Update.msg](#)
[Brand-Derry-Londonderry2.jpg](#)
[Sub ETI committee briefing re NIES annual monitoring report 12 Dec 2013.DOCX](#)
[ETI committee NIES - Minister s briefing.DOCX](#)

Trevor Cooper

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Please consider the environment - do you really need to print this e-mail?

From: Rooney, Eugene
Sent: 09 December 2013 18:30
To: Cooper, Trevor
Subject: FW: Invitation INV/994/2013 : Minister to brief the ETI Committee on the NI Economic Strategy Annual Monitoring Report ***Thursday 12th December at 11.30am in Room 30 Parliament Buildings***

[Trevor – for info](#)

From: Pyper, Alistair
Sent: 09 December 2013 11:35
To: Sterling, David; Thomson, David; Rooney, Eugene; Hutchinson, Graeme; Rodgers, Philip; McCune, David; McAllister, Susanne; Private Office DETI; Cahoon, Gillian; Aiken, Glynis; Crawford, Andrew; Ross, Alastair; Fullerton, Karen
Subject: FW: Invitation INV/994/2013 : Minister to brief the ETI Committee on the NI Economic Strategy Annual Monitoring Report ***Thursday 12th December at 11.30am in Room 30 Parliament Buildings***

Please see attached briefing for the Minister's attendance at ETI committee on 12 December.

Alistair

From: gillian.cahoon@detini.gov.uk [<mailto:gillian.cahoon@detini.gov.uk>]
Sent: 26 November 2013 13:45
To: Hutchinson, Graeme
Cc: Rodgers, Philip; McCausland, Fiona; EPDAdmin; Sterling, David; Thomson, David; Rooney, Eugene; Aiken, Glynis; Stevenson, Valerie (DETI Private Office); DG_DETI Press Office; Simms, John; Wilson, Karen (DETINI); McIlhatton, Julie; Kieran, Julianne; Cahoon, Gillian; Ingram, James
Subject: Invitation INV/994/2013 : Minister to brief the ETI Committee on the NI Economic Strategy Annual Monitoring Report ***Thursday 12th December at 11.30am in Room 30 Parliament Buildings***

DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT

INVITATION BRIEFING REQUEST - URGENT

Reference: INV/994/2013
Invitation From: ETI Committee
REFERRED TO: Hutchinson Graeme (Dr)

Date: 26 November 2013

Subject: Minister to brief the ETI Committee on the NI Economic Strategy Annual Monitoring Report ***Thursday 12th December at 11.30am in Room 30 Parliament Buildings***

BRIEFING REQUIRED

Please provide briefing to include the following: Background Note, Key Issues, Speaking Notes, lines to take, officials in attendance and any other information deemed relevant. .

Please return to Private Office by noon on Thursday 5th December.

Gillian Cahoon
Private Office

Netherleigh House [Tel:-](tel:) Ext 29440

Copied To For Information:
cc EPD (Graeme Hutchinson)
Cahoon Gillian (Miss)
Ingram James (Mr)

From: [Murray, John \(DETI\)](#)
To: [Cahoon, Gillian](#)
Cc: [Murray, Celine](#); [Robson, Rod](#)
Subject: RE: Readout ETI Committee Meeting 07/11/13 Possible DETI Minister Oral Evidence Session on 12/12/13 re NI Economic Strategy - Update
Date: 26 November 2013 13:02:33
Attachments: [image003.jpg](#)

Gillian

Meeting has been confirmed as

“DETI Minister briefing re Northern Ireland Economic Strategy Annual Monitoring Report.”

Meeting will take place in room 30 in Stormont.

John

John Murray

Legislative Monitoring Unit
ext: 29637

Please consider the environment - do you really need to print this e-mail?

From: Cahoon, Gillian
Sent: 26 November 2013 12:53
To: Murray, Celine
Subject: FW: Readout ETI Committee Meeting 07/11/13 Possible DETI Minister Oral Evidence Session on 12/12/13 re NI Economic Strategy - Update

Celine

In David's absence, do you know if this has been confirmed with the ETI Committee Clerk? It's just so I can note the diary and issue a briefing request etc. Do you know which room this will take place in?

Gillian Cahoon

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Please consider the environment - do you really need to print this e-mail?

From: Aiken, Glynis
Sent: 26 November 2013 12:35
To: Cahoon, Gillian
Subject: FW: Readout ETI Committee Meeting 07/11/13 Possible DETI Minister Oral Evidence Session on 12/12/13 re NI Economic Strategy - Update

From: Aiken, Glynis
Sent: 21 November 2013 08:28
To: McCune, David
Cc: Private Office DETI; Stevenson, Valerie (DETI Private Office); Sterling, David; Thomson, David; Rooney, Eugene; Mateer, Kim; Hutchinson, Graeme; Rodgers, Philip; Pyper, Alistair; McAllister, Susanne; EPDAdmin; Wallwin, Judith; Fullerton, Karen
Subject: Re: Readout ETI Committee Meeting 07/11/13 Possible DETI Minister Oral Evidence Session on 12/12/13 re NI Economic Strategy - Update

David

The Minister is able to attend the ETI Committee on 12th December at 1130 am - grateful if you could confirm with Clerk.

Thanks

Glynis

This was sent from my Blackberry Device.

From: McCune, David
Sent: Friday, November 08, 2013 04:03 PM
To: Aiken, Glynis
Cc: Private Office DETI; Stevenson, Valerie (DETI Private Office); Sterling, David; Thomson, David; Rooney, Eugene; Mateer, Kim; Hutchinson, Graeme; Rodgers, Philip; Pyper, Alistair; McAllister, Susanne; EPDAdmin; Wallwin, Judith; Fullerton, Karen
Subject: Readout ETI Committee Meeting 07/11/13 Possible DETI Minister Oral Evidence Session on 12/12/13 re NI Economic Strategy - Update

Glynis

Please see below readout from ETI Committee meeting on 07/11/13:

Northern Ireland Economic Strategy Annual Monitoring Report
To note the Minister has been invited to brief the Committee on the Economic Strategy (we understand that the Minister may be available on 12 December 2013 - TBC).

Grateful if you would confirm if the Minister is available/agreeable to give evidence.

David

David McCune
Assembly Liaison Officer
Department of Enterprise, Trade & Investment

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Please consider the environment - do you really need to print this e-mail?

Submission**From:** Alistair Pyper**Tel No:** 29420**Date:** 9 December 2013**cc:** *Copy distribution list below***To:**
1. Andrew Crawford
2. Arlene Foster MLA**ETI COMMITTEE BRIEFING 12 DECEMBER 2013 - NI ECONOMIC STRATEGY ANNUAL MONITORING REPORT****Issue:** You have agreed to brief the ETI Committee on the NI Economic Strategy Annual Monitoring report.**Timing:** Meeting is scheduled for 11.30 on 12 December 2013 in room 30, Parliament Buildings. Officials supporting you at the session are Graeme Hutchinson and Phil Rodgers.**Executive Committee Referral:** None**PFG Implications:** None**Presentational Issues:** None**FOI Implications:** This submission is fully disclosable**Financial Implications:** None**Legislation Implications:** None**Statutory Equality Obligations:** Not applicable**Recommendation:** That you note:
i. The briefing provided at **Annexes A - E****BACKGROUND**

1. On 25 October you agreed to the publication of the NI Economic Strategy Annual Monitoring Report on behalf of the Executive Sub-Committee on the Economy.
2. The ETI committee have requested an oral briefing session on the Annual Monitoring report. You agreed to brief the committee at the 12 December 2013 session.

3. Briefing on the NI Economic Strategy Monitoring report is provided in the attached annexes as follows;

- **Annex A** Opening statement
- **Annex B** Progress on NI Economic Strategy key actions
- **Annex C** InvestNI performance
- **Annex D** General performance of NI Economy
- **Annex E** Issues raised by ETI committee at recent oral briefing on PfG progress.

RECOMMENDATION

It is recommended that you note;

- i. The briefing provided at **Annexes A - E**

Alistair Pyper

Distribution List:

David Sterling
David Thomson
Eugene Rooney
Graeme Hutchinson
Phil Rodgers
David McCune
Alistair Pyper
Susanne McAllister
Glynis Aiken, PS/Minister
Andrew Crawford, SPAD
Alastair Ross MLA, Assembly Private Secretary
Press Office

ETI COMMITTEE 15 DECEMBER 2013

NI ECONOMIC STRATEGY ANNUAL MONITORING
REPORT

Opening Remarks

- Thank you chair.
- I'm pleased to be here this morning to report on the progress we're making on the delivery of key commitments as part of the Executive's Economic Strategy.
- But, Committee, I think it's both important and appropriate that I begin with a brief word on the current economic conditions.

Current Economic Conditions

- As we're all aware, businesses have been through one of the most challenging periods in recent times.
- It will take some time for business and consumer confidence to return to pre-downturn levels.

- But, as the Governor of the Bank of England said recently, there are increasing signs of improvements throughout the UK and the same holds for the local economy.
- Our local jobs market has shown continued improvement throughout 2013 and external surveys are also pointing to a strengthening economy.
- However, as I say, we recognise that many companies are continuing to facing difficulties, particularly in terms of rising business costs and access to finance.
- That is why the Executive will continue to put the Economy at the centre of its priorities.
- We're continuing to ask the Prime Minister, as part of the Economic Pact, to agree to the devolution of corporation tax varying powers to the Executive and Assembly.
- As I've said many times before, this will help with our shared objective of rebalancing the economy.
- But given no final decision on this will be made until before Autumn 2014, we're continuing our efforts on the wide range of measures to both rebalance and rebuild the economy as outlined in the NI Economic Strategy, Programme for

Government, Economy & Jobs Initiative and the Economic Pact.

Economic Strategy

- In terms of the Economic Strategy, the Executive Sub-Committee on the Economy recently published the first year Monitoring Report and I am pleased to report that there has been considerable progress across all Executive Departments.
- Of the 172 Economic Strategy commitments, we are on course to deliver 97% of these by March 2015.
- For example, over the first 2 years of this budget period, I can highlight this morning a number of key achievements:
 - We have secured £168m of investment in R&D – over 40% of this investment has come from NI's SME base;
 - We have supported 311 businesses to undertake R&D for the first time;
 - We have supported almost 140,000 Level 2 and above qualifications across a range of education and training providers;
 - We have promoted almost 3,500 new jobs with locally-owned companies securing £92m in annual wages and salaries for the NI economy;

- We have secured almost £300m of investment resulting in the promotion of 3,315 new jobs from inward investors;
- We have reduced Air Passenger Duty rates for long haul flights from NI to zero from 1 January 2013;
- We have launched a new Investment Strategy which will provide a £5bn stimulus over the 4 years to 2014/15 supporting thousands of jobs in the construction sector and related supply chain;
- We have successfully moved 76,841 working age benefit clients into employment;
- We have supported the creation of just under 1,000 jobs through the Assured Skills Programme across eight projects in the Financial Services, Information and Communications Technology, and Legal Services sector;
- We have welcomed 3.97m overnight visitors to NI in 2012 with associated expenditure from visitors totalling £683m;
- We have promoted 13,870 jobs: 3,315 through foreign owned investments; 3,423 through locally owned companies; 2,072 new business starts and 5,060 through the Jobs Fund; and

Economy and Jobs Initiative

- In addition to the commitments identified within the Economic Strategy, the Executive responded to ongoing difficulties

within the NI labour market by launching its Economy & Jobs Initiative in November 2012.

- As with the Economic Strategy, we remain on course to deliver the additional and complimentary actions identified within that document. For example:
 - Invest NI's new 'Skills Growth' scheme for small businesses has been introduced and is now operational;
 - An additional 233 undergraduate STEM places were funded in the 2012/13 academic year;
 - At 31 March 2013, 366 young people had commenced DEL's First Start programme and a further 186 participants had commenced DEL's Step Ahead 50+ Programme;
 - We announced the freeze to car parking charges for the remainder of the Budget period;
 - An additional £10m was made available for 2013/14 and 2014/15 for the co-ownership scheme.

Economic Pact

- As I said earlier, we also welcome the UK Government's commitment to work with us in supporting the rebalancing of

the NI economy through the full range of measures identified within the Economic Pact.

- I particularly welcome the Prime Minister's agreement to support and attend the G8 Investment Conference.
- The international media exposure and goodwill shown by all of the visiting delegations to the G8 Summit has provided us with an excellent opportunity to promote Northern Ireland as a great place to invest, do business and visit.
- The success of the G8 Summit has created new opportunities for Northern Ireland and we are determined to maximise this opportunity through the recent Investment Conference, building on the actions we are already taking to rebalance the NI economy and deliver higher levels of prosperity and employment.

ANNEX B**PROGRESS ON NI ECONOMIC STRATEGY ACTIONS****1 NIES KEY THEME – INNOVATION R&D and CREATIVITY**

R&D Investment target (£300m investment by businesses at least 20% coming from SMEs) [PfG commitment 5]

- Innovation remains at the core of all our actions, driving business growth, productivity growth, and economic growth.
- There is a clear link between higher levels of investment in innovation, Research & Development and business sophistication with the long-term driver of productivity growth, and through that, higher levels of export sales & higher living standards.
- R&D investment is significantly ahead of profile. Invest NI have supported £168m of investment in R&D over the first 2 years of the budget period. 43% of that investment has come from SMEs.
- Given performance to date and to reflect the importance of R&D investment to the rebalancing of the NI economy, we have decided to increase Invest NI's 2013/14 target in this area from £75m to £110m. So far this year (by end September), Invest had supported £53m investment in R&D.
- 34% of this investment has come from SMEs this year.

NI Innovation Strategy

- Innovation is the key driver of productivity - 63% of productivity increases due to investments in innovation. Only 27% of NI companies are classed as innovation active – this puts us 11th out of 12 UK regions.
- A new Innovation Strategy was a key commitment within the NI Economic Strategy.
- R&D spend is up, but again only 430 companies out of 80,000 and still at 1.9% of GDP too low (UK at 2.0%) EU target 3.0%
- Draft Innovation Strategy aims to move us up the UK league table to ‘top 6’ on Innovative Regions – this will take a step change in our innovation performance.
- To do this we must address our cultural aversion to risk and start making more of our strengths.
- Key actions proposed within the draft innovation Strategy include:
 - Prioritising our investments R&D toward those key markets identified by MATRIX
 - Development of an open innovation centre/service to help firms collaborate and innovate
 - Fund the development of a world class business accelerator
 - Coordinating our activities - government, business, academic and 3rd sector via an Innovation Council
 - And
 - Making better use of the public sector as a driver of innovation and economic growth through the use of innovative public procurement and open data
- Consultation on the new Innovation Strategy closes on 16 December. I hope to be in a position to launch the final strategy document next year.

2 NIES KEY THEME – SKILLS

- The most important asset for the NI economy remains our people and we must take action to support skills development at all levels if we are to drive business performance and economic growth.
- We need to deliver a renewed focus on raising literacy, numeracy and ICT capabilities. We must also make investments which support STEM skills, management & leadership capabilities and sales & marketing skills. These areas will form a critical foundation for future export-led economic growth.
- The majority of actions under the skills theme are the responsibility of DEL. I am pleased to report that good progress is being made across this theme. For example, by 2015, there will be an additional 1,200 undergraduate places in STEM related subjects and 300 PhD places, focussed on areas of economic relevance to Northern Ireland, available at our universities.

3 NIES KEY THEME – BUSINESS GROWTH

Invest NI employment target (to promote 25,000 jobs)

- Over 17,000 jobs promoted to end September 2013. Work in progress and historical performance suggest that Invest NI is on course to achieve the target by end of PfG period.
- 2013-14 year to date performance (4,000 jobs promoted in the past six months) represents a 90% increase on the same period last year.

Investment target - Achieve £1billion of investment in the NI economy

- Total investment over first 2 years to 30 September has reached £929m
- Invest NI's total planned investment has already exceeded the PfG target for this year. It is now £176m this year which is up 100% on the same period last year.
- The full breakdown of investment 2011 to 30 Sept 2013 is;

Investment (£m)	2011-12	2012-13	2013-14 (to 30.9)	Total
LOCAL	154	166	106	426
FDI	103	183	7	293
JOBS FUND	67	80	63	210
TOTAL	324	429	176	929

Jobs in Locally Owned Companies (Promote 6,300 jobs in locally owned companies, with 50% paying salaries above the NI private sector average)

- On course to deliver against this target. Between the period 1st April 2011 to 31st March 2013 Invest NI supported £320M of investment from locally owned firms. We have promoted 3,423 new jobs with locally-owned companies.
- Of these 3,423 jobs, 2,178 (64%) were to pay salaries above the NI PSM, securing £92M in annual wages and salaries.
- So far in 2013/14 896 jobs have been promoted in locally owned companies.

New Business Start Jobs (6,500 jobs during PfG period)

- Between the period 1st April 2011 to 31st March 2013 Invest NI promoted 2072 new jobs through the Regional Start-up Initiative and legacy business start programme.
- So far in 2013/14 944 Business start jobs have been promoted.

Going for Growth

- Going for Growth contains over 100 recommendations with responsibility falling to many Executive Departments and associated Agencies, as well as the industry itself.
- A draft response to Going for Growth has been prepared for consideration by the Executive. The draft response sets out the actions required by Government to deliver the aims and objectives of Going for Growth, timescales for delivery and potential funding sources.
- Subject to Executive endorsement, the actions in the draft response will become fully integrated within the relevant Departments' Strategic and Business Plans.
- In addition, it is envisaged that the Agri-Food Strategy Board will remain in place until at least early 2015 to advise on implementation of Going for Growth.
- DARD and DETI will monitor progress and ensure that the Agri-Food Strategy Board receives regular reports on progress against actions and targets to assist the Board in its oversight role
- Going for Growth sets the following industry targets for the Agri-food sector.
By 2020:
 - Grow sales by 60% to over £7bn
 - Grow employment by 15% to over 115,000
 - Grow sales outside NI by 75% to £4.5bn
 - Grow by 60% to £1bn the total value of products and services.

Going for Growth Funding

- The AFSB estimates that public sector funding of £400 million over three years would leverage investment of £1.3 billion from the industry.
- The level of funding required will depend on the absorption capacity of the industry. However, there are potentially significant benefits to be gained.
- My Department has already allocated £20 million to the Agri-Food Loan Scheme with more additional funding available if the demand is there.
- Much of my Department's funding to support Going for Growth will be delivered via Invest NI Selective Financial Assistance
- The Rural Development Programme will be an important tool in delivering support to the agri-food industry.
- I am aware that DARD has taken the opportunity to shape the draft Rural Development Programme in a way that will help achieve its aims.

Agri-food Loan Scheme

- The Loan Scheme addresses difficulties in accessing bank finance, a key issue raised in *Going for Growth*.
- The poultry phase of the scheme is almost ready, finalising the legal agreements is taking slightly longer than anticipated.
- All the main terms have been agreed with the Banks, and once the detailed legal agreements are concluded the scheme can open for business. I do not expect the delay to be substantial, however I am meeting the banks within the next two weeks to establish when the required agreements can be finalised and the scheme will open for applications.
- Given that the scheme did not launch in November as expected, I am meeting participating banks within the next fortnight to establish exactly when all participants will be in a position to finalise the required legal agreements and open for applications.

- All banks are unlikely to open for applications on the same date – similar to the UK Help to Buy mortgage scheme.
- Scheme provides a “One stop shop” with just one application through the usual bank processes.
- There will be a standard checklist of information required for all applications to the poultry scheme.
- My officials have also engaged with the pork, dairy and eggs industries to gauge the potential to extend the scheme to other agri-food sectors. My officials also met with the horticulture and arable sector in recent weeks.
- My Department has already allocated £20 million to the Agri-Food Loan Scheme with more additional funding available if the demand is there.

Access to Finance (Aid liquidity of SMEs through a £50m loan fund)

- Despite initial progress being unavoidably delayed by the due diligence needed prior to the Fund launch, excellent progress has subsequently been made with 51 loans at a value of £13 million issued by 30 September 2013.
- There remains some uncertainty as to whether the overall target number of loans (150) can be made by 2015 given the time required to ensure that the risk profile of borrowers is maintained at a reasonable level and to avoid any undue lending risks.
- Every effort will continue to be made as there is strong demand and the loan value target of £50 million is expected to be met.
- The Small Business Loan Fund is part of a suite of products offered by DETI, through Invest Northern Ireland, to ensure that companies with high growth potential are not held back because they cannot access finance.
- Through the suite of funds Invest NI will be able to offer a continuum of funding for business seeking between £1k and £2m.
- Over £140m of finance is available through the 6 funds

	Value of Fund	Amount lent/invested	Number of loans/deals/grants
NISPO	£17m	£10.5m	34 equity; 228 grants
Co investment Fund	£16m	£10.5m	23
Development Fund	£60m	£0.25m	1
Growth Loan Fund	£50m	£15m	60
Small Business Fund	£5m	£0.75m	40
Green Investment Bank	£3bn	£20m	1

Wider Finance Issues

- A local banking sector that meets the needs of both consumers and businesses and provides bank lending on a competitive basis to local SMEs is vital to economic recovery.
- Both I and the Finance Minister continue to meet with representatives of the main banks in Northern Ireland to emphasise the importance of supporting business development and growth.
- The Economic Advisory Group report on access to finance, published in March this year, sets out thirteen recommendations for implementation by banks, business and government to improve the financial environment for SMEs in Northern Ireland.
- DETI and DFP have been working together to progress and implement the recommendations of the EAG Access to Finance report. The thirteen recommendations are at different stages of implementation.
- The recommendation that an Independent Panel should be established to oversee implementation of the EAG review has been actioned.
- The Finance Minister and I formally announced the establishment of the Panel (Professor Russel Griggs, Ann McGregor and John Trethowan), on 31 October 2013 and subsequently wrote to the NI banks and business bodies encouraging them to engage and work constructively with the Panel.
- The DFP Minister and I met with the panel members on 2 December to discuss their plans for the coming weeks and the Panel are currently developing their forward work plan.
- Also welcome the creation of a Joint Ministerial Taskforce, announced as part of the UK Government's Economic Pact in June this year, to examine how access to finance can be improved.
- Their first meeting was held on Tuesday 8 October 2013 and was chaired by the Secretary of State, Rt Hon Theresa Villiers MP.

- At that meeting, Ministers agreed the terms of reference and discussed how work will be taken forward to examine whether and what form of tailored support is required to ensure national banking and access to finance initiatives are effective in Northern Ireland.
- It is anticipated that the next meeting in February 2014 will discuss the government's report on RBS, the review of Ulster Bank and a discussion paper on EFG.

Regional Aid

- Welcome that the UK Government's Economic Pact recognises the ongoing importance of Regional Aid for Northern Ireland and commits to continuing our 100% assisted area coverage, albeit for the medium term
- Will allow us to continue to provide support for business development and growth where it is needed most, right across Northern Ireland.
- European Commission also finalised the revised Regional Aid Guidelines for 2014-2020 on 19 June 2013
- Key importance for Northern Ireland was the retention of our ability to support large enterprises through the mechanism of Regional Aid. Welcome that support for large enterprises is still permissible for initial investments, as well as for new products and new process innovations.
- However any restrictions on support for large company follow-on investment will impact Northern Ireland, given the importance of large company follow-on expansions to our economic growth and job creation targets.
- My officials are in the process of finalising a paper for the Commission, with a view to engaging with senior Commission officials as soon as possible in order to seek clarification on the potential impact of the RAG changes specifically in relation to support for follow-on investments for large companies.
- Key actions planned in the coming weeks include:

- a. Engagement with officials from the Department for Business, Innovation and Skills (BIS) on the paper and submission to the Commission through UK-Rep;
 - b. Seeking a meeting between senior Commission and DETI/Invest NI officials to discuss the potential impact on INI support for large companies post 2013;
 - c. Following discussion with Commission officials, consideration to be given to submission of a large companies notification scheme by Invest NI, in order to get agreement for support for large company follow-on expansions.
- Once initial discussions are held with Commission officials, at that stage it may become necessary for further engagement with the Commission by Ministers, NI MEPs, MPs etc as was done in the original Regional Aid negotiations. Members will be kept informed as those discussions develop over the coming months.

Enterprise Zones

- UK Government's Economic Pact, announced in June this year, set out a number of proposals in relation to the potential establishment of Enterprise Zones in Northern Ireland.
- Majority of initiatives available within Enterprise Zones in GB are, with the exception of enhanced capital allowances, already devolved policy areas. Executive is already taking steps to support businesses using these levers.
- Enhanced capital allowances are a potentially new lever but of benefit only to larger capital intensive projects. DETI and DFP currently exploring this aspect.
- My Department is currently having ongoing discussions in relation to the establishment of Enterprise Zones here.
- Includes engagement with counterparts in England, Scotland and Wales in relation to implementation of Enterprise Zone policy in GB.
- Analysis has also been undertaken to help inform a number of policy options on the establishment of a pilot Enterprise Zone/zones in Northern Ireland.

Review of Business Regulation in NI

- DETI is leading on a Review of Business Red Tape (a key action in the Economic Pact: Building and Prosperous and United Community).
- This Review will consider a number of key strategic areas such as regulations, how they are implemented and the wider framework under which departments and regulators operate.
- The proposed structure of the Review is such that an Advisory Panel will be put in place to provide direction and act as a sounding board for ideas and recommendations emerging from the Review. The Review Team will be led by DETI Officials, with secondments from the NI private sector and Whitehall Departments.
- The Advisory Panel will be made up of: Lord Curry (Chairman of BIS's Better Regulation Executive), Francis Martin (Partner, BDO Belfast and member of Agri-food Strategy Board); George Lucas (Chairman of Health & Safety Executive NI and former head of Corus Steel Ireland) and Alan Shannon (recently retired Permanent Secretary of DEL).
- Business bodies have contributed to a scoping exercise, to provide suggestions as to which areas are experiencing the greatest burden of Red Tape in NI. This has been reflected in the working plan which is being drawn up by the Review team.
- I hope to be making a formal announcement on the commencement of this review in the coming weeks.
- The Review is expected to report in the summer of 2014.

Tourism (Increase Visitor numbers to 3.6m & tourist revenue to £625m by 2013)

- The first six months of the year were positive for Northern Ireland tourism. Overall visitor numbers are up by 10% and expenditure up by 16% when compared to the same period in 2012.
- The number of visitor nights has also increased by 5%. The number of external visitors is also up by 6% on the same period last year.
- The positive performance for the first half of the year follows on from the momentum built up from the ni2012 celebrations. Northern Ireland tourism is also likely benefitting from Londonderry being UK City of Culture in 2013.
- Visitors from Great Britain grew by 18% and domestic overnight trips increased by 14%. The growth in trips during January-June 2013 was driven by increases in visitors from these markets.
- The 8% increase in business trips is encouraging.
- With all of the events that took place over the summer period still to be reported on, including the World Police and Fire Games and key Londonderry UK City of Culture events, this is a positive start to 2013.
- The ni2012 Our Time Our Place initiative was a great success and made an important contribution to the achievement of the 2012 PfG milestones on visitor numbers and tourism revenue.
- With marketing being carried out by NITB and Tourism Ireland, ni2012 events attracted over one million spectators, generating a positive economic impact and return on investment.

Legacy from NI2012

- A key legacy from ni2012 is the ability of Northern Ireland to host large scale events and through these events change perception of Northern Ireland as a tourism destination with plenty to see and do.

- The tourism momentum generated by the ni2012 Our Time Our Place initiative is continuing into 2013 and beyond with the inaugural UK City of Culture 2013 in Londonderry, the hosting of the G8 Summit of world leaders in Fermanagh, the World Police and Fire Games 2013, and the Big Start of the Giro d'Italia in 2014.
- The Lough Erne resort in Fermanagh hosted the G8 Summit in June 2013 which ensured that Northern Ireland remains firmly in the global spotlight. Global media attention was unprecedented, with positive media exposure running into millions of pounds, helping to change perception of the region around the world.
- I have also launched the new Tourism Events Strategy in August 2013. It outlines the future direction for events in Northern Ireland to capitalise on the success of ni2012 and events in 2013. In particular, the vision is to:
 - Further develop NITB's Tourism Event Funding Programme to ensure more support and better planning timescales for International Events and to simplify the process for National Events;
 - Develop a number of Hallmark/Signature Events in line with the segments and experience pillars which can showcase the NI tourism brand to a national and international market; and
 - Develop a Major Event Bidding Plan, in partnership with key strategic partners, with the aim of bidding for/hosting one major global event a year.
- Our new visitor attractions have given us new products to promote and build on for the long term as the economic climate improves. In addition to the huge success of Titanic Belfast and the Giant's Causeway Visitor Centre significant progress has been made towards the completion of the remaining signature projects.
- To assist in developing the capability of the tourism industry, NITB has over the past year delivered an extensive Industry Development programme across Northern Ireland hosting 40 events delivered to over 2000 delegates; over 6000 members of the industry participated in World Host training.

- NITB also undertakes a number of Quality Schemes to focus on improving the quality of the visitor experience including Visitor Attraction and Accommodation grading and to capitalise on the success of our Golfers a Golf Quality Scheme.
- Both NITB and Tourism Ireland delivered a number of high profile campaigns throughout 2012/13 to promote the ni2012 campaign across all our key markets. Through an annual brand tracking survey we have seen strong increases in Northern Ireland's competitive positioning overseas with interest in visiting increasing in 9 of 10 key markets measured.

Successfully host the 2012 Irish Open

- The Irish Open provided an opportunity to showcase Northern Ireland's golf tourism offering to a global audience.
- The Northern Ireland Tourist Board (NITB), is committed to identifying opportunities for Northern Ireland to host major events and considering the huge success of the Irish Open in 2012, it would be less than diligent if we did not follow up on that success by trying to secure future tournaments and as such NITB is currently developing a Golf Strategy for Northern Ireland.
- NITB will continue to work hard to fulfill the major ambition to attract events, such as the Irish Open, and will seek every available opportunity to sustain the worldwide image of Northern Ireland as the home of great events.
- Northern Ireland will host the opening stage of another major sporting event The Giro d'Italia in May 2014.

4 NIES KEY THEME – COMPETING GLOBALLY

Export Performance

- The latest results for exports have been encouraging. Exports were down marginally by 0.1% over the quarter to Q3 2013 but this was after strong growth in the value of exports in Q2.
- Exports for the first two quarters of 2013/14 are some 8.5% higher than same period in 2012/13 and 8.7% higher than the same two quarters in 2010/11. However, we will need to see continued and consistently strong growth each quarter to get back on-track to meeting the target.
- Realistically, achieving the PfG/NIES Export target within the 2012 -15 timeframe is now highly unlikely as it would require a significant turnaround in the economic fortunes of existing key trading partners.
- Slower economic growth for key trading partners, in particular the Eurozone and Republic of Ireland, has clearly impacted on demand for our exports and thus our ability to meet the overall 20% target by 2014/15.
- NI's actual performance against the 20% exports target during 2011/12 showed consistently strong growth to £6.0bn which would have put NI on track to meet the 2012/13 target of £6.07bn (and thus in line to meet the final 2014/15 target).
- This growth is consistent with the assumption when the 20% target was proposed.
- However, NI exports in 2012/13 stalled. The value of manufacturing exports dropped by over £290M, which translates as a -0.38% point decrease on the baseline year of 2010/11.
- In contrast, performance against the emerging markets target has been encouraging. Growth of approximately 35% has been achieved against an interim target of 20% growth by the end of 2012/13. We are therefore well on track to meeting our final milestone target of 60% growth by 2014/15.

- Invest NI is continuing to deliver the full range of activities outlined in its 2013-14 Trade Calendar. In the first half of the year Invest NI led a total of 31 trade missions and exhibitions, 12 of which were either to new markets or new events. A total of 343 company representatives participated in these events.
- Invest NI continues to actively engage with stakeholders in key markets to identify further export opportunities for local companies. A further 32 trade missions and exhibitions are planned from October 2013 to March 2014, several of which will involve the OFM/dFM and/or the DETI Minister.

Rationale for Setting the Target

- The 20% export target was proposed over the four year period 2010/11 to 2014/15 on the basis of the evidence available at that time;
 - Export growth was **26%** during the three year pre-recession Corporate Plan period;
 - **GDP forecasts were predicting stable and consistent growth** across all key export markets, albeit slightly below the pre-recession levels; and
 - **RTS export performance had been improving throughout 2010 and 2011** compared with of 2009..

What more can be done to support exports?

- DETI/Invest NI to develop a new Exports Action Plan. The plan will include additional actions to address underperformance against PfG commitments over remainder of budget period
- Will also develop priorities to drive Exports/External Sales in Medium Term:
 - Existing exporters entering new markets;
 - Increasing sales to existing markets
 - Agreeing process to identify and review priority markets
 - Building capability within companies and within support organisations
- DFP Statisticians / DETI ASU work on improving measure and reporting period of NI exports. The current measure uses HMRC data does have limitations;

- It focuses on manufacturing – missing out the services sector entirely
- It does not include external sales to GB which is a significant market for NI businesses

Corporation Tax

- Securing the right policy levers and in particular the devolution of Corporation Tax powers remains a priority for the Executive.
- We believe that the devolution of Corporation Tax powers, above all others, has the ability to deliver a step change in the performance of the NI economy. It would allow us to meet our shared objective of rebalancing our economy more quickly than would be the case if we are reliant on those policy levers which are currently available to us.
- I welcome the UK Government's clear commitment in the NI Economic Pact to take a decision on the devolution of Corporation Tax powers, but am disappointed that this is being delayed until autumn 2014.
- We welcome the assurances that the necessary legislation can be introduced before the end of the current Parliament and the commitment to work with the Executive to examine the potential for devolving further additional fiscal powers to NI.
- Pending a positive decision on Corporation Tax, the Executive will continue to focus our efforts on the wide range of measures to both rebalance and rebuild the economy outlined in the NI Economic Strategy, the Programme for Government, the Economy and Jobs Initiative and the Economic Pact.

Inward Investment (Secure total investment of £375m by establishing and growing externally owned companies)

- Progress to 30 September 2013 - £293 million.
- Invest NI remains firmly on course to deliver successfully by 31 March 2015.
- Target is a sub target of overall PfG goal of £1 billion investment in the NI economy which has already been substantially achieved and is expected to be fully met before the end of the current PfG period.

Inward investment (Promote 5,900 jobs from FDI of which 75% will pay salaries above NI Private Sector Median)

- Between the period 1st April 2011 to 31st March 2013 Invest NI promoted 3,315 new jobs with externally-owned companies.
- Of these 3,315 jobs, 2,736 (83%) were to pay salaries above the NI PSM
- Good performance during 2012/13 has placed the agency in a strong position to meet its four year target with over 56% of the target delivered at the half way point of the period
- So far in 2013/14, 70 Inward Investment jobs have been promoted.

Sub Regional Investment

- Invest NI is committed to working with councils and other stakeholders to build sub-regional propositions for their regions. Most of Invest NI's work in this area falls under the EU's Local Enterprise Development Measure where the agency has been working closely with councils, both individually and in consortia, to develop programmes specific to the needs of their area.
- In terms of assisting regions to attract foreign direct investment, Invest NI has engaged with local councils and key stakeholders across Northern Ireland to underline the message that the most effective way to present an FDI sales message for individual regions is by emphasising the area's unique selling proposition.
- This can be achieved by looking at the sectors which Invest NI targets and identifying if their area has something they can offer which is better than the rest of Northern Ireland.
- This could be colleges, infrastructure, telecommunications, people, clusters of key companies, anchor tenants in buildings etc which, when taken as a whole, represent a strong sub-regional proposition.
- Once such sub regional propositions have been developed, they can be used to populate specific app-based presentations of the key information within the new FDI sales app.
- However, it is important to note that sales messages will be much stronger in those circumstances where clusters of councils come together and develop an overall joint sales proposition.
- Northern Ireland is, of course, only a small place and if we were to end up with 26 apps offering 26 different FDI sales messages, then the objective would be significantly diluted and it would be confusing for prospective investors.

5 NIES KEY THEME: INFRASTRUCTURE

Energy Market Integration (NIES ACTION E8)

- Options analysis on new market design now underway and led by the Regulators;
- My Department working closely with the Department of Communications, Energy and Natural Resources in RoI, the Department for Energy and Climate Change in GB and the three Regulatory Authorities (Northern Ireland Authority for Utility Regulation, Commission for Energy Regulation and the Office of Gas and Electricity Markets) on respective arrangements for coupling of markets;
- Final High Level Design anticipated August 2014 to ensure Single Electricity Market (SEM) is compliant with EU internal market for electricity by 2016;
- Process of options analysis is inclusive, with representation across energy and business sectors on High Level Design Review Group;
- Options analysis will include qualitative and quantitative assessment of costs and benefits;
- I have made clear to the Utility Regulator that I expect specific analysis of impact of the new market design from a Northern Ireland perspective, given current high energy costs for consumers (business and domestic).

Grid Strengthening (NIES ACTION E23)

- Work progressing to examine opportunities to use funding under the European Regional Development Fund (ERDF) 2014-2020 to deliver grid strengthening works critical to support the integration of higher levels of renewables onto the grid;
- Up to £50 million funding available, which would lever similar investment from Northern Ireland Electricity (NIE) under approval from the Utility Regulator;
- Detailed discussions underway with NIE, Regulator and the System Operator for Northern Ireland (SONI) on suitable project proposals and delivery arrangements;
- State Aid paper prepared for submission to European Commission in December 2014 seeking approval to use ERDF funding;
- There are a series of procedural steps to go through before any project can be implemented – these include the engagement with the Commission, cost benefit analysis of options, internal approvals, formal designation of the project under the next ERDF programme and agreement of governance arrangements;
- Aspects of this work are also impacted by the ongoing NIE price Control (RP5) and the Competition Commission's Final Determination is not expected until February 2014;
- Anticipate that any resulting project is likely to commence late-2014

MATRIX Recommendation regarding Intelligent Energy Systems

- Last year MATRIX was commissioned to undertake an analysis of where NI business can exploit market opportunities presented in the sustainable energy sector
- The resulting report identified an opportunity in the development of *Intelligent Energy Systems*.
- Developing an Intelligent Energy System in Northern Ireland could provide significant export opportunities and also improve the sustainability, security and affordability of the regional energy supply by extending the life of the current network.
- I have instructed officials in DETI and Invest NI to work with businesses to respond to this market opportunity and, in doing so, also to look at its potential to address some of the issues presented by our existing electricity infrastructure.
- In due course there may be potential for an SBRI project in this area and my officials will keep this under review.

Background

- The MATRIX Sustainable Energy Horizon Panel report was launched in April 2013.
- *Intelligent Energy Systems* integrate distributed renewable energy generation, with energy storage facilities, to the existing grid using technologies that can measure, analyse, communicate and control the multi-directional flow of energy.
- Across all segments of the future sustainable energy market, the role of system integration and intelligent network management is anticipated to be the key to unlocking long-term economic potential.
- Internationally, this sector is a highly attractive future market which has been forecast to grow from £2.5 billion in 2012 to over £8 billion in 2018.
- Northern Ireland has a unique position in terms of the scale of its islanded electricity system: small enough to demonstrate sustainable energy solutions

as commercially viable, but large enough to be relevant and credible to global markets.

- The Centre for Advanced Sustainable Energy (CASE), along with DETI officials, is working with Invest NI and the Barroso Taskforce to help establish Trans-European connections and is actively liaising with colleagues in the TSB, BIS and DECC.

Gas Network Extension

- In January 2013, the Northern Ireland Executive approved government financial support of up to a maximum of £32.5 million towards extending the gas network to the main towns in the West and North-West of Northern Ireland.
- Towns to be connected to gas are Dungannon, Coalisland, Cookstown, Magherafelt, Omagh, Strabane, and Enniskillen/Derrylin.
- Department is currently working towards securing State aid approval in respect of the Executive grant, and has amended the Gas Licence Application Regulations and Gas Published Criteria to facilitate gas extension - new Regulations were made on 28 November 2013.
- The Utility Regulator aims to launch the gas licence competition by end of December 2013/ early January 2014 and award licenses in first half of 2014 for work to install gas networks to commence during 2015, though timetable is challenging.

Security of Electricity Supply

- EU Emissions Directive impacts are loss of 510MW generation at Ballylumford power station and reduced running hours for Kilroot power station from end of 2015.
- A Joint Utility Regulator/ DETI paper on security of electricity supply in Northern Ireland was published 12 June 2013.
- The ETI Committee has taken evidence on security of supply from DETI officials, the system operator SONI, and AES who own and operate

Ballylumford and Kilroot power stations. The Utility Regulator gave evidence to the Committee in early November 2013.

- The Utility Regulator and SONI are considering the amount of additional generation required with a further joint Utility Regulator/DETI paper to be published in early December 2013, and a decision on how generation requirements will be taken forward in early January 2014.

Renewable Energy (NIES Commitment: 20% of electricity consumption from renewable sources & 4% from renewable heat by 2015)

- Interim target on our way to delivering Strategic Energy Framework target of 40% of electricity consumption from renewable sources by 2020.
- We continue to make steady progress towards the 40% target.
- At November 2013 we were at approximately 15% contribution from renewables.
- Reviewing the SEF target. Review will update and extend the analysis used to inform the setting of the 40% target in the SEF.
- The review will consider the incremental costs of meeting the 40% target; i.e. from the pre SEF level of 8% to the current 15% and then at the PfG target of 20% by 2015 and also at 25%, 30% and 40%.
- Consideration will be given to the cost impacts on a range of consumers – domestic, small scale industrial and commercial as well as the key large energy users.
- It will also set out the benefits in terms of CO₂, energy security and economic benefits.
- The review should be completed by mid 2014.

Renewables Policy

- Work continues on the move away from the Northern Ireland Renewables Obligation (NIRO) to Contracts for Difference for large scale and a Feed-In Tariff for small scale renewables generation.
- Both will be in place before the NIRO's closure to new generation in 2017.
- The Onshore Renewable Electricity Action Plan (OREAP) was agreed by the Executive last Month.
- The OREAP includes a small number of actions to support the private sector's ongoing sustainable development of our onshore resources over the coming years.
- For example, we will work with DOE in relation to the monitoring and reporting of the cumulative effects of ongoing deployment of renewable projects across Northern Ireland and on the issue of community benefits.
- The NI Utility Regulator is responsible for timings and scale of grid development and we will continue to work with them, NIE and the System Operator to facilitate the development of a future proofed grid.

Renewable Heat incentive

- DETI launched the NI Renewable Heat Incentive (RHI) in November 2012; the RHI mechanism provides long term financial incentives for businesses wishing to install renewable heat technologies such as biomass, ground source heat pumps, solar thermal etc.
- The overarching objective of the RHI is to support the attainment of a level of 10% renewable heat by 2020 against a 2010 baseline position of 1.7%. The development of this sector can also have real benefits in terms of increased energy security, a reduction of CO₂ emissions and opportunities for 'green jobs'.
- The scheme is similar to the GB RHI however the policy is determined by DETI.

- The RHI tariffs are designed to cover all the additional costs involved in switching to renewable heat, in addition a rate of return of 12% is applied to make the tariffs more attractive towards investors.
- The scheme is administered by Ofgem and to date (2/12/13) they have received 72 applications and 54 systems have received accreditation. The combined capacity of the applications is in the order of 9.8 MW.
- The RHI presents a real opportunity for businesses to move away from conventional fossil fuels and enjoy the many benefits of renewable heating with an added incentive of significantly reducing their heating bills by receiving quarterly payments for the lifetime of the technology.
- The RHI, along with other policy measures being carried out by DETI (such as gas network extension) will ensure a more secure, sustainable and diverse heat market. One that isn't overly dependent on one fuel source and one where consumers have real choice between a range of different fuel types.
- DETI's support for the domestic market has so far been limited to the Renewable Heat Premium Payment (RHPP) scheme that offers grants to homeowners installing renewable heating – however this is changing with the development of Phase 2 of the RHI.
- The RHPP has been a useful 'primer' for the renewable heat industry and has seen significant interest with 1350 applications, relating to £1.9m of support offered and an investment in this sector of £6.2m. The capacity of the installed technologies in the domestic sector is 10.3 MW.

Defensive Lines to Take

(Carbon Trust Loan issue re compatibility with RHI)

- Understand that the issue of whether the Carbon Trust Loan Scheme is compatible with the Northern Ireland Renewable Heat Incentive is currently being considered by DETI under the RHI dispute resolution procedures. The outcome of the review will be published on the DETI website in due course.

(Tariffs lower in NI compared with GB)

- In general, tariffs are lower in Northern Ireland in comparison to GB because of the fact that energy costs are higher in NI and therefore the difference in costs between renewables and the most common heating fuel (oil) is much less.
- The tariffs are designed in the exact same way as GB and the same discount rates applied however as GB are seeking to move people away from natural gas (a less costly fuel than oil) a higher incentive is required.
- Customers in GB switching to renewables from gas will experience much lower ongoing savings than NI customers therefore when savings and RHI payments are considered the overall benefit to the consumer is the same.

(Delay in Phase 2)

- DETI recently consulted on plans to extend the RHI to domestics and increase the number of technologies supported under the non-domestic scheme. Following the consultation process DETI is finalising policy proposals ahead of implementation.
- Understand GB expect to have Phase 2 implemented by April 2014, that too is the DETI target, however the non-domestic elements of the proposals cannot be implemented until State Aid approval is received.

Telecommunications (All premises in NI have access to broadband services of at least 2 Megabits per second)

- Ofcom is reporting that 88% of fixed-line broadband connections in Northern Ireland are currently receiving services of 2 Megabits per second or more.
- This figure has been increasing year on year, but DETI recognises that more can be done. To that end the Department has initiated the Northern Ireland Broadband Improvement Project.
- Response to Invitation to Tender was received on 8 November and is currently being assessed.
- Seeking further clarifications from the bidding supplier.
- Broadband issues are increasingly complex in Northern Ireland as we are now trying to reach some of the most remote rural areas.
- Northern Ireland is different from other parts of the UK, because of previous investments bringing greater availability of superfast broadband.
- Keen to retain our leading position and address the most remote and difficult areas for broadband
- Cannot comment further as project is still in an ongoing procurement.
- Aiming to finalise procurement and issue contract by the end of the year.

Defensive Lines to Take: Correction to the Baseline figure in NIES Annual Monitoring Report

- Following a query from the Committee, the Department has identified that the baseline figure quoted in relation to Broadband access within the NIES Annual Monitoring Report (89%) is incorrect.
- The Department does not gather data on the availability or take up of broadband services. The Office of Communications (Ofcom) undertakes this

role. Ofcom has only gathered data on the availability of 2Mbps services since 2011, and only for fixed-line broadband services.

- The first Ofcom infrastructure report indicates that the baseline figure should have been 77%. A correction to the monitoring report will be published on the NI Economic Strategy Website.
- Subsequent Ofcom reports have shown that this figure has been increasing year on year rising to 88% in 2013. These figures are set out in the table below. The update figure reported in the NIES monitoring report of 87.4% (2012) was taken from a special report published by Ofcom in May 2013 to explain variations in the availability of communications services across the UK and was the most recent figure available at the time of producing the NIES monitoring report.

Percentage of fixed broadband connections receiving 2mbps or more in NI		
2011	2012	2013
77%	85%	88%

- The performance indicator in the NIES relates to the **availability** of broadband services rather than actual take up. Ofcom's reports are showing an increase in the take up of fixed line broadband services over the period 2011 to 2013. The figures are set out in the table below.

	2011	2012	2013
Percentage of premises with fixed access broadband (including superfast broadband)	60%	63.9%	66%
Premises with superfast fixed access broadband	<u>Not available</u>	11.4%	19%

- There are currently no mechanisms for measuring the availability of 2Mbps broadband services **delivered by wireless technologies** including mobile, fixed wireless and satellite.
- It is likely therefore that both the availability and take-up of 2Mbps broadband services across Northern Ireland is higher than is currently reported by Ofcom.

Increase 3G mobile coverage & Optimise networks for delivery of Superfast mobile broadband services

- Telecoms crucial to growing the NI economy and the way people live and work.
- Telecoms industry is continuing to make significant investment in the infrastructure.
- The roll-out of the Mobile Improvement Project will improve coverage.
- NI now has the highest 3G geographic coverage in the UK from at least one operator and premises coverage is very close to the UK average.
- I acknowledge that gaps in coverage remain.
- DETI is working with DCMS to develop an infill project that will meet State Aid requirements and a proposed intervention area is being scoped, which will allow better broadband access and improved mobile coverage.
- The Chancellor announced in his Autumn Statement that the government will continue to support local bodies to develop appropriate strategies to use the £250 million allocated to the superfast extension programme (SEP), which aims to extend the superfast broadband access to 95% of premises across the United Kingdom by 2017. The Chancellor also announced a £10 million competitive fund, opening in 2014, to market test innovative solutions, delivering superfast broadband services to the most difficult to reach areas of the UK.
- Discussions are ongoing with DCMS on how Northern Ireland can benefit from access to this funding, including the £10million competitive fund, to market test innovative solutions, delivering superfast broadband services to the most difficult to reach areas of the UK.

BACKGROUND

1. The timescale of March 2015 against this action as set out in the NIES Comprehensive Action Plan is on course to be partially met because of industry investment.
2. This action is expanded in the DETI Corporate Plan as follows:

By 31 March 2015 increase:

- 3G population coverage to at least the current (2010) UK average of 87% (NI baseline 43%); and
 - 3G geographic coverage to at least the current (2010) UK average of 75% (NI baseline 41%).
3. Baseline figures were taken from Ofcom's annual Communications Market report at the time. The latest information shows that Northern Ireland now has:
- 3G **premises** coverage of 97.4% from at least one operator (UK average of 99.1%). (Ofcom no longer measures 3G population coverage); and
 - 3G **geographic** coverage from at least one operator of 86.7% (UK average of 77.1%).
4. We are continuing to develop a project to include mobile technology to fill the gaps that remain. We have had difficulty in accessing coverage data from providers and establishing State Aid compliance. DETI proposed a technically neutral option which DCMS believed was not yet fully viable. DETI is pursuing clarification with DCMS.
5. Northern Ireland will be eligible to apply for support under the emerging Superfast Extension Programme (SEP), aimed at extending superfast broadband access to 95% of premises by 2017. DETI is pursuing its proposed project in this context with DCMS.
6. The Chancellor announced in his Autumn Statement a £10 million competitive fund, opening in 2014, to market test innovative solutions, delivering superfast broadband services to the most difficult to reach areas of the UK. He also said that the government will continue to support local bodies to develop appropriate strategies to use the £250 million allocated to SEP. DETI is exploring with DCMS how this impacts on NI.

Increase access to high-speed telecoms services by delivering 200 additional multifunctional fibre access points

- This action is dependent on delivery of Actions E9 and E10 under which additional telecommunications infrastructure is to be deployed.
- The project in relation to action E9 is currently in the final stages of procurement, with a view to contract signing by the end of the year.
- The project envisaged under Action E10 is, continuing to be scoped with a view to securing funding under the UK Government's Superfast Extension Programme and delivery in the period April 2015 to March 2017

Tourism Signature Projects

- In addition to the huge success of Titanic Belfast and the Giant's Causeway Visitor Centre significant progress has been made towards the completion of the remaining signature projects.
- The Walled City Signature Project has seen continued progress on Aras Colmcille, Guildhall, Apprentice Boys of Derry and the Lighting Strategy projects with NITB offering a total of £5.47 million in financial assistance. Two Walled City Projects have been officially launched in 2013 to date. The Guildhall officially opened on 31 May 2013 and the Lighting Strategy launch took place on Tuesday 22 October 2013.
- A further 27 projects including the Mourne Mountain Bike trails, Mourne Coastal Route, and St. Patrick's themed trails have received financial assistance equating to approximately £3.2 million.
- The construction and fit-out of the new Belfast Welcome Centre will be complete at start of December 2013. Official launch of the new Centre is taking place on 12 December 2013.

Tourism Development Scheme.

- In total £2,870,304 in financial assistance has been offered by NITB over the past year (30 November 2012 – 30 November 2013) leveraging approximately £3,591,564 in match funding.
- In addition, in November 2012, the NI Executive announced an extra £5.7million of funding to the Tourism Development Scheme which could deliver total investment of over £27.5million, supporting over 450 jobs in the construction phase and creating or sustaining approximately a further 50 tourism jobs once complete.

6 NIES KEY THEME: REBUILDING

The Jobs Fund

- The Jobs Fund was launched in 2011 in direct response to the economic downturn, and was designed to support businesses to help create new jobs as quickly as possible.
- Invest NI has offered over 900 businesses £10 million of support which has directly led to the promotion of 6,600 new jobs and the creation of 3,525 jobs to 30 September 2013.

Boosting Business

- Over 24,666 enquiries since launch in November 2011
- Over 11,245 attendees at events, seminars and workshops covering design, exporting, recruitment, performance management, online selling, access to finance.
- 345 attendees at 24 events across NI in October 2013.
- Since launch over 5,500 projects have been added to Invest NI's work in progress which includes 1,600 projects added through the Jobs Fund.

Strategy to tackle Economic Inactivity

- I have been working with Minister Farry to progress the Programme for Government/Economic Strategy commitment to develop a strategy to reduce economic inactivity through skills, training, incentives and job creation.
- A draft Strategic Framework to tackle Economic Inactivity was agreed by the Executive on 28 November. Minister Farry made a statement on both our behalf to the Assembly on 3 December launching the consultation on the draft Strategic Framework.
- It is proposed that the Strategy focus on two major inactive categories, individual family commitments and the long-term sick and disabled.
- Within these broad categories, it is proposed that the focus should be on assisting those who have the capacity to work but are unable to do so due to a lack of appropriate opportunities and support to re-engage with the labour market.

- The strategic framework is not prescriptive in terms of individual projects, but outlines a proposal to adopt a pilot testing approach to develop new innovative, cross-cutting proposals to support individual's re-engagement with the labour market.
- This approach would allow a diverse range of organisations to put forward & test suggestions on how to deal with the barriers to work inactive individuals face.

NI Executive Economy & Jobs Initiative

- The Economic Strategy was designed to be flexible and to allow Ministers to respond to issues as they arose. Recognising that recovery from the economic downturn was slower than expected, the Executive, in November 2012, launched the £200 million Economy and Jobs Initiative.
- The package built on the actions identified within the Economic Strategy and focused on initiatives which will provide support to:
 - **People** impacted by difficulties in the labour market;
 - **Businesses** facing challenges in key markets, and
 - **Infrastructure investment** to support the construction sector.
- Progress has been made against a number of commitments including:
 - An additional 233 undergraduate STEM places were funded in the 2012/13 academic year;
 - At 31 March 2013, 366 young people had commenced DEL's First Start programme and a further 186 participants had commenced DEL's Step Ahead 50+ Programme;
 - New processes for Selective Financial Assistance (SFA) less than £100k and for Jobs Fund less than £100k are now in place and operational;
 - Invest NI's new 'Skills Growth' scheme for small businesses has been introduced and is now operational;
 - Announcement to freeze car parking charges for the remainder of the Budget period was made in November 2012;
 - Additional funding was made available to new grant applications received after 30 November 2012 and to existing applications. Since November 2012, a number of significant schemes (£50k plus) have received offers from NIEA including Lisbreen House, Belfast and Belfast Royal Academy, Belfast; and
 - An additional £10m was made available for 2013/14 and 2014/15 for the co-ownership scheme.

Building a Prosperous and United Community – NI Economic Pact

- Significant progress is being made by the Government and the NI Executive to progress the commitments made in the Economic Pact.
- The Investment Conference was delivered by Invest NI on behalf of the Executive on 11 October. It provided Northern Ireland with the opportunity to:
 - Promote its merits as a location of choice for inward investment;
 - Showcase the strength of key investment sectors such as ICT, financial and professional services, renewable energy, advanced engineering and business services;
 - Promote its ambition for economic prosperity;
 - Capitalise on the long term economic potential of a G8 legacy; and
 - Showcase itself on a local, national and international stage.
- Securing the right policy levers and in particular the devolution of Corporation Tax powers remain a priority for the Executive and we are continuing to advance the case for devolution of Corporation Tax within the timeframe set out in the Pact
- Analysis being undertaken by DETI/Invest NI to help inform any decision on the establishment of Enterprise Zones. DETI officials have had discussions in relation to establishment of Enterprise Zones including engagement with counterparts in England, Scotland and Wales.
- Joint Ministerial Taskforce to examine whether tailored support is required for NI's banks and how support for NI businesses can be maximised to improve access to finance. Access to Finance Implementation Panel established as recommended in the Economic Advisory Group's *Review of Access to Finance for NI Business* and held its first meeting on 3 October 2013.
- We have made good progress with the UK Government, through its Better Regulation Executive (BRE), to progress a review of business red tape in NI.

ADDITIONAL TOPICS**Support for the Construction Sector**

- The Construction has been particularly badly hit by the recession

- Invest NI's construction sector team continues to support local companies with skills and management development, process and product improvements, market research, trade visits, conferences, inward buyer visits and individual promotional programmes in pursuit of new business opportunities.

- Invest NI has also been actively exploring business development opportunities in the GB Construction market - activities include,
 - attracting attention to contracts within Social housing,
 - Schools and Health sector Sectors;
 - Transport and Infrastructural projects such as London and Regional Airport upgrades,
 - Transport for London schemes
 - High Speed 2 Rail, and;
 - renewables supply chain – wind energy, both Off-shore and On-shore supply Chain opportunities.

Support for Manufacturing

- The global trend for relatively low cost general engineering and manufacturing moving from advanced modern western economies to countries which offer a much lower cost base such as China, is something that nobody involved in economic development can have failed to see over recent years.
- The challenge we face is to support the growth of our private sector by helping our businesses, locally and internationally owned, to invest in research and development, embrace new processes and technologies, build the skills of their workforce and broaden their horizons by embracing global opportunities.
- This is what we are doing through the Programme for Government and Economic Strategy. And it is what Invest NI is delivering on a daily basis.
- As our traditional sectors have faced the challenge of low-cost competition, Invest NI has worked with many of our manufacturing companies to help them to move, in the way that we have very successfully done in the aerospace sector, into high value, high quality manufacturing.
- Where once our economy was heavily reliant on two or three key sectors, now we have a more diversified base - from advanced manufacturing to ICT, financial services, life sciences and into emerging sectors such as e-health and renewables.
- As our existing businesses succeed and new investors are attracted, high quality, sustainable jobs are being created and the foundations for future growth are being laid. Two different investments give a very clear signal as to the direction our economy is taking. On the same day that CME Group, one of our recent new inward investors, which intends to create 100 first-rate technology roles within the next year, officially opened its new state-of-the-art offices, two new sound stages at the Titanic Studios in Belfast, a valuable major addition to the local film and TV production infrastructure, were unveiled following an £8million investment supported by Invest NI.
- Invest NI continues to encourage our local manufacturing businesses to push their boundaries by exploring new export markets, and, having appointed eleven new in-market advisors, Invest NI now has a market presence in almost 30 countries across the world to help our companies identify and exploit

opportunities. As more of our companies succeed in international markets, we can expect them to grow and increase their employment.

- Building a globally competitive economy, where plentiful, high value, well paying and rewarding jobs is the norm, requires a consensus based approach by all those with an interest.
- We will also continue to invest in infrastructure to ensure that we have the regional and international connectivity that will enable economic benefit to be spread as widely as possible.

Actions aimed at indigenous small businesses

- Invest NI is focused on assisting Small Business in various ways. This includes:
 - Helping local entrepreneurs take the first steps into starting their own business;
 - Identifying those new start ups which may have rapid growth or very early export potential and providing them with all the help and support that they might need to achieve this as quickly as possible;
 - Helping established small businesses to move away from low value products and services towards added value / niche areas, through stimulating innovation and creativity.
- In the last five years, Invest NI has made almost 15,000 offers of support to small businesses across Northern Ireland, providing assistance of £161 million which has led to £666 million of investment in the local economy.
- In the last five years, Invest NI has helped create eleven and a half thousand new business starts across Northern Ireland.
- In terms of the Jobs Fund, which was launched in 2011 in direct response to the economic downturn, and which was designed to support businesses to help create new jobs as quickly as possible, Invest NI has offered over 900 businesses £10 million of support which has directly led to the promotion of 2,300 new jobs generating an addition £35 million p.a. of annual wages and salaries for the local economy.
- The ongoing uncertainty in global markets has continued to impact on our local business base and this has been evident in reduced demand and a loss of confidence to invest for the future. We have responded quickly to this, introducing the Boosting Business initiative, to see if, and how, Invest NI could make its services both more accessible and more widely available to the broader businesses base.

When will there be a measure of Jobs Created?

- Invest NI currently reports on the number of jobs created under the Jobs Fund and has a target to create 4,000 jobs under the Fund by 31 March 2014. Invest NI is well on course to meet this target and, as of 30 September 2013, has created over 3,500 jobs.
- Previously, Invest NI has been unable to report more widely on the number of jobs created as a result of its main interventions. This was because the necessary systems for the capture and collation of the relevant data had not been developed.
- These systems are now in place and Invest NI will be capable of reporting more extensively on the numbers of jobs being created from 1st April 2014. Specifically we will be in a position to:
 - offer point in time reporting of jobs created i.e. of the X many jobs promoted over Y period of time, Z have been created by a specific date; and
 - Amongst our managed clients (circa 1200) we will be able to track year-on-year movement, in employment, exports and turnover.
- A clear distinction needs to be made between reporting the number of jobs created and the setting of job creation targets. The Jobs Fund is the first Invest NI intervention where it has been possible to establish clear targets for the number of jobs being created – this is because of the emphasis of the Fund has been on creating a high volume of jobs in the shorter term allowing information to be captured as jobs are being delivered on the ground.
- In terms of Invest NI's more traditional forms of support - where longer term assistance is provided, projects tend to be delivered across a number of years, the imposition of specific job creation targets would be extremely counterproductive in these circumstances – individual letters of offer would have to define specific timelines for the delivery of the jobs, this information would then have to be intensively monitored, individual companies found to be in breach of the conditions would be liable for clawback and Invest NI would effectively be dictating the pace at which individual projects must be delivered.

- Such a highly interventionist approach would be unfair on companies, given that they operate in an ever-changing environment climate that makes it difficult to predict precisely when jobs will be created. It would also be seen as a barrier to investment and undermine make Northern Ireland a less attractive place to invest.
- Therefore whilst Invest NI's systems will allow Invest NI to report on the outcomes of job creation, with the exception of the Jobs Fund, the agency does not intend to establish more wide-ranging job creation targets.

ANNEX CINVEST NI LATEST PERFORMANCE FIGURES

- Invest NI continues to perform strongly against its key performance targets and expects to achieve the vast majority of these by the end of the financial year.
- In fact, the agency has increased its internal job, Investment and R&D targets for 2013/14 in recognition of its good performance over the first six months.
- In total, Invest NI has approved nearly 2,500 offers to NI companies which is the highest number of offers approved at the mid-year point in the last 5 years. Over 95% of these offers were made to locally owned businesses.
- These 2,500 offers totalled some £95m of assistance, which is the highest ever assistance offered by Invest NI in the first six months of a year. This should deliver nearly £400m of investment, which is over a one hundred percent increase on the same period last year.
- At the 30th September 2013, Invest NI had promoted over 4,000 jobs; a 90% increase on the same period last year. Performance has been particularly strong with Local companies and Jobs Fund projects.
- This included securing the largest ever project, in terms of number of jobs supported, in Invest NI history.
- The Stream Jobs Fund project plans to create nearly 1,000 new jobs, quickly; which will be a very welcome addition to our local economy.
- Indeed, this large project has helped Invest NI to exceed its 4 Year Jobs Fund PfG target of promoting 6,300 jobs, with over 6,600 jobs promoted between 1st April 2011 and the 30th September 2013.

- This is some 18 months earlier than initially planned and reflects the strong focus and attention placed on helping to rebuild the Northern Ireland economy following the downturn.
- However, Invest NI recognizes the importance of continuing to encourage innovation to help to rebalance the NI economy.
- Great strides continue to be made in encouraging companies to invest in R&D with over £53m investment secured in the first six months of the year.
- This has resulted in Invest NI increasing its internal target in this area from £75m to £110m for 2013/14 recognising the good progress made to date.
- Importantly 34% of this investment has come from SMEs as Invest NI looks to encourage and support the growth companies of the future.
- Invest NI is well placed to deliver against its Corporate Plan and PfG targets over next 18 months.

Annex DGENERAL POINTS - NI ECONOMIC PERFORMANCE**Labour Market**

- The number of people claiming unemployment benefits peaked in January 2013 at 64,900, following on from 13 consecutive months of rising numbers of people claiming benefits.
- Since the peak was reached in January, there have been **nine** consecutive months of decreases. Latest figures for October show that there were 61,000 people claiming benefits in October, **3,900** less than at the start of the year.
- Since March 2012, there have been **five consecutive quarters** of increasing employee jobs. Since March 2012, employee jobs have risen by just over 6,800 to reach 698,390.
- However performance by sector has been varied. Construction, the hardest hit sector during the economic downturn, lost over 2,000 jobs since March 2012. Meanwhile, the services sector has added over 7,000 jobs and the manufacturing sector has added just over 800 jobs.
- Most of the growth in employee jobs has come in the quarter to June 2013 (latest quarter), with over 3,000 jobs created in this quarter alone. This growth was led by the services sector which added over 2,000 jobs and the manufacturing sector which added over 1,000 jobs. However, the construction sector continued to perform poorly, shedding a further 240 jobs over the quarter.

Economic Output/Economic Activity

- The Northern Ireland Composite Economic Index (NICEI) indicates that total economic activity reached a low point in Q2 2012.
- The NICEI indicates that economic activity then expanded for two consecutive quarters after Q2, 2012, before contracting once again in Q1 2013. Overall, from Q2 2012 to Q1 2013, total economic activity expanded by just 0.25%.

- From the second quarter of 2012 to the first quarter of 2013, official services output increased by 0.9%, production output decreased by 0.3% while construction output decreased by 0.3%.
- While no figures for the NICEI have been released for the second quarter of 2013, official figures for services, production and construction have been released. Services output fell 0.7%, construction output fell 5.4% (reaching a new low point) while production output remained static over the quarter.
- There is a time lag on official figures. While official figures for output in Quarter 2 across the major sectors signify that the local economy is continuing to face difficulties, business surveys that provide more timely information on the conditions of the economy suggest that there has been somewhat of a pick-up from the beginning of the third quarter.
- These business surveys include the Ulster Bank's Purchasing Managers Index and InterTradeIreland's Business Monitor for Q3. These provide encouragement that we will start to see these positive signs reflected in official statistics.

Manufacturing exports

- While manufacturing exports increased by 4.7% in 2011/12 relative to 2010/11, the value of manufacturing exports declined by 4.9% in 2012/13.
- This poor performance in 2012/13 meant that manufacturing exports were 0.3% lower in 2012/13 compared to 2010/11, clearly below the 'interim' PfG target which was for 6% export growth over the same period.
- Slower economic growth for key trading partners, in particular the Eurozone and Republic of Ireland, has clearly impacted on demand for our exports and thus our ability to meet the overall 20% target by 2014/15.
- However, the latest results for exports have been encouraging. Exports were down marginally by 0.1% over the quarter to Q3 2013 but this was after strong growth in the value of exports in Q2.
- Exports for the first two quarters of 2013/14 are some 8.5% higher than same period in 2012/13 and 8.7% higher than the same two quarters in 2010/11.

However, we will need to see continued and consistently strong growth each quarter to get back on-track to meeting the target.

- In contrast, performance against the emerging markets target has been encouraging. Growth of approximately 35% has been achieved against an interim target of 20% growth by the end of 2012/13. We are therefore well on track to meeting our final milestone target of 60% growth by 2014/15.

Research & Development

- Total expenditure on R&D increased to £624.1 million in 2012, increasing by 10% in cash terms on 2011. In real terms, total R&D spending has now risen by 57% over the last five years.
- Business expenditure on R&D, which accounts for some 74% of total R&D, was up almost a fifth (19%) in cash terms in 2012 compared to the previous year. In real terms, business R&D has now risen by 120% from 2007 to 2012.

House Prices

- Official house prices had fallen for 11 consecutive quarters from the second quarter of 2010 until the first quarter of 2013. Since then, house prices have risen for two consecutive quarters.
- In the third quarter of 2013, house prices rose by 2% over the quarter.
- However, house prices still remain less than half their value compared to their peak value in the third quarter of 2007.

ETI COMMITTEE ISSUES RAISED AT ITS 28 NOVEMBER 2013 MEETING**1. Grid connection**

- The increasing interest in small scale renewables generation is placing a strain on a grid which was never designed for that purpose. The Department is aware that this is leading to increasing connection costs for small generators due to the need to upgrade lines to accommodate the generation.
- The recent investment approval by the Utility Regulator of up to £2.3m to facilitate additional small scale generation export from the 11kV network to the 33kV network will not reduce generation connection costs, however a number of applicants in those areas who received conditional connection offers from NIE will be able to proceed with their generation projects.
- Current grid development plans, solely associated with renewables and valued at £44m, should allow for greater penetration levels. Approval for investment in the electricity grid is a matter for the Utility Regulator and the £44m has been approved in principle and the investment is starting to flow.
- Whilst DETI has no role in the arrangements relating to grid connection policy, the Department is currently in discussion with the Regulator, NIE and the System Operator (SONI) to examine the potential to use the European Regional Development Fund to support further investment in the grid to enable the integration of greater renewable electricity generation, including small scale. Discussions are at an early stage, are subject to securing the necessary approvals and the quantum will be small in relation to the scale of requirements in the current NIE price determination.

2. Baseline against which progress is measured in PfG #13**(20% renewable electricity by 2015)**

- The 12% target by 2012-2013 which was included in PfG 2008-2011 is the baseline for the current PfG target of 20% by 2015. This 12% target was met

in 2012-2013. A mid PfG target of 15% by 2013-2014 is likely to be met with current levels of renewable electricity standing at approximately 15% for the 12 month rolling period to end October 2013.

- It should be noted that in setting out these targets, the PfG notes that they are “subject to adequate grid reinforcement being approved by the Northern Ireland Authority for Utility Regulation”.

(4% renewable heat by 2015)

- The Renewable Heat targets are - a level of 10% to be achieved by 2020 and a level of 4% to be achieved by 2015. The baseline for these targets was set in 2010, following a study into the potential development of the Northern Ireland renewable heat market. The study assessed that the 2010 overall heat demand was in the order of 17,400 GWh, of which 300GWh (or 1.7%) came from renewable sources. At this time it was also assessed that by 2020 the overall heat demand in Northern Ireland would reduce to 16,700 GWh with improvements in thermal efficiency outweighing new developments. Therefore, to achieve the 2020 target an additional 1,300 GWh of renewable heat needs to be developed. To achieve the 4% target by 2015 it is assumed that an additional 400GWh renewable heat is required.
- The collection of up to date data on renewable heat demand is not as straightforward as gathering renewable electricity figures, given that there is no centralised heat network that can be monitored. To assess progress against the renewable heat targets DETI will track the amount of heat incentivised by individual installations under the Renewable Heat Incentive (RHI) and the Renewable Heat Premium Payment against the predicted 1,300 GWh required. Going forward follow up research may also be required to re-evaluate the predicted 2020 total heat demand and also to measure renewable heat output, from other installations that may have gone ahead without DETI support.

3. Eligibility criteria for RHI for those who have a carbon trust loan.

- The relevant legislation relating to the eligibility of an installation to receive the Renewable Heat Incentive (RHI), if it has received a Carbon Trust loan, is

Regulation 23 of the Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012. This regulation states that systems cannot be accredited under the scheme where a grant from public funds has been paid (or will be paid) or other public support has been provided. Under the regulation “public support” is defined as a financial advantage provided by a public authority.

- Ofgem is the administrator of the RHI scheme. The issue of whether the Carbon Trust Loan Scheme is compatible with the Northern Ireland Renewable Heat Incentive is currently being considered by DETI under the RHI dispute resolution procedures. The outcome of the review will be published on the DETI website in due course.