

INDEPENDENT REVIEW OF INVEST NORTHERN IRELAND

PUBLICATION DATE: 11/01/2023



Independent Review of
Invest Northern Ireland

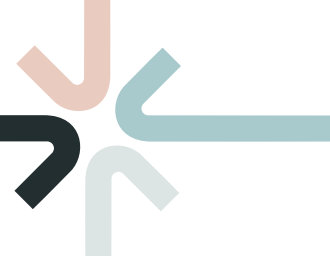
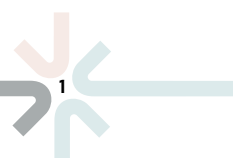


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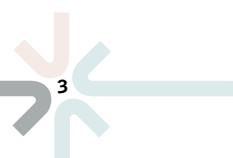
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Chapter 1. Foreword

The remit for our review charged us with exploring the recent performance of Invest Northern Ireland (Invest NI) and whether it is fit for purpose to deliver the Department for Economy's (DfE) 10X Vision. We were encouraged to consult widely and to take a challenging approach. I am confident that we have met that remit.

Invest NI is the region's pre-eminent economic development agency, with a relatively generous budget of more than £160 million in each of the last five years. To begin, it is vital to explore its work and contribution in context. We have therefore considered the strategic context, including the economic challenges in Northern Ireland (NI), which Invest NI support seeks to address. We recognise the continuing frailty of the NI economy and the fact that it is further challenged by the United Kingdom's (UK) exit from the European Union (EU) and the complications and uncertainties associated with the NI Protocol. Perhaps most important of all, we have considered the organisation's relationship with its parent Department.

We conclude that NI needs an economic development agency, that it should continue to be an Arm's Length Body (ALB) and that Invest NI has strengths to be built upon. We are clear however that profound change is needed that requires reform and repurposing. Research undertaken for us by Technopolis suggests that it is currently having little, if any, bearing on the crucial issue of productivity, and evidence on its economic impact and true additionality is limited. There is considerable room for improvement in leadership, structure, operation, control and public accountability of the agency.

Many of its problems are widely recognised in the policy and business communities along with recognition of the importance and complexity of the job it is asked to perform. Strengthening public understanding of Invest NI's work and confidence in the fairness and effectiveness of how it uses public monies is crucial.

Invest NI needs to be more outgoing and a better partner, especially in the context of sub-regional cooperation. It is a key part of the regional economic ecosystem and must be viewed as such. It can, once reformed and strongly led, make an important contribution to establishing a different trajectory for the NI economy but only by working with the Departments of the NI Executive and other stakeholders, including local councils, universities and colleges and, of course, the companies of NI.



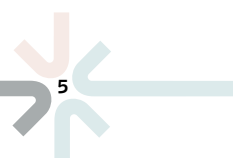
We should, perhaps, not be too surprised at some of our findings concerning the agency's current weaknesses. It has been 10 years since the last careful examination of the agency by the Northern Ireland Audit Office (NIAO) performance review of 2012 and some of our concerns were raised by the earlier Independent Review of Economic Policy (IREP) review of 2009. The agency greeted that with the promise of transformational change, but in our view that has yet to be delivered. We accept the Board's argument that the challenges of Covid-19 have complicated this during recent years but saw little evidence of this prior to the pandemic.

Invest NI continues to enjoy a broadly positive reputation and broad political support. It may, perhaps as a result have become complacent about the way it does business and particularly the dominance of its client company approach. Internal organisation has become unduly complicated and programmes for business support have accumulated to the point where the agency was unable to say just how many there currently are.

Internally there has been continuing confusion about the role of the Board and its responsibility for challenge together with concerns about transparency.

We have not reserved our commentary solely for the agency. We have carefully considered the importance of its relationship with DfE, the Department responsible for oversight of Invest NI on behalf of the NI Executive and the author of the 10X Vision. We underline the need for a stronger relationship built on clear, public, performance targets, stronger joint working, more precise communications, along with tighter post hoc scrutiny.

This is not a simple argument about central control versus greater autonomy for a business facing agency, although no doubt some will seek to present it as such. We look for greater flexibility and agility from Invest NI in the face of complex challenges and fast-moving changes in technology and markets. It cannot respond with confidence if the expectations set for it are not clear and its performance cannot be adequately assessed based on its own judgements alone. We would like to see the agency making a fuller contribution to policy development by drawing on its close relationships with individual businesses, sectoral initiatives and understanding of overseas opportunities. It needs to make some profound changes to do that well.



Invest NI must have operational independence to undertake the difficult and inevitably risky job of deciding which companies need support from the public purse and the conditions that attach to that support. In our view such independence relies on the strengthening of the performance framework, clarity about expectations and strong independent appraisal of outcomes and impact. It requires Invest NI to look carefully at its internal processes to ensure that it applies consistent criteria and does not grow too close to companies it has worked with for some time.

Turning to the 10X Vision, we find that it has been widely welcomed as an ambitious vision for a pathway that might move the NI economy from its current underperformance and prevailing low productivity onto a new trajectory. However, we also find frustration at slow progress in developing an associated action plan with clear, measurable milestones and responsibilities. We were consistently met with the response that NI has had no shortage of strategies; what it needs now is an unrelenting focus on delivery. We acknowledge that the Covid-19 pandemic has played a part in the delays (and indeed has also probably exacerbated problems within Invest NI).

What we would now like to see is strong endorsement of the 10X principles across the NI Executive, collaboration between relevant Departments and fuller, more open engagement with the businesses of NI as well as taking appropriate lessons from elsewhere. There remain big policy issues to tackle, including the need for even stronger focus on skills and clarity concerning the right balance between jobs and productivity. All this calls for closer alignment between the Department and agency and indeed across the entire regional economic ecosystem.

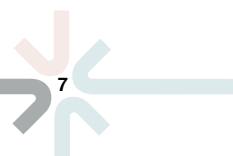
It remains for me to thank those who have contributed to the work of the review; my fellow panel members Rotha Johnston and Maureen O'Reilly; our dedicated secretariat led by Will Dickson, Justin Kerr and George Cadogan; the Board and staff of Invest NI and DfE who responded well to our many requests for information and our consultants, Technopolis Ltd. We are also grateful to former Minister, Gordon Lyons for his unfailing courtesy and respect for our independence.



I would like to give particular thanks to the 300 plus individuals, organisations and firms who responded to our wide-ranging consultation exercise. We have done our best to reflect the richness of their opinion, testimony and perceptions in this report. For those who are concerned that we may have placed too much emphasis on perceptions, where other evidence has been difficult to secure or test, I would counsel a focus on the importance of public trust and confidence. They are a product of shared perceptions, perhaps particularly so in NI.

We originally anticipated our Review would be completed in September 2022, however the range and complexity of issues arising from our work was much greater than we could have anticipated. We have now completed our work and have produced our report with its recommendations in 17 broad areas. Our work is done. It is for the incoming Minister, DfE and Invest NI to take our recommendations forward. We would strongly welcome a detailed plan for implementation including key milestones and clearly identified responsibilities.

Sir Michael Lyons
11th January 2023



Chapter 2. Executive Summary and Recommendations

Introduction

2.1 On 26 January 2022, the Minister for the Economy, Gordon Lyons MLA, launched the Independent Review of Invest NI and appointed this Panel to take forward this significant work. As well as aligning with the ‘New Decade, New Approach’ commitment for Departments to review their Arm’s Length Bodies and the requirement in Invest NI’s Management Statement and Financial Memorandum (MSFM) to periodically review the organisation, the Review comes at an opportune time given the context of the copious challenges in the local and global economy as well as the opportunity for Invest NI to deliver on the Department for the Economy’s (DfE) 10X Vision. The objective of the Review, as set out in the Terms of Reference (ToR) was:

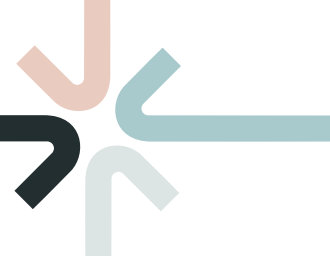
“To provide an independent assessment of Invest NI’s efficiency and effectiveness and, looking forward, its capacity to strategically align with and operationally deliver the 10X Economic Vision.”

Our Approach

2.2 To address the ToR, we conducted our work in three distinct areas:

Stakeholder Engagement

2.3 We were asked to undertake extensive consultation and during the early stages of the Review, we engaged widely across Northern Ireland (NI) to ensure that we captured all relevant opinions. We launched a public Call for Evidence and undertook a comprehensive programme of stakeholder engagement throughout NI. We met with the Chair, other Board members, the interim Chief Executive and Executive Leadership Team (ELT) and various other teams within Invest NI. We also engaged with key groupings from the business community, the main political parties, local government, Northern Ireland Civil Service (NICS) Departments, universities, colleges as well as officials from the UK Government and economic development agencies in the Republic of Ireland. To gather evidence of Invest NI’s view of its own performance we also invited the agency’s ELT and Board to separately complete a



self-assessment questionnaire. Finally, we gave Invest NI staff the opportunity to put forward their views on the organisation through a confidential online survey.

Refining our Evidence Base

2.4 To complement the widespread opinions received during our engagements, we commissioned three distinct pieces of external research from the Technopolis Group. This independent research provided the primary evidence base upon which we assessed Invest NI's operational efficiency and effectiveness, through which we benchmarked the organisation against other economic development agencies and international best practice comparators and considered how Invest NI should fit within the regional economy going forward. We also refer to several evaluations undertaken by SQW in the past 18 months to further inform our findings. These key pieces of independent analyses complemented our own comprehensive desk-based research and assessment.

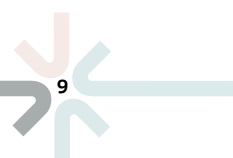
Synthesising and Testing Recommendations

2.5 Following on from the above, we collated and synthesised the evidence we had obtained to develop a set of robust findings and recommendations on the way ahead for Invest NI. We tested our thinking on the emerging themes and conclusions with 'critical friends' from academia, business and the NICS during a period of final engagement. We also provided the Invest NI Board and ELT with the opportunity to consider relevant parts of the draft report and draw our attention to any matters that they felt were unclear, unfair or inaccurate, prior to submission of this report to DfE.

Background and Role of Invest NI

2.6 Invest NI was established on 1 April 2002 under the Industrial Development Act (Northern Ireland) 2002. Invest NI is a Non-Departmental Public Body (NDPB), commonly referred to as an Arm's Length Body (ALB), which is sponsored by the Department for the Economy (DfE). As an NDPB it is independent of Government, but accountable to the Minister for the Economy for its activities and performance. Invest NI's aim is to:

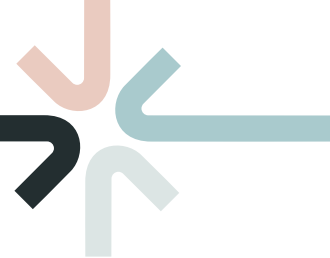
“...support wealth creation in NI as an enabler and catalyst to grow innovation, exports, productivity and employment throughout the business base, resulting in increased living standards for all.”



- 2.7 The Board of Invest NI, which is comprised of a Chair and a quorum of ten members, is responsible for overseeing the organisation's performance and strategic direction and for ensuring the highest standards of corporate governance, efficiency and propriety in the use of public funds. At the time of publication, the Board has 13 members (including the Chair).
- 2.8 Invest NI is operationally led by a Chief Executive¹ who has overall responsibility for the agency's performance. The Chief Executive oversees seven operational groups, each headed by an Executive Director who has responsibility for managing the delivery of the agency's support programmes and services. Together, the Chief Executive and the Executive Directors make up Invest NI's ELT.
- 2.9 As of 31 March 2022, Invest NI had a headcount of 647² staff, including overseas staff. Of these staff, 536 work from the organisation's headquarters in Belfast and 50 people work from regional offices located in Ballymena, Derry/Londonderry, Newry, Omagh and Craigavon. In addition, 8 people work in Invest NI's offices in Dublin, London and Manchester. Invest NI also has 53 overseas staff who are locally engaged or contracted to work on its behalf across 22 international locations.
- 2.10 In the four years between 2016 and 2020, Invest NI was allocated an average annual budget of approximately £138m. In 2020-21 and 2021-22 the agency's budget allocation and final outturn was skewed significantly as result of the Covid-19 pandemic and Invest NI's role in distributing business support grants.

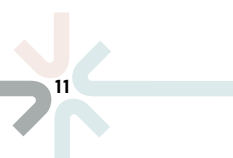
1 This is currently an interim appointment following the departure of the previous Chief Executive.

2 Full Time Equivalent (FTE) of 615.5 staff

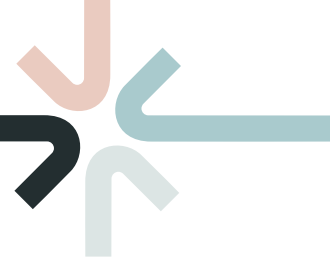


Strategic and Economic Context

- 2.11 Before summarising our findings and recommendations, it is important to briefly acknowledge the strategic and economic context within which Invest NI operates. Given its role, Invest NI is central to the delivery of strategic priorities and policy objectives at various levels of government. These range from the high-level Programme for Government (PfG) to strategies of economic importance such as DfE's 'Vision for a 10X Economy' and 'Skills for a 10X Economy'. Invest NI also needs to be aware of other relevant current and developing strategies, specifically in relation to Energy and Green Growth, as well as those of the eleven local councils. There are several DfE strategies that are also under development that will have future implications for Invest NI, including 'Trade and Investment for a 10X Economy', an Entrepreneurship Strategy for NI along with the work to progress City and Growth Deals. The work of Invest NI supports objectives in other NI Departments, including those in the Department of Agriculture, Environment and Rural Affairs (DAERA), the Department of Education (DE) and the Department for Communities (DfC). Wider UK Government policy also needs to be considered and economic policy in the Republic of Ireland (RoI) is also of relevance.
- 2.12 Invest NI will also have some strategic choices to make in light of EU Exit and the NI Protocol, which have fundamentally changed the terms of trade for NI. This is most obvious in relation to GB-NI trade but is also crucial to trade with the RoI as NI's largest exporting partner and NI firms' trade with the rest of the world. For some businesses it has created commercial opportunities to trade outside NI, for others it has challenged their business model and for others still, its impact has been a combination of both.
- 2.13 Invest NI operates within a unique economic entity. NI is a small, regional economy with a population of around 1.9m. Its troubled past has affected the scale and structure of the economy and its distinct geographical location as a UK region makes trading conditions different to its other UK regional counterparts. It has no monetary powers and very limited fiscal powers, meaning its ability to drive economic growth and respond to economic and wider challenges is restricted.



- 2.14 The NI economy has made significant gains over the last few decades but its relative economic performance within the UK remains weak and low productivity continues to be the most deep-seated constraint on incomes and growth. As with the UK, NI has seen little to no productivity growth in recent decades. This has been exacerbated by the financial crash in 2008/09 that hit NI harder than the rest of the UK and from which it has been slower to recover.
- 2.15 Subvention from the UK has arguably ensured that the standard of living in NI has remained close to the UK average despite its weak economy. However, its dependence on these fiscal transfers leaves it very vulnerable to economic shocks. As well as the financial crash of 2008-09, the impact of the UK leaving the EU and the subsequent agreement of a NI Protocol, the restrictions put in place to mitigate the health impact of Covid-19 and the Russian invasion of Ukraine have significantly impacted the local economy. The recent UK political uncertainty and the economic crisis it has exacerbated, with increased inflationary pressures on businesses and consumers, looks set to change the monetary and fiscal landscape in a way that will create further significant pressures on the delivery of economic development activity.
- 2.16 Political stalemate at Stormont also has negative consequences across the economy, business and society. The current state of impasse means that decisions and outcomes around government budgets and spending are difficult and, in some cases, delayed at a point when they are needed most to address the challenges the region faces. The Budget is already under severe pressure with departmental overspends a major concern and the likelihood of a more constrained budget for NI high in light of potential cuts across the UK. This uncertainty is extremely unhelpful to the local investment environment, both in terms of existing businesses but also in how attractive the region is to investors.
- 2.17 There are 'bigger picture' issues in the longer term that will have knock on consequences for the local economy, including a smaller working age population supporting a rapidly aging one. The goal of net zero emissions for the UK economy by 2050 will place an onus on companies to rethink how they do business to meet that goal. However, these challenges also present opportunities. The net zero goal presents significant potential for new types of 'green' businesses and ways of working that should boost productivity. Similarly, there will be opportunities presented by digitisation and remote working that can benefit the local economy.



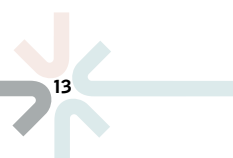
The Need for an Economic Development Agency in Northern Ireland

- 2.18 Given the above, it is our view that having a fully effective economic development agency is crucial to future efforts to strengthen the NI economy and support the NI Executive's and DfE's strategic priorities. We conclude that given the considerable commercial skills required of an economic development agency, the functions currently performed by Invest NI satisfy the Cabinet Office "three tests"³ and therefore should continue to be carried out at arm's length from Government.
- 2.19 It is also our view that Invest NI remains the appropriate organisation to deliver economic development in NI although profound changes are needed in the organisation that requires reform and repurposing. As discussed more fully later in this report, there is considerable room for improvement in leadership, structure, operation, control and public accountability of the agency. It needs to be more outgoing and a better partner, especially in the context of sub-regional cooperation. Many of its problems are widely recognised in the policy and business communities along with recognition of the importance and complexity of the job it is asked to perform. Strengthening public understanding of Invest NI's work and confidence in the fairness and effectiveness of how it uses public monies is crucial.
- 2.20 It is important that NI has an agency that has the support of DfE and other key stakeholder departments and bodies to promote the region locally, nationally and internationally. It is crucial that Invest NI enjoys the full confidence of the NI Executive and the citizens of NI. It must clearly demonstrate that it secures good value for the public monies it uses and the care with which it disperses them.
- 2.21 Our findings, conclusions and recommendations, contained within 17 broad areas, are outlined below.

Invest NI Senior Leadership

- 2.22 From our earliest engagements, it became clear to the Panel that relationships at senior levels within Invest NI are damaged and are harming the performance of the organisation. These include relationships between the Board and senior leadership and within both groups. We received significant feedback from multiple sources on this issue, which must be urgently addressed if the organisation is to move forward.

3 [Tailored Review Guidance on public bodies 2019 \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/414222/Tailored_Review_Guidance_on_public_bodies_2019.pdf)



- 2.23 Concerns relating to trust, openness and respective responsibilities were shared with us, sometimes in the most direct terms, by some Board members and some senior managers, including at Director level. We were also made aware of concerns within DfE, amongst the business community and partners and, perhaps most worrying of all, amongst Invest NI's wider staff body, that these divisions and profound tensions are affecting the performance of the agency and their confidence in it. This issue has also been reflected in several formal reports, including the Technopolis research and a Board Effectiveness Review commissioned by DfE.
- 2.24 There was widespread concern that the Board, and the Chair in particular, had, at times, become too operational, although we understand that this may be the result of frustrations concerning a perceived lack of transparency within the organisation. We are also seriously concerned about a lack of understanding among some very senior managers regarding the Board's responsibilities for oversight and strategic direction. During our initial engagements we were given the impression from some members of ELT that they regarded the Board as only having an 'advisory' function. This seriously understates the job the Board must do on behalf of the Minister, Department and the taxpayer. Additionally, while the Board is supported by a Board Secretariat, we are of the view that this function needs to be strengthened and an experienced Board Secretary position should be considered.
- 2.25 We heard of difficulties at Director level, with disagreements around issues such as the 'client company' model and a feeling of diminishing levels of responsibility, which in turn is affecting the morale of staff throughout the organisation. We were told of fundamental disagreements about policy amongst senior executives and there were reports of confusion and poor delegation from senior managers, amplified by attempts at corrective action being undertaken as part of the 'Evolve' programme. We believe this programme should be paused until a permanent Chief Executive is appointed.
- 2.26 We made our concerns known at an early stage to the Permanent Secretary of DfE and he commissioned a Board Effectiveness Review, which has now been completed. We support the recommendation within this to clarify roles and redefine relationships when agreeing the new Partnership Agreement between the Department and Invest NI. At a later stage in our Review, we also referred two potentially serious whistleblowing cases to the Permanent Secretary so that they might be investigated by the 'Raising Concerns' process within the Department. These investigations have not been completed at the time of publication.



DfE Governance & Oversight

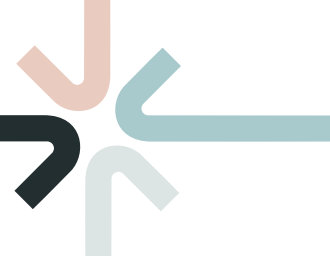
- 2.27 We believe that the organisation will benefit from strong and strategically aligned leadership that has clear roles and responsibilities. To that end, it is also imperative that the quality of strategic direction being provided by its sponsor department, DfE, becomes clearer and more concise. It is imperative that any relationship between a sponsor department and its ALB functions well, with clearly defined roles, responsibilities and expectations formally outlined; both formal and informal structures in place; and two-way communication well established. We acknowledge that the relationship between Invest NI and DfE has improved recently and there is the opportunity to build on this.
- 2.28 Invest NI is reliant on the quality of strategic direction being provided by its parent department. However, currently policy guidance seems to be communicated in an ad-hoc fashion, inconsistent with the agency's business planning cycle needs and has unclear expectations.
- 2.29 Although we found that there is regular engagement at various levels between DfE and Invest NI, more formal mechanisms of conveying Departmental requirements need to be established, particularly in relation to policy aims, objectives and targets. This should take the form of a formal agreement between the two organisations, which clearly articulates the roles, responsibilities and expectations of both parties. We understand that a Partnership Agreement between DfE and Invest NI will replace Invest NI's Management Statement and Financial Memorandum (MSFM) and we believe this may provide the vehicle to put these formal mechanisms in place.
- 2.30 We are clear however that this agreement should afford Invest NI enough flexibility to be an agile organisation, as envisaged in the Industrial Development Act (2002). As an ALB, the organisation must be able to take measured risks as required, in line with appropriate control measures.
- 2.31 We also note the recommendation from the 2009 Independent Review of Economic Policy (IREP) that the Department should ensure that more resources are dedicated to policy development. The ethos of this recommendation still applies and has not been addressed by the current Department, DfE or its predecessor, DETI. This is a failing that needs to be addressed.



Client Company Model

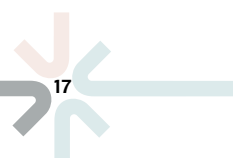
- 2.32 A central component of how Invest NI supports business is through what is widely known as its ‘client company’ model (also referred to as ‘account managed’ companies). In effect this means that when certain criteria apply, specific companies become eligible to receive more tailored, ongoing support. Invest NI’s consideration in this approach is to ensure that it makes the greatest contribution to increasing productivity, innovation and export growth and supports those businesses that can make the biggest contribution to the economy.
- 2.33 We did find strengths to the current client company model. It has a process and criteria to establish priority cases that might be expected to add greatest value to the economy. This includes many of the sectors that could (and have) demonstrated the best potential for success in adding value to the NI economy and link to the aspirations of the 10X Vision. Notably it facilitates advice and financial assistance on an ongoing basis to companies as they develop and grow. When the model works well, it is highly rated by the companies that are supported by it.
- 2.34 However, we found that the criteria to become a client company is not well understood externally and this can be damaging to the understanding of and confidence in what the client company model involves. We heard from many businesses who were frustrated at the difficulty of becoming a client company and a number who felt they had had to retain consultants to ensure successful applications.
- 2.35 The number of clients receiving repeat assistance⁴ was also of significant concern to us and this issue has been commented upon by several other reports. Our own research and the Technopolis research highlighted that a sizeable amount of Invest NI’s financial support is tied up in repeat assistance to a very small number of firms. Technopolis suggests a very high budget allocation to serving repeat clients, taking up over two thirds of the budget annually. The SQW Evaluation of Selective Financial Assistance also recommended placing a greater level of scrutiny on companies receiving repeat support and the need to review the guidelines on the role of Selective Financial Assistance as ‘*the assistance of last resort*’. The 2009 IREP report also commented that the framing of performance targets to relate solely to client companies means that there are in-built incentives to devote significant resources to the same companies.

4 ‘Repeat Assistance’ or ‘Repeat Support’ refers to receipt of multiple offers of Invest NI support to the same company.



- 2.36 While we acknowledge that there may be legitimate reasons for this, we felt that this could result in increased ‘deadweight’⁵ in investments, and a review of these investments is recommended to ensure that the client base is refreshed and seizes the best investment opportunities available. It is our view that there is clear need for a greater diversification of the client base, with less emphasis on ‘curating’ a series of established relationships, which encourages the culture of repeat subvention.
- 2.37 We heard mixed views about the quality of support and advice available from Client Executives, ranging from glowing endorsement from some companies to others who questioned their skills, experience and role. Another issue raised was the fear that Client Executives may at times get too close to established clients and lose their objectivity. This has given the impression that if a company can secure a place as a client company and has the support of key Invest NI decision makers such as the Client Executive behind them, there is almost automatic access to funding supports whether that support is needed or not. Invest NI should consider how oversight mechanisms for the large number of lower value projects not assessed by the Invest NI Appraisal Team can be reviewed and monitored to ensure delivery against objectives. While it is natural for Client Executives to build a relationship with companies it is also essential that all proposals are appraised objectively.
- 2.38 The current client model raises a number of concerns. The fact that so much of the funding envelope within Invest NI is tied up in committed support to a select group and relatively small number of client companies is likely to have consequences for the agency’s ability to deliver on a renewed approach to economic development to support the Department’s 10X Vision. The focus on job creation and a selective cohort of established companies as a result may present barriers to entry and represent an opportunity cost in the agency’s ability to support younger companies and emerging technologies. The client company approach may also mean less emphasis on sectoral/cluster development in terms of fostering co-operation, nurturing of supply chains and innovation of benefit to sectors and the wider economy because it is more focused on single firms.

5 Deadweight loss is described as any deficiency caused by an inefficient allocation of resources. Price ceilings, such as price controls and rent controls and price floors, such as minimum wage and living wage laws; and taxation can all potentially create deadweight losses.



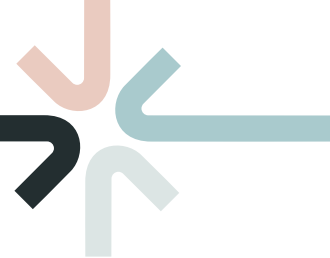
2.39 There is a need to rethink the type of support provided, particularly in such a challenging public sector financing backdrop. Other sources of support, such as equity or repayable finance, are used more extensively by other support agencies. We believe that there must be a much greater emphasis placed on understanding and refocusing the funding envelope towards these alternative sources of finance.

Portfolio of Programmes

2.40 The main way in which Invest NI supports businesses is through a range of programme supports. We heard from many sources that the size of the portfolio of programmes on offer from Invest NI is too large and complex for both internal and external stakeholders to understand. The organisation struggles to articulate precisely how many programmes are available. Inertia in pruning the existing wide range of programmes seems to go hand in hand with a lack of agility in creating and starting new programmes to address emerging policy priorities. Invest NI has an evaluation process involving both internal and external consultants and while these have often reached positive conclusions, they have been uncoordinated, carried out on individual programmes and have not also taken account of the latest strategic priorities.

2.41 It is our view that the current extent of programme offering is unsustainable, costs time and money to administer and impacts on the connectedness and coordination of supports across teams. It is difficult to understand the overall effect because companies are drawing support from a range of programmes. Arguably this involves 'double counting' of impacts because, for the most part, each programme's impact is assessed in isolation. This must question the extent of additionality across all programme supports and value for money in Invest NI's overall offering.

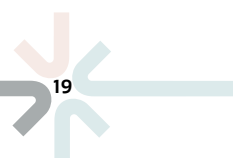
2.42 We have concluded that there should be a detailed review of the number of programmes and sub programmes offered by Invest NI, based on clear principals of prioritisation and drawing on further guidance from DfE concerning the implementation of the 10X Vision. For all programmes retained or created in the future there needs to be stronger testing of need, scale, criteria and additionality as well as enhanced efforts to ensure understanding amongst staff and potential clients of what is on offer to whom and what it sets out to achieve.



- 2.43 Through engagements we became aware of various other local bodies who also offer similar programme provision to Invest NI. This included individual councils and the six further education colleges, who all have programmes on offer for businesses. Even within the DfE ‘family’ there also appears to be duplication between what the Department and Invest NI offer, including the Skills Focus, Skills Growth, Skill Up, Innovation Vouchers and InnovateUs programmes. We are of the view that any review of programmes cannot be taken forward in isolation but should take into consideration the entirety of the offer from the organisation as well as the wider ecosystem including universities, colleges and local councils. To maximise its own value added, it is vital that Invest NI makes greater use of external partners to provide direct delivery support where appropriate and particularly where certain skills are required. This will support Invest NI to focus on a refreshed and more streamlined portfolio of supports.
- 2.44 There are two specific programme areas that in our view require more immediate attention, namely green growth and tourism.

Green Growth

- 2.45 Invest NI is reliant on the quality of strategic direction being provided by its sponsor department, Board and ELT. DfE set out an ambitious plan in ‘The Path to Net Zero’ in December 2021 and the Board of Invest NI has been clear on its ambition to deliver a programme of interventions to capitalise on the market opportunities created by the net zero agenda. Despite the ambition of both the Department and the Board, the organisation has been slow to respond with an adequately resourced plan. Whilst a dedicated unit has been established within Invest NI to support the development of the green economy, it is immature in its development and has insufficient resources.
- 2.46 That said, there is need for clarity and agreement on Invest NI’s role in the ecosystem. For example, if Invest NI is to deliver additional or new programmes in supporting delivery aims of the 10X Vision, Energy Strategy and Green Growth Strategy, this area will need to be well structured and resourced both from a people and financial perspective. There is also a need for agility and targeted financing to address the challenges faced by NI in achieving its green economy aspirations. This element should be underpinned by longer term strategic business plans and jointly agreed programmes of work across government.



2.47 With the global move towards net zero and its resonance across the whole economy, there is an opportunity to intensify and focus support to assist business to identify and respond quickly to this new market opportunity. Given its early stage, this is an opportunity to build best practice around good sectoral work and skills and demonstrate best practice in supporting delivery aims of the 10X Vision, Energy Strategy and Green Growth Strategy.

Tourism

2.48 Tourism is a growing sector of continuing importance to the NI economy. Whilst there is some evidence of co-operation between Tourism NI (TNI) and Invest NI, some stakeholders, including Tourism NI itself, commented that further work could be done to ensure a more joined-up and strategic approach. It is our view that the current delineation of responsibilities, where Invest NI is responsible for tourism accommodation capital schemes, creates the potential for confusion and inefficiency in the provision of support to the tourism sector.

2.49 We have reservations that the sector is being well served by the split functions between TNI and Invest NI, which challenges the agility of TNI to deliver as the region's lead tourism agency. In keeping with the IREP recommendation, we believe that it would be more efficient and effective that Invest NI transfers all responsibility for tourism accommodation capital schemes to Tourism NI.

Skills

2.50 We heard significant evidence regarding the importance of skills, particularly regarding the necessity of lifelong learning, up-skilling and re-skilling. Mixed views were expressed by stakeholders as some noted the positive role played by the organisation in contributing to the NI skills landscape, while others felt Invest NI support was displacing skills programmes from other providers. Although we recognise the positive steps taken by DfE in relation to skills over the last few years, including the publication of the 'Skills for a 10X Economy' Strategy in 2022, overall, we found a perception from those we engaged with that the NI skills ecosystem is somewhat cluttered, uncoordinated and involves duplicated efforts. This includes similar programmes on offer from both Invest NI and DfE and from other organisations, including Further Education colleges and several of the local councils. As a result, we are concerned that it may not deliver on the ambition of the 10X Vision.



2.51 We recommend that a review of skills programmes takes place, initially between DfE and Invest NI. Consideration should be given to widening the scope of this review to take account of the entirety of the local skills offering, to ultimately minimise duplication and make best use of public funds. This would require coordination and co-operation between various organisations, including other departments, the eleven local councils and the NI Skills Council.

Performance Metrics

2.52 The ToR for the Review asked us to consider the appropriateness of Invest NI's current performance metrics. We provide our view below, focussing on the organisation's Key Performance Indicators (KPIs).

2.53 Invest NI is successfully delivering against the KPIs that have been largely set by the organisation itself. However, the consensus is that the KPIs, metrics and associated targets used by the organisation are too narrow and unable to tell the full story of Invest NI's work. They also appear to have had an undue focus on job numbers and it is questionable as to how appropriate that continues to be in the current economic and policy climate, specifically considering the tight labour market.

2.54 Technopolis research has found that Invest NI's support has had a positive impact on employment growth among assisted firms, but the jobs KPI has encouraged a focus on jobs promotion to the point that Invest NI seems to be acting as a job promotion agency (without a firm understanding of jobs actually created through the support). Internally this could encourage quick wins as opposed to addressing the market failures that stop businesses reaching their full potential.

2.55 The jobs focus is also at odds with the longer-term ambitions of 10X, which is centred on productivity and innovation and the role of cluster development, skills and more sustainable growth to support a step change in the NI economy. Effects on innovation, one of the organisation's biggest investment themes, are unclear although we appreciate the challenges in measuring this.

2.56 The current metrics do not allow the organisation to fully capture Invest NI's impact, but rather more how the clients it assists perform. Technopolis has also highlighted that the current metrics provide only a narrow view of the extent of Invest NI's activity and this is compounded by the way in which value and impact is communicated



internally and externally, meaning that the organisation cannot be well judged. In addition, while Invest NI does capture wider activity-based measures that are important to understand how the agency supports businesses, we underline the need for much greater connection to outcome-based measures. Bringing both together would provide Invest NI stakeholders, funders and the wider public with a better sense of the link between what Invest NI does and the difference it makes.

- 2.57 Technopolis also makes the point that there is little focus on outcomes (for example, productivity improvements). Even simple counts of activity and how they relate to more descriptive measures of outcomes would provide stakeholders, funders and the wider public with a better sense of the extent of activity that Invest NI is engaged in.
- 2.58 This revision of metrics and KPIs should support the organisation to take a much more strategic approach to understanding the difference it can make. Therefore, while jobs may remain an important metric of success for the organisation, particularly if economic conditions change, the metrics of success should be more strategically aligned to 10X objectives. The approach to developing the new KPIs should embrace the Partnership Agreement principles and build upon a co-design approach between the Department and agency. We would emphasise the importance of these new KPIs in providing an excellent opportunity for Invest NI to refocus and refine its current delivery model to one that best supports and maximises the achievements of its new KPIs.

Sub Regional Partnerships

- 2.59 We engaged with all eleven local councils and found considerable interest from them in playing a fuller economic development role in NI. We recognise that they are well positioned to tackle local supply side problems, to promote local placemaking and to identify and support emerging enterprises. We also found good examples of energetic sub regional partnerships, drawing together local councils to work across existing council boundaries with local colleges and other agencies interested in economic development. Although these partnerships are still in their infancy and limited in powers, skills and resource they do provide a valuable base to build on. The success in securing the City and Growth deals was cited by many stakeholders as the result of an effective partnership. Although this was Council-led and driven, Invest NI has a crucial role to play moving forward in supporting project promoters to develop robust value for money proposals, securing the necessary approvals and supporting the delivery phases of each project.



- 2.60 We directly heard mixed views from local councils regarding Invest NI. Most recognised its importance and capability but there was a widespread frustration at the difficulties of engaging with the organisation. We also found an insufficient focus on the development of sub regional areas and partnerships by Invest NI. There is a clear necessity for DfE and Invest NI to recognise the potential contribution that the councils, colleges and other local partners can make. Invest NI can play a more active role in supporting these essential local partnerships, helping to build a more effective ecosystem overall, including strengthening the provision of support for local start-up businesses. Collaboration should also include working with other departments outside of DfE when necessary. There is also a need for Invest NI to share information and intelligence with these stakeholders.
- 2.61 We found the regional offices of Invest NI are underutilised with staff and decision making largely centralised in Belfast. There was some very positive feedback on the regional offices and the staff within them, however, there was also widespread concern that these offices were not perceived to be fully integrated into Invest NI and are too modestly resourced. We recommend that Invest NI regional offices should have a more strategic role and staff, resources and powers allocated to them should be reviewed.

Land and Property

- 2.62 Another common issue that was raised throughout our direct engagements, especially with local councils and in our sub-regional meetings, was a concern regarding the lack of industrial land and property available for businesses in some places. We found that Invest NI's involvement in land acquisition and disposal has been limited over the last decade, particularly in reference to purchases. The organisation has acquired no land or property for a substantial length of time and its last 'Land Acquisition and Disposal Strategy' dates back to 2009, which we view as highly unusual for an economic development agency. Research indicates that the industrial property market of NI is, in places, operating at almost full occupancy, highlighting that market failure persists and public sector intervention is needed.
- 2.63 Another major issue appears to be infrastructure constraints such as utilities (electricity, gas and sewerage) on sites before they can be developed. This is impacting on expansion and re-location plans and inhibiting the provision of premises for emerging companies. We conclude that Invest NI should be involved in addressing this issue in partnership with other key stakeholders, which should



include, as a minimum, the Strategic Investment Board, local councils, utility providers (NI Water and NIE Networks) and the Department for Infrastructure. This should provide clarity on demand indicators for industrial land and property. Invest NI should move quickly on acquisition/development in areas where there is a clear need and develop a clear longer-term strategy for site acquisition/development in collaboration with strategic partners.

Internationalisation – Inward Investment and Trade Support

- 2.64 Being more outwardly focused is a key means to support and drive sustainable regional growth and improved productivity for NI. The Invest NI 2017-21 International Strategy outlines the organisation’s ambition, approach and actions relevant to trade and investment. The Strategy sets out three aims, which include: increasing sales outside NI; increasing the number of businesses selling outside NI; and increasing the level and quality of new inward investment.
- 2.65 This remit falls within Invest NI’s International and Skills Group (formerly International Business Group), which was evaluated in August 2021⁶. This evaluation concluded that the trade and investment support delivered over the period evaluated (2014-15 to 2019-20) has been effective and been improving over the past few years but there is the opportunity to improve further as the economy recovers. Indeed, the targets relating to the Strategy’s aims have mostly been met and exceeded but it is our view that the metrics do not go deep enough in terms of setting out the two distinct roles of trade promotion and attracting inward investment and how Invest NI achieves that growth.
- 2.66 While there was the perception raised during our consultations that Invest NI is too focused on attracting inward investment/FDI, data from our Technopolis research indicates that inward investment companies account for less than one third of Invest NI funding over the last five years (2017-2021). However, our analysis shows that the monetary value of Invest NI support to inward investors was on average significantly higher compared non-inward investors. In addition, almost 50% of Invest NI support to inward investors went to 10 companies, with further evidence of repeat funding amongst this group of beneficiaries, an important consideration in understanding the focus and dynamism of this group of client companies.

6 [Evaluation of Invest NI International Business Group 2021 \(investni.com\)](#)



- 2.67 NI has performed relatively well in terms of attracting FDI in recent decades. Securing and supporting FDI and inward investment is widely recognised as playing a key role in Invest NI's portfolio of support. Indeed, many stakeholders reflected that the agency had performed this role well, which has led to significant job creation and many benefits to the NI economy. We heard concerns however that the agency's success in attracting inward investment/FDI has raised concerns that these investments had increased competition for skilled jobs and driven up wages in locally based companies.
- 2.68 Evidence on impact is also mixed, suggesting that while a productivity premium does exist among assisted overseas inward investors, GB investments while adding jobs may not boost productivity. It is not clear that there is a strong enough understanding of the impacts of inward investment and particularly the difference between investment from GB owned and overseas inward investors. It is important that Invest NI undertakes much more rigorous performance-based assessment and follow up to understand in more depth the value and impact of GB and foreign-owned investment into NI.
- 2.69 The agency has already been moving in the direction of a more targeted approach to inward investment that aligns to the aspirations of DfE's 'Trade and Investment for a 10X Economy', particularly with its ambition to focus on emerging sectors. We believe it should continue on this path, building on the aspirations of its own International Strategy in taking a much more targeted and focused approach. However, it needs to be much more explicit regarding its target sectors/clusters.
- 2.70 While there were also positive opinions around trade supports there was also a view that these needed to be more closely understood and embedded in the client journey. That journey should be seen as offering access to a team of international experts and draw on Invest NI's networks and experience to support greater internationalisation of local firms. Greater connectedness between the Trade and FDI teams and wider Invest NI support teams is key.
- 2.71 Invest NI's overseas teams are responsible for supporting NI companies to identify, develop and grow business overseas, increasing export sales and developing collaborations. They are also responsible for selling NI as an inward investment location and connecting with the region's diaspora through Invest NI's Northern Irish Connections initiative. Stakeholders were largely positive on the quality and

value of market intelligence and services provided by Invest NI overseas offices although their role is not well enough understood and articulated inside and outside the organisation. There is a need to constantly review the role of these offices and particularly their longer-term funding and sustainability.

2.72 Looking to the future, the Wavteq⁷ research suggests that FDI into NI is expected to grow over the next few years, particularly in software and IT, although while noting NI's unique position post EU Exit, does not draw any firm conclusions on the complex decisions that investors will make to choose an investment location. It does suggest that policy should be sharpened to focus on target markets, priority clusters and technologies and that a strengthened presence in established markets and diversification into overseas markets will also be important going forward.

Financial and Human Resources

2.73 A key theme throughout our research and consultation was the need for Invest NI to be adequately funded to enable it to deliver its objectives and for those objectives to be significantly prioritised given the budget constraints currently facing the agency. Our independent research indicates that Invest NI has a strong reputation for budget management. However, we also heard repeated concerns that the agency is not as transparent or collaborative as it needs to be.

2.74 It is also apparent that anything other than a multi-year budget allocation undermines Invest NI's ability to plan and support businesses at a strategic level. The imposition of single year budget allocations also reduces innovation and creates disproportionate levels of financial management and internal oversight. We recognise that these are fundamental challenges that pertain across the public sector in NI. Irrespective of this, it is incumbent upon Invest NI's Board and its ELT to collaborate more closely and more effectively with DfE. The loss of European funding also brings additional challenges for Invest NI and DfE and it is imperative that both organisations have the capability to successfully navigate new and additional funding opportunities. DfE and DoF should clarify the extent to which Invest NI's loss of ERDF funding has been resolved and the quantum of funding that will be provided to replace it.

7 [Attracting foreign direct investment to Northern Ireland in the context of our post EU exit trading relationships 2022 \(economy-ni.gov.uk\)](https://www.economy-ni.gov.uk)

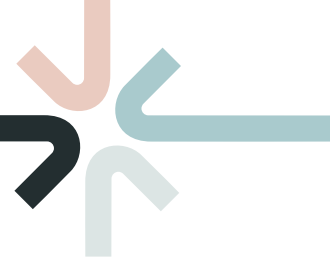


- 2.75 Fundamentally, we consider that Invest NI's financial and human resources must be utilised more effectively to deliver against the overarching policy objectives set by DfE. At a strategic level, the agency must embed effective prioritisation and selectivity principles and ensure that these principles guide its decision making in relation to interventions and support. In operational terms, Invest NI must continuously prioritise resources towards those programmes and interventions that have the greatest impact in terms of achieving specific policy outcomes and, more broadly, promoting wider economic development within NI.
- 2.76 We heard from many stakeholders that they view Invest NI's staff as its greatest asset, but we also acknowledge that the staffing structure and profile represents a top heavy and aging workforce. Evidence indicates that while there is likely to be a large number of potential retirees within the agency over the next ten years, there is currently no succession plan in place.
- 2.77 While we noted the existence of a number of committees to assist the work of the Board, we observed that there was not a committee specifically focussed on the planning and management of financial and human resources. Given the employment level in the organisation and the level of public funding allocated to Invest NI we suggest some thought is given to the creation of a Strategic Resources Committee with such functions.
- 2.78 We conclude that, given the significant recommendations we are making to the operation of Invest NI, consideration should be given to a future review of staffing within the organisation that considers the operational impact of the roll out of the recommendations of this Review, as well as any indirect implications arising from increased digitisation and streamlining of internal processes. This should be taken forward in conjunction with the Department once any future transformation programme has concluded.



Alternative Funding Streams

- 2.79 We acknowledge that there is a changing funding landscape in NI, and this has implications for Invest NI moving forward. Continuing pressures on the NI Executive budget together with the loss of ERDF support will bring challenges. Although monies may be somewhat matched by new funding opportunities from UK Government (UKG) programmes (such as Levelling Up, Shared Prosperity Fund, City and Growth Deals and UK Research and Innovation) it is unlikely that they will provide as secure a support for the agency's work, particularly as the UKG preference, as it currently stands, is for funding competitions and project funding. We also acknowledge that the competitive funding model does bring greater uncertainty of funding and risks additional costs for businesses, where companies may need to divert resource to completion of bid applications that are not guaranteed to be successful.
- 2.80 Unless the NI Executive can guarantee to support the current level of aggregate funding, Invest NI must plan for future funding reductions and the sharper prioritisation of programmes that this will inevitably involve. We are aware that some work on prioritisation has been undertaken in the current year to respond to budget uncertainties although there is a need to consider this within the context of strategic priorities, particularly with regard to delivery of 10X. Invest NI will also need to consider working in partnership with other organisations, both those distributing funds and those seeking them.
- 2.81 We are therefore of the view that it is crucial that Invest NI develops its role as a guide to alternative sources of finance and support, ensuring that it focuses on where it can add value by complementing or enhancing supports available through other bodies. With this in mind, we conclude that Invest NI must ensure that it has full understanding of all the available funding avenues and criteria, becoming a centre of information and guidance, so that it effectively and strategically collaborates with delivery partners to achieve the maximum impact on the NI economy.



Intelligence and Digitisation

- 2.82 We have concerns about the way Invest NI collects, manages and uses its data and intelligence. Overall, we found that current Invest NI information technology infrastructure is insufficient to meet the current and future needs of an agile economic development agency. Invest NI's current use of relevant technologies and particularly digitisation is below the standard expected and systems need to be modernised. Based on evidence from Invest NI evaluations, staff and client engagements, the current methods of data collection systems and reporting within Invest NI are inconsistent at best. Insights indicate that Invest NI does not make sufficient use of the intelligence that it gathers and staff input into the Customer Relationship Management (CRM) system is inconsistent, leading to a lack of confidence in the data held.
- 2.83 There is a clear need for streamlining, digitisation and automation where applicable. Current practices present potential risks to the evaluation of programmes, difficulties in ensuring value for money and limits in the tracking of impacts. Monitoring that relies solely on surveys to measure impact presents a less full picture than the agency needs. There is a reliance on beneficiaries to respond and self-report. This is leading to frustration from business for information requests and a time-intensive task put on Invest NI client facing roles to gather this information, distracting them from day-to-day delivery.
- 2.84 In our view, Invest NI has the scope to become a much more confident and influential voice on economic development matters with DfE, across other relevant government development departments and with other key stakeholders. More work on collecting and analysing performance data, including the progress of companies who applied for but did not secure Invest NI support, would strengthen Invest NI's own intelligence and bolster the organisation's role as a powerful contributor to understanding economic development in NI and expert adviser to DfE and other departments. There is also a clear need for a better joined up approach in the sharing of intelligence with councils and other agencies within NI's ecosystem.



Communications

- 2.85 For Invest NI to efficiently and effectively discharge its responsibility as the lead economic development agency for NI, it needs to inform and influence a wide range of stakeholders within a tactical and planned alignment to DfE and NI Executive priorities. This is a complex undertaking owing to the policy framework within which the agency operates, and the bespoke message content required for each audience. However, we found that Invest NI does not have a strategic communications and engagement strategy, thus does not clearly articulate the breadth of its activities, nor its subsequent impact.
- 2.86 The feedback from stakeholders regarding lack of clarity around Invest NI services, supports, remit and performance when viewed in the context of marketing and communications documentation statistics provided, appears to illustrate an issue with substance rather than the delivery channels utilised. Invest NI staff have themselves conceded that the breadth of the Invest NI portfolio is perhaps not fully understood by the public and branding could be stronger, particularly in relation to overseas offices' role and scope. These conversations emphasise that communications are falling short internally as well as externally.
- 2.87 Invest NI needs to be more outgoing and collaborate more effectively with other agencies to ensure relevant responsibilities are, in the first instance, collectively understood and consistently advertised. The organisation needs to more fully utilise the skills and experience of the Invest NI Board to communicate to different stakeholders what it is doing with its significant resource allocation and to build widespread confidence that it is an open organisation working for every part of NI. This should include more proactive engagement with departments and Ministers where there are cross cutting policy priorities such as skills and infrastructure. Enhanced and structured Board member visibility will reaffirm that Invest NI is willing to consider all proposals on their individual merits from across the region and that they are truly in touch with, and can pivot towards, contemporaneous business needs.
- 2.88 It is imperative that the development of a comprehensive strategic communications and engagement strategy, complete with evaluation and feedback mechanism, is immediately prioritised, to align with best practice and improve the content of messages and audience understanding of them. Failure to prioritise this crucial strategy is undermining the agency's economic contribution and potentially impeding prospective and current clients due to confusion over accessible services and supports.



Risk & Control

- 2.89 The role and function of Invest NI means that it operates in an inherently risky environment. In most instances, it is considering applications for assistance from privately owned companies from a diverse range of sectors, operating in multiple markets, and being buffeted by external uncontrollable factors. It is therefore vitally important that robust processes are in place for the management of risk and control.
- 2.90 There are a number of strong areas of risk and control management within Invest NI. There is a clear Risk Management Strategy and Policy that sets out the responsibilities of the Board, management and staff. The organisation has also recently refreshed its approach to risk identification and management and has a dedicated Risk and Assurance Team.
- 2.91 However, we found evidence of weaknesses in the compliance culture and insufficient oversight of controls within the organisation. We note that further improvements are required to the current risk and control structure to improve the efficiency and effectiveness of the organisation. We noted evidence that incomplete or inaccurate information has been provided to casework approval committees, instances where documentation was either not available or could not be located, controls and procedures were not adhered to, and prior conditions were either overlooked or not met. We were provided with evidence that, following material changes to the risk profile of a project, the approving authority was not always informed and necessary remedial or escalation action was not put in place, resulting in increased risk and, in some cases, loss to public funds.
- 2.92 In the course of our work, we also reviewed several high-profile investment cases that flagged up risk and control weaknesses. The creation of the Governance and Compliance Council (GOCC) was in response to the investment in a failed project and does not easily integrate to the current structures. As a result, the reporting lines and responsibilities between the Audit and Risk Committee (ARC), GOCC and Internal Audit Committee (IAC) are unclear.
- 2.93 We also concluded that the current arrangement for Post Project Evaluations is not satisfactory, with project owners carrying out evaluations in some areas. It was further noted there was no centralised team for policy management and control. While we recognise that the Department does carry out a level of post hoc scrutiny, this is an area that could receive greater focus, especially in the context of 10X delivery.

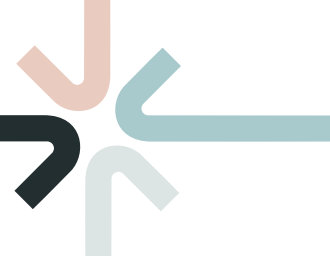


10X Vision

2.94 While we acknowledge the progress made by DfE on 10X, especially in recent weeks and months, the slower progress on work required to translate the ambition of 10X into tangible actions that could be taken forward by Invest NI has constrained our consideration of Invest NI's ability to deliver on this. Engagements with stakeholders conveyed the view that 10X is an ambitious vision and one that is a positive response to the challenges of the local economy. We also note that 10X is broadly in line with economic development policies internationally, where an emphasis on innovation, inclusion and sustainability are themes that many other regions and countries are prioritising.

2.95 However, there was consensus that, at this stage, the 10X Vision lacked policy, delivery and implementation plans. Many stakeholders called for clarity and direction and there were multiple references to the need for policy and roles of organisations to be further defined, although most acknowledged a pivotal role for Invest NI in collaboration with DfE. Indeed, Invest NI staff were unclear on what 10X entails and how Invest NI could take forward its delivery. The lack of clarity in our view is providing a major hurdle to Invest NI's ability to plan for the medium to long-term.

2.96 Concerns were also relayed to us that the Vision is not endorsed by the NI Executive and is seen by some as a DfE-only document. The range of endorsements for the launch document suggests wide support across government and the business community of NI and that was reflected to us by key stakeholders. We are of the view that 10X must be a shared strategy across the relevant NI Executive departments and we believe there is more to be done in building cross-departmental agreement and momentum in taking 10X forward. Therefore, we believe that it is important that, going forward, the 10X Vision and subsequent action plans are firmly embedded in the Programme for Government and any future NI Executive-wide strategies.



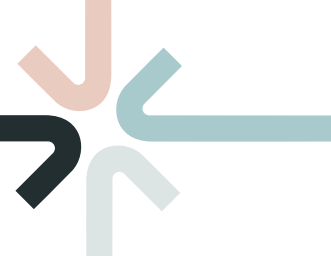
2.97 There was also feedback that technologies/clusters/sectors chosen were too selective. Representatives from some sectors felt that they had not been represented in 10X while others felt they had not been best understood. Other stakeholders suggested that further work was needed to refine the clusters that had been selected as they were too broad. We relayed this concern to DfE that Invest NI support would only be available for 10X sectors. As reflected in its next steps for implementation document, the Department clarified that, *“reflecting feedback from consultation, cluster policy will be a relative rather than an absolute priority.”* DfE anticipates that this approach would lead to projects in the sectors and technologies identified in 10X being prioritised, but support would not be confined to these areas, and we understand that Invest NI will have the flexibility to consider individual projects on their merits.

2.98 Despite the limitations of 10X as it currently stands, research and feedback from our engagements has allowed us to give an overall perspective of how well Invest NI is placed to respond to 10X or any other future economic development strategy. Invest NI’s current portfolio does broadly align with 10X. However, to fully contribute to the delivery of this Vision will require profound change in the shape, priorities and behaviours of the organisation. It will have to address what we believe are some substantive issues around leadership, programme rationalisation and client company focus. It also needs to become more agile and flexible; more outgoing and communicative; a better partner; and more active in sub-regional economies. The Department, supported by Invest NI, should use the opportunity provided by 10X to co-design a new set of KPIs that will drive Invest NI to shape a new, more focused approach to how it leads and supports economic development in NI.



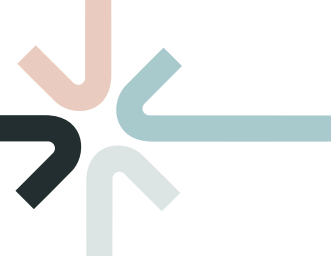
Summary of Findings and Recommendations

Area	Finding	Recommendation
Invest NI Board and Senior Leadership	<p>Finding 1a: There appear to be profound divisions at Board and senior leadership level in Invest NI, which are having a detrimental effect on the organisation. This offers a serious threat to the future trust that can be placed in the organisation to deliver strategic priorities and requires urgent action.</p> <p>Finding 1b: Although laid out in various published documents, the roles and remit of the Invest NI Board, Chief Executive and Executive Leadership Team are not clear to some members of staff, including at a very senior level, and require formal clarification and reinforcement to remove ambiguity.</p>	<p>Recommendation 1a: The Department should further build on the actions taken so far to address issues with Invest NI Board and senior leadership by:</p> <ul style="list-style-type: none"> (i) Taking such actions as are necessary to ensure strong and confident leadership by the Invest NI Board and clarity as to its roles and responsibilities, especially in terms of oversight of the use of public monies. The respective roles of the Board Chair and Members, the Chief Executive/ Accounting Officer and other senior executives need to be clearly defined and included in the forthcoming Partnership Agreement to be drawn up by DfE. (ii) Taking early steps to progress the appointment of a permanent Chief Executive with appropriate skills and experience to be able to restore full confidence in the agency and deliver significant change. This should be done with the participation of current Board members but not left to the Board alone to progress. It is critical that the Department is involved in this process. (iii) Ensuring that the permanent Chief Executive is tasked with the urgent reshaping of the most senior levels of executive management and given the necessary support to make the changes agreed by Board and Department; and (iv) Urgently completing the 'Raising Concerns' investigations and ensuring that any conclusions educate steps (i) to (iii) above. <p>Recommendation 1b: The organisational structure should be revised to align with strategic priorities and be easier for both internal staff and external stakeholders to understand and navigate. When revising the structure consideration should be given to reducing the number of senior management posts and ensuring these are aligned with future strategy.</p> <p>Recommendation 1c: The Board of Invest NI should undertake an annual effectiveness review (this should be carried out externally every three years) and an annual performance review of senior executive leadership, which should be reviewed by the Remuneration Committee. The Board should also assess the effectiveness of the relationship between the two parties.</p> <p>Recommendation 1d: Consideration should be given to the appointment of an experienced Board Secretary position to provide authoritative advice and support to the Chair and Board.</p>



Area	Finding	Recommendation
<p>DfE Governance and Oversight</p>	<p>Finding 2a: Strategy, Policy, and Guidance from DfE is unclear and not communicated to Invest NI in a manner that takes account of the business planning cycle.</p> <p>Finding 2b: There is a need for greater formal clarity between DfE and Invest NI, outlining expectations and responsibilities on both parties, but that allows for an agile and responsive Economic Development Agency with proportionate control mechanisms in place.</p>	<p>Recommendation 2a: DfE needs to set clear policy and guidance and communicate this to Invest NI in a formal manner within a new Partnership Agreement as soon as possible. This should be reported on, and reviewed, on a regular basis.</p> <p>Recommendation 2b: A formal agreement should be established between DfE and Invest NI that outlines the expectations and responsibilities of both parties but allows for an agile and responsive economic development agency. Appropriate proportionate control measures, including strong post hoc scrutiny, should be included in the agreement.</p> <p>Recommendation 2c: DfE should look to strengthen its policy development and monitoring capability and resources across the Department.</p>
<p>Client Company Model</p>	<p>Finding 3a: The current “client company” model is inflexible, the criteria are not widely understood by businesses, and it may lead to missed investment opportunities and/or ‘deadweight’.</p> <p>Finding 3b: There is a high level of ongoing or repeat, non-repayable support to a number of existing clients.</p> <p>Finding 3c: We heard evidence internally and externally that there are insufficient and inconsistent skill levels within the Client Executive cohort.</p>	<p>Recommendation 3a: Invest NI should review the emphasis and resource given to the client company model to facilitate greater flexibility and support for the wider NI business base. There should be less emphasis on curating established relationships with companies and greater emphasis on diversifying the client base to meet the needs of 10X. Invest NI must ensure greater emphasis on demonstrating the impact of public support and greater transparency as to which companies are receiving ongoing subvention and whether that should continue.</p> <p>Recommendation 3b: There is a need to rethink the type of support provided, particularly in such a challenging public sector financing backdrop with greater emphasis on loan and equity rather than grant support as well as fuller utilisation of alternative sources of funding. Invest NI should strengthen its role and expertise as a guide to alternative sources of finance and work with DfE and DoF to ensure that it maximises its own use of available loan/equity finance.</p> <p>Recommendation 3c: Client Executives and client facing staff should undergo continuous professional development and training relevant to their sectors. The Client Executive role should also be developed to ensure that it is focused on delivering the objectives of the 10x Vision. External expertise should be used where internal skills are not sufficient.</p>

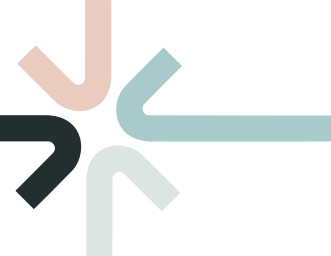
Area	Finding	Recommendation
Portfolio of Programmes	<p>Finding 4a: The portfolio of programmes that Invest NI offers to companies is too large and unwieldy, with the organisation, including at the most senior level, struggling to clearly define the exact number available. This makes it difficult for companies and staff to understand what is on offer and questions the efficiency and effectiveness of the programme offering.</p> <p>Finding 4b: There appears to be very little consideration of what is offered by other delivery organisations when designing new programmes or reviewing current ones. Reviews of programmes appear to be sporadic and non-strategic. Some evaluation frameworks are in operation, but these appear to only be on individual programme level, and not across the portfolio.</p>	<p>Recommendation 4a: Invest NI needs to ensure a streamlined portfolio of programmes is offered to align with the growth ambitions for the NI economy and deliver additionality and value for money. A strategic audit of all Invest NI programmes should take place, in conjunction with DfE, to assess economic impact, ensure they are based on current priorities, meet Key Performance Indicators and eliminate duplicate provision (including taking account of external provision).</p> <p>Recommendation 4b: Invest NI should ensure that an agile framework is in place to appoint external organisations to deliver programmes, especially in regard to the latest and emerging technologies.</p>
Green Growth	<p>Finding 5a: Whilst a dedicated unit within Invest NI has been established to support the development of the green economy, it is immature in its development and has insufficient resources.</p> <p>Finding 5b: Despite the strategic importance of the Net Zero agenda, the Panel heard evidence from DfE that Invest NI had been slow to recognise the significance of the green economy and has been slow to respond to the development of new schemes to support the delivery of DfE's Energy Strategy.</p>	<p>Recommendation 5: Invest NI should urgently engage with DfE and DAERA to agree the policy priorities in relation to the green economy. Invest NI should develop a clear and ambitious plan to determine the appropriate financial and human resources required to deliver upon these priorities.</p>



Area	Finding	Recommendation
Tourism	<p>Finding 6: There appear to be inefficiencies in the split of responsibilities for the delivery of tourism support between Invest NI and Tourism NI.</p>	<p>Recommendation 6: Support for Tourism should be led by TNI and, in keeping with the IREP recommendation, responsibilities related to tourist accommodation capital schemes should be delivered by TNI.</p>
Skills	<p>Finding 7: We heard significant evidence regarding the importance of skills, however there is a perception that the NI skills ecosystem is somewhat cluttered, uncoordinated and involves duplicated efforts.</p>	<p>Recommendation 7: DfE should lead on a review all of skills programmes that it provides funding for, including the offer of Invest NI, to ensure focus, reduce duplication and eliminate wasteful provision. Consideration should be given to widening the scope of this review to take account of the entirety of the regional skills offering.</p>
Performance Metrics	<p>Finding 8a: The current outward facing metrics do not allow Invest NI to demonstrate the impact of its interventions. They are not wide enough to capture the full range of activity and in some cases better reflect how clients perform rather than what difference financial assistance has made.</p> <p>Finding 8b: The current emphasis of metrics unduly focuses on outputs, particularly job promotion rather than outcomes and should be widened to include higher productivity, job quality and innovation impacts.</p> <p>Finding 8c: Existing KPIs do not tell the full story of Invest NI's work, and this contributes to suboptimal external communication.</p> <p>Finding 8d: The 10X Vision provides an opportunity for DfE and Invest NI to establish a new set of KPIs that will provide a much more focused approach to how Invest NI leads and supports economic development in NI.</p>	<p>Recommendation 8: A well-defined set of SMART performance metrics should be set, and evaluated, by DfE in close coordination with Invest NI. They should focus on demonstrating where the organisation adds value to the NI economy and be better aligned to the 10X Vision and any future policy priorities of the NI Executive.</p>



Area	Finding	Recommendation
Sub Regional Partnerships	<p>Finding 9a: There is insufficient focus on the development of sub regional economies. Regional offices are under-utilised with staff and decision-making too centralised in Belfast. While we acknowledge that regional development is not the sole responsibility of Invest NI it does have a key role to play.</p> <p>Finding 9b: There is inconsistency in how Invest NI engage with external partners, including the Department for the Economy, other parts of central government, local government, UK Government and the private sector in NI.</p>	<p>Recommendation 9a: There is a need for a more co-ordinated, partnership approach at a local level especially on employability, skills and land and premises issues. DfE working where appropriate with DfC should consider how best to strengthen and promote a strong sub regional economic ecosystem and ensure they have effective leadership. Invest NI should strengthen its contribution with increased enthusiasm, a stronger focus on the local, the encouragement of entrepreneurship and more effective cooperation with partners.</p> <p>Recommendation 9b: Invest NI Regional Offices should have a more strategic role and be more clearly influential within the agency including at ELT level. The staff, resources and powers allocated to them should be reviewed.</p>
Land and Property	<p>Finding 10a: Invest NI's involvement in land acquisition and disposal has been limited over the last decade.</p> <p>Finding 10b: There is evidence of market failure in the provision of industrial land in a number of areas in NI.</p>	<p>Recommendation 10: Invest NI should bring forward a strategy for the development of industrial land and property in partnership with other key stakeholders, in particular the local councils. This should consider respective roles of each partner in improving the supply of land and premises for growing businesses.</p>

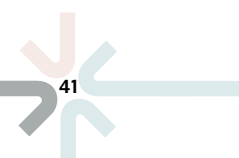


Area	Finding	Recommendation
<p>Internationalisation – Inward Investment and Trade Support</p>	<p>Finding 11a: Attracting and supporting FDI and inward investment is widely recognised as playing a key role in Invest NI’s portfolio of support but there is lack of clarity as to the organisation’s strategy on FDI and how it supports the 10X Vision.</p> <p>Finding 11b: A perception and concern has built up that Invest NI is too focused on attracting FDI while data indicates that FDI companies account for less than one third of Invest NI funding over the last 5 years (2017-2021).</p> <p>Finding 11c: Stakeholders were largely positive on the quality and value of market intelligence and services provided by Invest NI overseas offices although their role is not well enough understood and articulated inside and outside the organisation.</p> <p>Finding 11d: There are clearly defined metrics that demonstrate Invest NI’s activity in supporting trade and investment, however they are largely input driven. There is no clear metric to demonstrate how the agency will increase the quality of new inward investment.</p> <p>Finding 11e: The value and impact of inward investment, both Great Britain and FDI, is not sufficiently monitored, evaluated and understood.</p>	<p>Recommendation 11a: Invest NI’s approach to inward investment should be driven by what type of inward investment NI should seek to attract and what supports are needed to secure their location in NI. This should build on 10X and its supporting strategies on trade, investment and skills and more fully involve a wide range of stakeholders including existing companies and universities in defining future priorities.</p> <p>Recommendation 11b: Trade, FDI and wider Invest NI support teams need to work more effectively together to ensure that trade and investment supports are visible, targeted and flexible to maximise impact.</p> <p>Recommendation 11c: There should be a clearer strategy setting out how existing and potentially new overseas offices align with the future focus of expanding trade opportunities for local businesses and targeting inward investment/FDI support for NI. This should involve clear prioritisation, planning and delivery objectives for each overseas office ensuring that they are adequately resourced. Invest NI should secure sustainable funding for all new offices.</p> <p>Recommendation 11d: Clearer KPIs should be set and stronger monitoring, evaluation and reporting on for Inward Investment/ FDI projects is required to demonstrate impact and added value.</p>

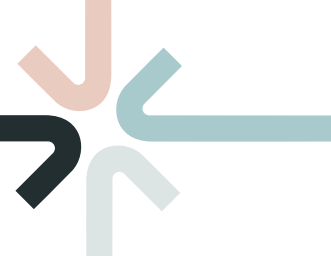
Area	Finding	Recommendation
Financial & Human Resources	<p>Finding 12a: Invest NI is well resourced compared to similar organisations although it has a larger remit. Despite advances in technology since the previous IREP review, there remains an imbalance between back office / support resources and business facing staff within the organisation.</p> <p>Finding 12b: The loss of EU funding has required Invest NI to consider significant budget re-prioritisation. However, the extent to which DfE and DoF have resolved the immediate loss of ERDF funding is also unclear.</p> <p>Finding 12c: Single year budget allocations seriously undermine Invest NI's ability to strategically plan interventions and supports</p> <p>Finding 12d: Invest NI's current organisational structure does not align with Invest NI's strategic priorities and main function as a delivery body. This structure can be confusing for external stakeholders and staff to navigate and limits efficient and effective use of resource.</p> <p>Finding 12e: There are significant concerns regarding the value and the timing of Invest NI's Evolve programme.</p> <p>Finding 12f: Invest NI appears to have a top-heavy workforce. There is also likely to be a large number of retirees within Invest NI over the next ten years and there is currently no resource succession plan in place.</p>	<p>Recommendation 12a: Invest NI should revise its organisational structure to align with strategic priorities and to be easier for both internal staff and external stakeholders to understand and navigate. When revising the structure consideration should be given to reducing the number of ELT posts. It should also take full account of the benefits of digitalisation.</p> <p>Recommendation 12b: The Invest NI board should establish a Strategic Resources Committee, to strengthen financial monitoring and prioritisation and give greater oversight of personnel and skills issues.</p> <p>Recommendation 12c: Invest NI should take urgent steps to review the shape and skills of its workforce in line with the organisational changes we propose. This should include:</p> <ul style="list-style-type: none"> • A rebalancing of the organisation's structure in favour of client facing activity; • A stronger emphasis on performance review and continuing professional development of staff; • The urgent acceleration of work on succession planning given the age profile of the organisation; • A programme of regular inward and outward secondments to strengthen expertise and business experience within the organisation; and • Suspension of the current Evolve Programme pending the appointment of a permanent Chief Executive. <p>Recommendation 12d: DfE and DoF should clarify the extent to which Invest NI's loss of ERDF funding has been resolved and the quantum of funding that will be provided to replace it.</p> <p>Recommendation 12e: Invest NI should be confident in its future budget allocations. DfE, with support from DoF, should therefore consider the scope for Invest NI to be given three-year budget allocations to enable a more strategic and effective approach to interventions planning.</p>



Area	Finding	Recommendation
<p>Alternative Funding Streams</p>	<p>Finding 13: The introduction of new schemes from the UK Government, following EU Exit, means there is now a range of funding streams potentially available for economic development activities.</p>	<p>Recommendation 13: In light of the changing funding arrangements, Invest NI must actively develop, and maintain, a detailed understanding of all sources of funding available for economic development in NI; share that understanding with NI businesses and other agencies and work closely with DfE, other depts and relevant agencies to maximise the benefits for NI through a coordinated and strategic approach.</p>
<p>Intelligence & Digitisation</p>	<p>Finding 14a: There are weaknesses and inconsistencies in the way Invest NI records and uses data. This presents risk and limitations to efficient monitoring and evaluation and leads to a lack of confidence in any data held.</p> <p>Finding 14b: Invest NI internal systems require digital transformation to improve efficiency and effectiveness, for internal reporting purposes and for external use to support an improved digital customer journey.</p> <p>Finding 14c: Invest NI does not fully utilise learning from programme evaluations. Monitoring and evaluation are important steps in delivering value for money.</p> <p>Finding 14d: Invest NI does not fully collect or share intelligence. This is a lost opportunity to inform policy and provide advice to DfE, other Departments and stakeholders.</p>	<p>Recommendation 14a: Invest NI must urgently review its information technology infrastructure with a view to accelerating digitisation, improving the capture of information on all transactions, and thus enabling customer facing staff to focus on programme delivery. Ease of access to appropriate information should be improved for all Invest NI Staff and for existing and potential client companies.</p> <p>Recommendation 14b: Invest NI needs to develop a strategy for the proactive sharing of economic and market intelligence to policy makers and key stakeholders in NI.</p>



Area	Finding	Recommendation
<p>Communications</p>	<p>Finding 15a: Invest NI does not have a strategic communications and engagement strategy that articulates the breadth of its activities or impact that these have.</p> <p>Finding 15b: Invest NI provides a wide array of support and assistance over and above bringing Foreign Direct Investment into NI, but it does not appear to communicate its other achievements to the same degree, giving the perception to many that it is predominantly an Inward Investment and job promotion agency.</p> <p>Finding 15c: We did not find substantive evidence that the Board's stated ambassadorial role, outlined in the Board Operating Framework, is fulfilled.</p> <p>Finding 15d: We were informed that the Invest NI brand has strong recognition overseas, however, the name of the organisation undersells the range of activity undertaken with indigenous business.</p>	<p>Recommendation 15a: Invest NI needs to develop a comprehensive strategic communications and engagement strategy recognising the needs of different audiences. The Invest NI Board needs to take a more active role in delivering this strategy by making full use of its ambassadorial role.</p> <p>Recommendation 15b: Invest NI should monitor and communicate the impact and value of the overseas offices more clearly and regularly as part of a wider strategic communications and engagement plan.</p>



Area	Finding	Recommendation
<p>Risk and Control</p>	<p>Finding 16a: There are some areas of strength in the control environment but clear areas of weakness in the overall framework. Further improvements are required to the current risk and control structure to improve the efficiency and effectiveness of the organisation.</p> <p>Finding 16b: Incomplete or inaccurate information has been provided to casework approval committees. There have been instances where documentation was either not available or could not be located, controls and procedures were not adhered to, and prior conditions were either overlooked or not met.</p> <p>Finding 16c: The creation of the Governance and Compliance Council (GOCC), was in response to investment in a failed project and does not easily integrate to the current structures. As a result, responsibilities and reporting lines between the Audit and Risk Committee (ARC), GOCC and Internal Audit Committee (IAC) are unclear. Board governance responsibilities cannot be replaced by executive arrangements.</p> <p>Finding 16d: The current arrangements for Post Project Evaluations are not satisfactory, with project owners carrying out evaluations in some areas.</p>	<p>Recommendation 16a: The creation of a centralised key compliance and business assurance team which will help strengthen the second line of defence in risk management and control at an operational level.</p> <p>Recommendation 16b: Invest NI should consider commissioning an Enterprise Risk Management Framework Review to identify potential weaknesses in the control environment including systems.</p> <p>Recommendation 16c: Invest NI should consider how oversight mechanisms for the large number of lower value projects, not assessed by the Invest NI Appraisal Team, can be strengthened to ensure delivery against objectives and value for money.</p> <p>Recommendation 16d: A review of the implementation of Invest NI's raising concerns policy should be undertaken in conjunction with DfE, with a view to strengthening the requirement for timely investigation of any concerns raised, improving information sharing with the Department and encouraging those staff who have identified issues for concern to actively raise these.</p>

Area	Finding	Recommendation
Invest NI and a New Economic Vision	<p>Finding 17a: 10X has been positively received as an ambitious vision but clear endorsement from the NI Executive and inclusion in a future Programme for Government would strengthen its status and further encourage cross departmental work.</p> <p>Finding 17b: Slow progress in developing detailed implementation plans is having a direct impact on Invest NI's own ability to plan for the long term.</p> <p>Finding 17c: 'A 10X Economy' was not publicly consulted upon and we found limited evidence of it being co-designed with Invest NI. It has also been suggested that DfE did not fully use the agency's expertise in the development of the 10X Vision.</p> <p>Finding 17d: Invest NI is key to the delivery of 10X, its current priorities and programmes broadly align with the Vision, but the organisation will have to be more flexible to deliver on the Vision as it is developed.</p>	<p>Recommendation 17a: DfE must ensure that the 10X Vision and subsequent action plans are tangibly linked to future NI Executive strategies, particularly the Programme for Government.</p> <p>Recommendation 17b: DfE should provide clear written policy direction on the 10X Vision and its implications for its further activities to Invest NI and other relevant delivery bodies as soon as possible.</p> <p>DfE should ensure Invest NI is fully engaged in the co-design of applicable elements of the 10X action plan.</p>



Chapter 3. Introduction and Approach

- 3.1 On 26 January 2022, the Minister for the Economy, Gordon Lyons MLA, launched the Independent Review of Invest Northern Ireland (“the Review”) and appointed this Panel to take forward this significant work.
- 3.2 As well as aligning with the ‘New Decade, New Approach’ commitment for Departments to review their ALB’s; and the requirement in Invest NI’s Management Statement and Financial Memorandum (MSFM) to periodically review the organisation, the Review comes at an opportune time given the context of the local, and indeed, global economy, as well as the opportunity for Invest NI to deliver on the Department for the Economy’s (DfE) 10X Vision.
- 3.3 The objective of the Review, as set out in the Terms of Reference [Annex A], was as follows:

“To provide an independent assessment of Invest NI’s efficiency and effectiveness and, looking forward, its capacity to strategically align with and operationally deliver the 10X Economic Vision.”

Guiding Principles

- 3.4 At the outset of the work programme, we committed to several guiding principles, designed to ensure the integrity of the Review, and the validity of this report:
 - **Autonomy and Independence:** One of the central tenets of this Review is its independence from government and our capacity to make autonomous recommendations that are free from the influence of any individual or organisation;
 - **Comprehensive Stakeholder Engagement:** We committed to energetically engage with a wide range of stakeholders from across the economy to ensure that the evidence and opinions that were gathered reflected the needs and ambitions of the different parts of Northern Ireland (NI); and
 - **Empirical Evidence and Robust Data:** The development of an empirical evidence base provided the foundations for our evaluations and recommendations.



- 3.5 We were initially set a very challenging objective by the Minister to deliver our report by September 2022. Despite some slippage in our timetable, the completion of this complex review has only been made possible by the positive engagement we have had with the significant number of stakeholders from throughout the economic development ecosystem within NI and beyond. To support our work, Invest NI also assigned a single point of contact to manage and respond to our requests for information from the agency. This process of obtaining information evidenced to us that there are some limitations in how Invest NI records and holds data, with a number of manual exercises required at times to provide the requested information. Accordingly, there may be slight variances in how data is presented throughout this report.
- 3.6 Our views on the underlying issues are discussed later in the report but we are nonetheless particularly grateful for the significant time and effort that was put into servicing our requests.

The Phases of Work

- 3.7 We conducted our work over three distinct phases.

Phase One - Initial Stakeholder Engagement

- 3.8 During the first five months of our review, we focussed our efforts on engaging across NI, to hear a wide range of views on the performance of Invest NI and the economy more broadly as required in our Terms of Reference.
- 3.9 We launched a public Call for Evidence on 1 March 2022 to which we received 50 responses that have helped to inform our wider work.
- 3.10 We also undertook a comprehensive programme of stakeholder engagement throughout NI, including regional sessions in Ballymena, Belfast, Derry/Londonderry, Dungannon and Newry. In total, we delivered 55 virtual meetings and 54 face to face meetings with stakeholders. These sessions were well attended by stakeholders from key sectors and industries and engagement was robust and meaningful.



- 3.11 We met with the Chair, other Board members, the interim Chief Executive and Executive Leadership Team (ELT) and various other teams within Invest NI. We also engaged with key groupings from the business community, the main political parties, local government, NICS Departments, Universities, Further Education (FE) Colleges as well as officials from the UK Government and economic development agencies in the Republic of Ireland (RoI).
- 3.12 To gather evidence of Invest NI's view of its own performance we also invited the agency's ELT and Board to separately complete a Self-Assessment Questionnaire. This took the form of a sixteen-part SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) and included questions on the 10X Economic Vision and the relationship dynamic between the ELT and Board.
- 3.13 We also supplemented this self-assessment exercise by providing Invest NI staff the opportunity to put forward their views on the organisation through a confidential online survey. A total of 35 staff members responded, representing around 5% of Invest NI's total workforce.
- 3.14 A list of Review consultation themes is available at Annex B.

Phase Two - Refining our Evidence Base

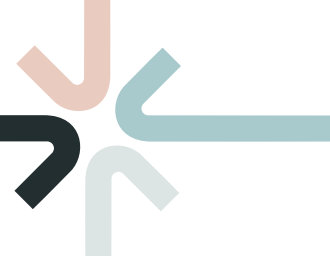
- 3.15 To complement the widespread views and opinions that we heard during our engagements, we commissioned three distinct pieces of external research from Technopolis Group. This independent research provided the primary evidence base upon which we assessed Invest NI's operational efficiency and effectiveness; through which we benchmarked the organisation against other economic development agencies and international best practice comparators; and considered how Invest NI should fit within the wider regional and sub regional ecosystem going forward. We also refer to several evaluations undertaken by SQW, for Invest NI, in the past 18 months to further inform our findings.



- 3.16 In addition, we undertook our own survey to assess the experiences of local businesses in terms of their interactions with Invest NI. This added depth and granularity to the views of those stakeholders with whom we met directly. At this stage, we want to put on record our thanks to several companies who were willing to act as case studies for the Review. However, this information proved difficult to marshal in our timeframe and instead we reflect the knowledge these firms provided as part of our findings in chapters 7 and 8.
- 3.17 These key pieces of independent analysis complemented our own comprehensive desk-based research and analysis programme that was undertaken over the period of our Review. Together, this independent analysis formed a significant and credible evidence base to support our emerging views.

Phase Three - Synthesising and Testing Recommendations

- 3.18 Following on from the above, we collated and analysed the evidence, information, views and research we had obtained to synthesise a set of robust findings and recommendations on the way ahead for Invest NI. We tested our thinking on the emerging themes and conclusions with ‘critical friends’ from academia and business during a period of final engagement.
- 3.19 We provided a limited number of individuals in Invest NI including all Board and ELT members with the opportunity to consider the draft report and draw our attention to any matters that they felt were unclear, unfair or inaccurate. We carefully considered their responses and made changes where appropriate to reflect the points that were made, prior to submission of this report to DfE.



Chapter 4. Background and Role of Invest NI

4.1 This chapter provides a high-level overview of Invest NI. We explore a number of these issues in more detail as we discuss our findings and recommendations in subsequent chapters of our report.

Formation

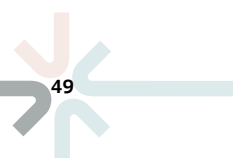
4.2 Invest Northern Ireland (Invest NI) was established on 1 April 2002 under the Industrial Development Act (Northern Ireland) 2002⁸. The purpose of the 2002 Act was to establish a single economic development agency by transferring the existing powers within Articles 7-11 and 13 of the Industrial Development (NI) Order 1982⁹ and Article 3 of the Energy Efficiency (NI) Order 1999¹⁰ to a new organisation, Invest NI. The transfer of functions under the 2002 Act included the remits of three existing bodies engaged in different aspects of economic development, namely, the Industrial Development Board (IDB), the Local Enterprise Development Unit (LEDU) and the Industrial Research and Technology Unit (IRTU). Additionally, responsibility for tourist accommodation transferred from the Northern Ireland Tourist Board (NITB) to Invest NI.

4.3 IDB was responsible for providing, maintaining, and safeguarding employment in Northern Ireland (NI) by assisting the establishment and growth of indigenous industry and by encouraging new inward investment to NI. LEDU, The Small Business Agency, supported local economic development and promoted the establishment and expansion of small local enterprises. IRTU was responsible for promoting innovation, R&D, the use of technology and technology transfer. The Business Support Division (BSD) of the former Department of Enterprise, Trade and Investment (DETI), and the business support activities of the NITB, were also subsumed into Invest NI.

8 [Industrial Development Act \(Northern Ireland\) 2002 \(legislation.gov.uk\)](#)

9 [The Industrial Development \(Northern Ireland\) Order 1982 \(legislation.gov.uk\)](#)

10 [The Energy Efficiency \(NI\) Order 1999 \(legislation.gov.uk\)](#)



Status

4.4 Invest NI is a Non-Departmental Public Body (NDPB), commonly referred to as an Arm's Length Body (ALB), which is sponsored by Department for the Economy (DfE). As an NDPB it is independent of Government, but accountable to the Minister for the Economy for its activities and performance. The agency is allocated its own budget under terms set out in its Management Statement and Financial Memorandum (MSFM)¹¹.

Functions

4.5 Invest NI's core functions¹², as set out in the 2002 Act, include:

- **Selective Financial Assistance:** providing financial assistance to create, maintain or safeguard employment in NI;
- **General Powers of Industrial Development:** establishing, promoting or assisting any industrial undertaking to develop the economy or promote industrial efficiency;
- **Assistance for Research and Development and Marketing:** providing financial assistance for industry to undertake Research and Development, to market their products and to promote the application, in industry, of the results of scientific research;
- **Provision of Premises and Sites:** the acquisition, development, or disposal of land for use by industry; and
- **Supplementary Powers:** incurring expenditure to exercise, promote or facilitate industrial development that is likely to provide employment in NI. Invest NI may also provide financial assistance towards any inquiries, investigations or research that will advance the core functions outlined above.

11 [Invest NI's Management Statement and Financial Memorandum 2018 \(investni.com\)](#)

12 Invest NI's core functions are set out within the 1982 Order, the 2002 Act and Article 3 of the Energy Efficiency (NI) Order 1999 ([legislation.gov.uk](#))



Role and Objectives

4.6 Invest NI's aim is to:

“...support wealth creation in Northern Ireland as an enabler and catalyst to grow innovation, exports, productivity and employment throughout the business base, resulting in increased living standards for all.”¹³

4.7 DfE is responsible for determining the performance framework within which Invest NI's objectives and targets are set. Invest NI's MSFM outlines that the agency's specific business objectives and key targets should be agreed within the organisation's corporate and business planning process. There is also a notable requirement within the MSFM for Invest NI's objectives to be consistent with the NI Executive's PfG and DfE's economic strategy (currently the '10X Economy' Economic Vision¹⁴).

4.8 The objectives, targets and performance measures for Invest NI must also be set out in its Business Strategy and annual Operating Plan, both of which must be approved by DfE.

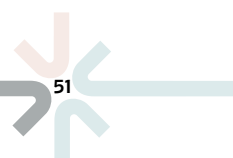
2021/22 Business Plan

4.9 Following approval from the Economy Minister in September 2021, Invest NI published its 2021/22 Business Plan¹⁵. At the time of publication, it was described as a “bridge” between the end of its most recent four-year Business Strategy, which spanned 2017 to 2021, and the development of a new longer-term strategy from April 2022 onwards, which aims to reflect a new PfG period (once agreed by the NI Executive) and DfE's 10X Vision. We understand the 2022/23 Business Plan is currently with DfE for consideration and, given that a new PfG was not agreed by the NI Executive before it was dissolved, it is likely to again cover only one year.

13 [Invest NI's Management Statement and Financial Memorandum 2018 \(investni.com\)](#)

14 [A 10X Economy 2021 \(economy-ni.gov.uk\)](#)

15 [Invest NI Business Plan 2021-22 \(investni.com\)](#)



4.10 The 2021/22 Business Plan focusses on eight strategic economic drivers.

- **Grow External Sales:** to grow external sales by £5bn, to broaden and deepen NI's base of exporters, by proactively supporting over 200 NI businesses to sell more in existing external markets and diversify into new markets.
- **Innovation:** to drive innovation by building Research & Development (R&D) awareness, actively encouraging and supporting innovation across NI's business base and directly supporting £60m-£200m investment in R&D for the development of world-class processes, products and services.
- **Entrepreneurship and Commercialisation:** to develop and implement a new NI wide Entrepreneurship Action Plan that will assist the capability of businesses in the key areas of leadership, innovation, sales and marketing and commercialisation.
- **Skills:** to support the creation of a NI wide employee culture of lifelong learning, upskilling and reskilling for the future, thus reducing the skills imbalance in the workforce, raising productivity and creating more higher-paying jobs.
- **Investment:** to develop ambitious, industry-led sector strategies that will maximise and exploit opportunities by focusing on 10X aligned core technologies, clusters, and market niches where existing world-class capability can be enhanced. Invest NI will commit to invest £31m - £49m to create an additional 4,000 – 6,000 jobs that will add £80m - £120m annually in additional wages and salaries.
- **Green Economy:** deliver external research to validate NI's specific green economy capability and align this to market opportunities. Support businesses to develop new Sustainability Plans and develop an ambitious green economy sector strategy.
- **Compete 4.0 and Supply:** exploit sectoral and collaborative supply chain realignment opportunities using Invest NI's international network and domestic expertise. Support the establishment and development of a new Makers Alliance, which will focus the deployment of public and private resources to benefit the manufacturing sector in NI.
- **Economy and Place:** to fully leverage Invest NI's resources to enable all regions, towns, and cities across NI to fully benefit from economic recovery and future growth. Work with local Councils to develop regional action plans to maximise capability at sub-regional level and support a place-based approach across NI.



Governance Arrangements

- 4.11 The Board of Invest NI is responsible for overseeing the organisation's performance and strategic direction and for ensuring the highest standards of corporate governance, efficiency, and propriety in the use of public funds.
- 4.12 The Board, which is comprised of a Chair and a quorum of ten members, is appointed by the Minister for the Economy in line with the Code of Practice issued by the Commissioner for Public Appointments for Northern Ireland. At the time of publication, the Board has 13 members (including the Chair) who represent the business community and education sectors.
- 4.13 Invest NI is operationally led by a Chief Executive (currently an interim appointment by internal promotion) who has overall responsibility for the agency's performance. The Chief Executive oversees seven operational groups, each headed by an Executive Director who has responsibility for managing the delivery of the agency's support programmes and services. Together, the Chief Executive and the Executive Directors make up Invest NI's Executive Leadership Team (ELT).



Organisational Structure

4.14 A summary of the core functions of Invest NI's seven broad delivery groups is detailed in table 1.

Table 1: Core Functions of Invest NI's Delivery Groups

Group Name	Group Function	Headcount ¹⁶
Finance	The Finance Group provides a range of corporate functions, in support of customer delivery, to the wider organisation. The Group also has primary responsibility for interaction with the Board and stakeholders, such as DfE, Internal Audit and the NIAO on Finance, Risk and Assurance issues.	92
Transformation	The Transformation Group pulls together those key areas responsible for critical compliance, process and digital transformation activities. The Group also houses the Regional Business and Regional Office Network Teams supporting new and existing businesses, offering advice and relevant support. It also works with local stakeholders and other enterprise partners to develop local economic development initiatives and encourage economic growth at a sub-regional level across NI.	120
Strategy and Partnerships	The role of the Strategy Group is to lead the development of Invest NI's corporate strategy in response to the NI Executive's economic agenda and DfE's policy objectives.	60
Business Growth	The Business Growth Group is made up of five primary divisions who manage customer portfolios or strategic priorities organised on a sectoral basis. The objective of the sectoral divisions is to improve the international competitiveness of NI's companies and accelerate their development and growth through advice, guidance, financial support and sector initiatives.	162
International and Skills	The Group has primary responsibility for the agency's Skills and Overseas activities. Invest NI's Overseas activities include attracting inward investment and supporting NI companies to access and sell to markets outside of NI with a focus on maximising opportunities aligned to NI's sectors of strength and export growth potential.	111
People & Culture	Consisting of 4 teams, the group manages all aspects of Invest NI's Human Resources and Facilities.	21
Marketing & Communications	The Communications Group is responsible for developing and implementing an integrated marketing and communications strategy for the organisation in both foreign and domestic markets.	27

16 Invest NI staffing figures as at 31 March 2022.



- 4.15 As of 31 March 2022, Invest NI had a headcount of 647¹⁷ staff, including overseas staff; 536 staff work from the organisation's headquarters in Belfast and 50 people work from regional offices located in Ballymena, Derry/Londonderry, Newry, Omagh and Craigavon; 8 people work in Invest NI's offices in Dublin, London and Manchester.
- 4.16 Invest NI also has 53 people locally-engaged or contracted to work on its behalf across the following locations: Boston (5); Miami (1); New York (5); Chicago (2); San Francisco (4); Santiago (1); Toronto (1); Brussels (2); Dublin (1); Dusseldorf (2); Madrid (1); Beijing (2); Hong Kong (1); Shanghai (5); Guangzhou (1); Singapore (3); Sydney (1); Tokyo (2); Doha (1); Dubai (9); Saudi Arabia (1); and South Africa (2).¹⁸

Budget

- 4.17 Table 2 sets out Invest NI's total budget allocation and actual spend 2016/17 to 2020/21. In the four years between 2016 and 2020, Invest NI was allocated an average annual budget of approximately £138m.
- 4.18 Between 2019/20 to 2021/22 the agency's budget allocation and final outturn was skewed significantly as a result of the Covid-19 pandemic and Invest NI's resulting role in distributing approximately £545m¹⁹ in Covid response measures.

Table 2: Invest NI total budget allocation and actual spend from 2016/17 to 2020/21

Year	Total Budget £'000	Final Outturn £'000
16/17	168,548	158,306
17/18	145,060	127,563
18/19	112,951	99,911
19/20	125,874	340,238
20/21	431,211	408,525
21/22	162,199	122,652

17 Full Time Equivalent (FTE) of 615.5 staff

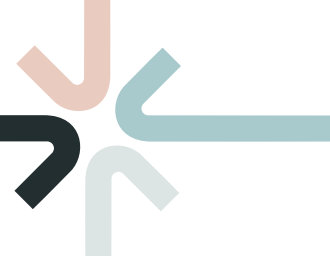
18 Evidence provided by Invest NI (December 2022)

19 Final outturn on Covid response measures (RDEL and FTC) between 2019/20 – 2021/22. Excludes ERAP (RDEL and CDEL) money.

Invest NI's Arm's Length Body Status

- 4.19 As outlined in this chapter, Invest NI currently operates at arm's length from DfE. Our Terms of Reference (ToR) ask us to consider the Cabinet Office 'three tests'²⁰ designed to reaffirm the continued need for the organisation to operate at arm's length from Ministers.
- 4.20 It is our view that having a fully effective economic development agency is crucial to future efforts to strengthen the NI economy and support the NI Executive and DfE's strategic priorities.
- 4.21 We explore in further detail the specific activities and functions performed by Invest NI in chapters 7 and 8 of this report; however, it was clear to us at the earliest stages of our work that there is a requirement for significant commercial expertise and knowledge to effectively undertake the functions of an economic development agency. We specifically acknowledge that in our view, Invest NI needs to go further and strengthen its own capability and expertise in a number of areas. We are therefore satisfied that the Cabinet Office test, "*Is this a technical function, which needs external expertise to deliver*" is categorically met.
- 4.22 We therefore conclude that the functions currently performed by Invest NI should continue to be carried out at arm's length from government.
- 4.23 It is also our view that Invest NI remains the appropriate organisation to deliver economic development in NI although changes are needed in the organisation that require reform and repurposing, which is discussed in more detail later.

20 [Tailored Review Guidance on public bodies 2019 \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/414222/Tailored_Review_Guidance_on_public_bodies_2019.pdf)



Chapter 5. Strategic Context

Overview

5.1 This chapter provides detail on the current strategic environment in Northern Ireland (NI). As a Non-Departmental Public Body (NDPB) of DfE, it is essential that Invest NI is abreast and cognisant of the large volume of active and developing policy documents, strategies, and initiatives across the local public sector. These range from the high-level Programme for Government (PfG) to strategies of economic importance such as DfE's 'Vision for a '10X Economy', 'Skills for a 10X Economy' and 'Path to Net Zero Energy'. Further details on the relevant strategies and the overall strategic environment in NI are outlined in the chapter below.

EU Exit and the Northern Ireland Protocol

5.2 EU Exit and the NI Protocol have fundamentally changed the terms of trade for NI. This is most obvious in relation to GB-NI trade but also crucially to trade with the Republic of Ireland (RoI) as NI's largest exporting partner and it is also important in terms of the Rest of World (RoW) trade picture and particularly RoW imports. For some businesses, the Protocol has created commercial opportunities to trade outside NI, for others it has challenged their business model and for others still, its impact has been a combination of both. In terms of RoW trade, the interaction between the provisions of the UK Government's (UKG) Free Trade Agreements (FTA) and NI's legal obligations under the Protocol are complex and create uncertainty in the extent to which NI importers and consumers can access the full range of goods covered by an agreement and also the effect on the competitiveness of NI suppliers within the UK. By way of an example, a report by the House of Commons on the UK-Australia free trade agreement²¹ notes that "*the interaction of the Protocol and the FTA may mean that the implications of the FTA are different for Northern Ireland compared with the rest of the UK where goods are imported directly from Australia*". It also notes that the NI Executive raised concerns that the FTA creates a divergent tariff regime between GB and NI. This could complicate the movement of goods as well as undermining the UK Internal Market.

21 [UK-Australia free trade agreement 2022 \(parliament.uk\)](https://www.parliament.uk/business/committees/committees-a-z/commons-select/international-trade-and-trade-policy-committee/written-evidence/2022-23/uk-australia-free-trade-agreement-2022)



The UK Internal Market Act (2020) was established to preserve the ability to trade unhindered in every part of the UK. However, divergent terms of trade for NI firms compared to GB firms has the potential to make NI firms less competitive in the GB market. That additional complexity and uncertainty is unhelpful in the context where NI has a disproportionate over-reliance on a relatively small number of larger businesses for its overall economic and export performance. The challenge remains to grow the value of external sales by growing and diversifying the number of businesses that sell outside NI, encouraging more NI small and micro businesses to do so for the first time.

- 5.3 The introduction of the NI Protocol has led to additional requirements for businesses moving goods from GB to NI. All businesses undertaking customs procedures have additional costs to contend with, particularly in relation to the transport of goods to and from GB. This is perceived to be having an impact on the competitiveness of NI businesses in the UK internal market. Many businesses report that customs processes have placed a significant burden on them, both in administrative time and tariff costs, although the free to use Trader Support Service (TSS) has lessened this burden. The TSS currently facilitates customs paperwork for free until the end of 2023. After this date Small and Medium Sized Enterprises (SMEs) may need to buy in customs support services. Since January 2020 firms will have had to use internal resources to support customs procedures, even when using the TSS. The grace periods currently in place have minimised the full resource cost of GB to NI customs to date.²² Issues have been particularly noticeable in the importation of goods that are deemed 'at risk' and cannot avail of the tariff deferment schemes in place (e.g., through offset against a company's state aid allowance or through the UK Trader Scheme (UKTS) for goods remaining in the UK market). These issues continue to result in changes to the environment NI businesses operate in, as well as the regulatory environment for the NI Executive and economic development agencies including Invest NI. Historically, Invest NI provided financial assistance in accordance with the EU State Aid regulations. From 1 January 2021, Invest NI's financial support has had to comply with either EU State Aid rules or the UK's Subsidy Control regime. Moving forward, the organisation will need to remain constantly cognisant of current or relevant State Aid or Subsidy Control rules and regulations.

22 [Trading and moving goods in and out of Northern Ireland 2020 \(www.gov.uk\)](https://www.gov.uk)



- 5.4 The UK Government has introduced the Northern Ireland Protocol Bill, which is intended to address the practical problems the Protocol has created in NI in four key areas:
- burdensome customs processes;
 - inflexible regulation;
 - tax and spend discrepancies; and
 - democratic governance issues.
- 5.5 The UK Government’s unilateral legislative moves to alter the NI Protocol will have an impact on both sides of the border. The RoI is a small open economy with continued and robust levels of investment. However, the global environment is changing and is having an impact on levels of investment. In addition to changes in the funding environment, investment in RoI is also facing headwinds from capacity pressures in the labour market and rising costs²³. Additional uncertainty is created by the ongoing EU Exit negotiations. The threat of further disruptions to trade may mean that businesses choose to hold off on investment activity until there is more certainty²⁴. In March 2021, the Ulster University Economic Policy Centre (UUEPC) published a report into the Dublin–Belfast Economic Corridor. It noted that there are existing strengths along the corridor brought about by closer collaboration. The Councils along the corridor have identified “*sectoral priorities for their areas, based on current strengths and aspirations around capturing emerging sectoral trends. The aim is to develop networks and clusters of firms and related research strengths.*”²⁵

New Decade New Approach

- 5.6 The current legislative Assembly in NI was formed in 1998 following the signing of the Good Friday Agreement. However, since its inception in 1998, it has been an extremely unstable and fragile body, being suspended on five separate occasions. The latest suspension began in May 2022 and at the time of writing was still ongoing. In February 2022, it was reported by the BBC that since devolution in 1998, NI has not had a functioning Executive for 35% of its lifespan²⁶. The longest suspension of the Executive was five years, from 2002 to 2007. The ‘New Decade, New Approach’²⁷ (NDNA) agreement of January 2020 restored the NI Executive after a three-year suspension, which began in January 2017.

23 [Quarterly Economic Outlook Q2 2022 \(ibec.ie\)](https://www.ibec.ie/quarterly-economic-outlook-q2-2022)

24 [Quarterly Economic Commentary, Summer 2022 \(esri.ie\)](https://www.esri.ie/quarterly-economic-commentary-summer-2022)

25 [The Dublin–Belfast Economic Corridor 2021 \(ulster.ac.uk\)](https://www.ulster.ac.uk/the-dublin-belfast-economic-corridor-2021)

26 [Stormont without NI leadership for third of its lifespan 2022 \(BBC.co.uk\)](https://www.bbc.com/news/northern-ireland-58111111)

27 [A New Decade a New Approach 2020 \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/86444/a-new-decade-a-new-approach-2020)



- 5.7 NDNA committed to establishing a multi-year PfG, underpinned by a multi-year budget and associated legislative programme. NDNA also included some areas of relevance for Invest NI, including the commitment to work in partnership with other UK agencies, such as the Department for International Trade, to enhance business support. This is explored further in chapter 7 of this document. More significantly to our Review, NDNA contained a commitment to a “*review of ALB’s with a view to their rationalisation.*” The Department of Finance (DoF) was tasked with leading on this work, which has been heavily influenced to date by guidance from the Cabinet Office on ‘Tailored Review Process’²⁸. This guidance stipulates reviews of Sponsored Bodies should be led by the sponsoring Department but should not be undertaken by established Sponsor Teams. Furthermore, the Invest NI Management Statement and Financial Memorandum 2018²⁹ committed to periodic reviews of the organisation. At the time of publication of the document it had been intended that the next review “*will take place in the financial year 2020*”.
- 5.8 Additionally, as part of an ‘Organisation Development and Transformation’ project, DfE carried out a review of how it oversees and works with its 20 different ‘Sponsored Bodies’ (which includes Invest NI), in May 2022. The purpose of this review was to help develop the best operating model in support of the 10X Economic Vision, and to ensure a consistent, joined up approach to sponsorship across the Department. The review considered perceived shortcomings with the existing sponsorship model and produced 20 specific recommendations for improvement, including the revision of the Sponsorship Manual and the development of Partnership Agreements to replace MSFMs during 2022/23. The review also noted that the Independent Review of Invest NI had recently commenced and recommended no significant changes to the sponsorship arrangements until it had concluded. The current sponsorship arrangements between DfE and Invest NI are outlined in greater detail in Chapter 7 of this report.

28 [Tailored Review Guidance on public bodies 2019 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

29 [Invest NI’s Management Statement and Financial Memorandum 2018 \(investni.com\)](https://investni.com)



Independent Review of Economic Policy (2009)

- 5.9 The last formal exercise to examine both local economic policy and the role of Invest NI in delivering this, was known as the Independent Review of Economic Policy (IREP)³⁰, which reported in 2009. It was commissioned by the then Minister of Enterprise, Trade and Investment, Arlene Foster MLA, to “*advise on the need to realign existing policies, or to devise new policies, in order to meet the Executive’s goal of halving the private sector productivity gap between Northern Ireland and the UK excluding the Greater South East of England by 2015*”. The aim of the review was to consider the extent to which the Department of Enterprise, Trade and Investment (DETI) / Invest NI policy should change to stimulate convergence in productivity and ultimately living standards between NI and the rest of the UK. This review made over 60 recommendations that were designed to “*maximise the competitiveness of the economy and help build a larger export base, and one that promotes and supports the importance of Innovation and R&D.*”
- 5.10 Although further detail is contained throughout this report, it is worth noting some specific recommendations from IREP at this stage, including the following:
- The concept of Invest NI ‘clients’ should be removed to allow Invest NI to work throughout the entire business base to raise awareness and provide support for businesses undertaking Innovation, R&D and exports;
 - Invest NI should work to significantly reduce the number of its support programmes;
 - Invest NI should further reduce its support for company training, and concentrate support mainly to small firms and to projects with a high innovative content, where retraining is necessary to realise a substantial rise in productivity; and
 - Invest NI should transfer its budgets relating to tourism accommodation back to DETI to be redistributed to a more appropriate body.

30 [Independent Review of Economic Policy Report 2009 \(economy-ni.gov.uk\)](http://economy-ni.gov.uk)



5.11 The IREP Panel concluded that the implementation of its recommendations should lead to the following:

- Greater clarity on the roles and responsibilities of economic policy within the NI public sector, with DETI and Invest NI taking lead responsibility;
- Better co-ordination in the delivery of the key factors influencing economic policy in NI, including more tailored support for businesses in NI;
- Invest NI developing into a more responsive and less compliance-driven business development agency;
- A much greater emphasis on supporting innovation / R&D and exports for companies throughout NI (indigenous and foreign owned); and
- A smaller and more focused mix of policies and programmes, to help attract and retain a greater level of value-added inward investment, with increased integration of SMEs into relevant supply chains.

Programme for Government (PfG)

5.12 The PfG is ultimately intended to set out an approach and vision that helps to deliver improved well-being for every citizen in NI. The previous PfG³¹ expired in 2016 and with the collapse of the Executive in January 2017 work then began on a cross departmental Outcomes Delivery Plan (ODP) for departments to use as their strategic basis. The ODP, 'Improving Wellbeing For All – by Tackling Disadvantage and Driving Economic Growth'³², was published in June 2018 and contained 12 Outcomes, of which DfE had lead responsibility for three, as follows:

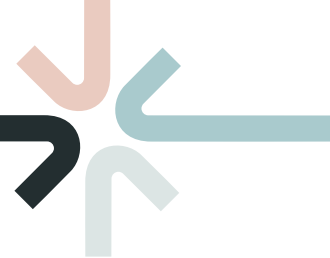
- we prosper through a strong, competitive, regionally balanced economy;
- we are an innovative creative society where people can fulfil their potential; and
- we have more people working in better jobs.

5.13 Each Outcome had the relevant departmental Permanent Secretary as 'Outcome Owner', but this process of reporting was abandoned following the Covid-19 pandemic in 2020³³. Furthermore, the NI Executive was again suspended in April 2022 and therefore a new PfG, and overarching strategic priority plan has yet to be agreed.

31 [Programme for Government 2011 - 2015 \(northernireland.gov.uk\)](https://www.northernireland.gov.uk).

32 [Outcomes Delivery Plan 2018/19 \(executiveoffice-ni.gov.uk\)](https://www.executiveoffice-ni.gov.uk).

33 [The Executive Office Programme for Government 2020 \(executiveoffice-ni.gov.uk\)](https://www.executiveoffice-ni.gov.uk).



'A 10X Economy – Northern Ireland's Decade of Innovation'

- 5.14 Despite the absence of an agreed PfG with overarching aims, in May 2021 DfE published its latest economic strategy document, entitled, "A 10X Economy – Northern Ireland's Decade of Innovation"³⁴. This document sets out an ambition for NI to be a *"ten times better economy"*. Although explored in greater detail in Chapter 9 of this report it is also necessary to set out the strategic context of this important document. The aim outlined for NI is to become one of the most elite, advanced small economies in the world. The document states that this ambition will be realised by, *"focusing on innovation in areas where we have real strengths and making sure these gains mean something to all businesses, people and places in Northern Ireland."*
- 5.15 The vision within 'A 10X Economy' is intended to provide the strategic framework for the Department's activities over the next decade. The strategy states that the Department's policies and interventions will be focused on delivering an economy that is innovative, inclusive, and sustainable. The document also states that international experience indicates that a small number of highly innovative technologies/clusters within small, advanced economies significantly boost economic performance. Therefore, priority clusters and technologies in which NI can become a global leader have been identified.
- 5.16 In October 2022 the Economy Minister launched a public consultation exercise to seek views on the performance management framework that it intended to set the structure for achieving the '10X Economy' Vision. Following this consultation, on 27th October, the Minister published next steps and objectives for the implementation of the Vision.
- 5.17 Reflecting the responses received through consultation, the Department will focus on the following as three pillars to deliver 10X:
- Triple bottom line – delivering on 10X will require clarity of focus on the three core priorities of innovation, inclusion, and sustainability;
 - Focus – delivery of 10X requires focus of resources on maximising areas of competitive advantage and using resources to best effect to deliver on the 'triple bottom line'; and

34 [A 10x Economy 2021 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk).



- Scale – transformation of the economy will require delivery on a scale never achieved before.

Skills Policy/Strategy – ‘Skills for a 10X Economy’

5.18 ‘A 10X Economy’ highlights the importance of skills to the NI economy, with ‘talent’ identified as one of the five key pillars for delivering success. In March 2022, following the publication of ‘A 10X Economy’, DfE subsequently released ‘Skills for a 10X Economy’³⁵, the skills strategy for NI. ‘Skills for a 10X Economy’ sets a strategic framework for the development of the skills system in Northern Ireland up to 2030. It sets out three strategic goals that, cumulatively, aim to address the skills imbalances in the economy and improve social inclusion and wellbeing across society in NI. The goals are as follows:

- Strategic Goal 1: increasing the proportion of individuals leaving NI higher education institutions with first degrees and post-graduate qualifications in narrow Science, Technology, Engineering and Maths (STEM) subjects;
- Strategic Goal 2: increasing the proportion of the working age population with qualifications at level 2 and above; and
- Strategic Goal 3: increasing the proportion of the working age population with qualifications at level 3 and above.

5.19 In summary, the ‘Skills for a 10X Economy’ strategy sets out a plan for delivering substantial growth in qualifications in technical and professional skills through the FE colleges. In parallel, it aims to rebalance graduate and postgraduate qualifications in higher education. There is a focus on STEM subjects and an ambition to tackle inequality by supporting people with low or no qualifications to overcome barriers to employment.

35 [Skills Strategy for Northern Ireland 2022 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)



Skills Barometer

5.20 The Northern Ireland Skills Barometer³⁶ was first commissioned by the Department for Employment and Learning (DEL) in 2015 through UUEPC. The aim of the Barometer was to build a forecasting tool to estimate the quantum of future skills needs across a range of economic scenarios (e.g., a reduction in Corporation Tax). This was also initially developed to be a useful tool to consider the skills implications of the PfG and future NI Executive economic strategies. The quantitative findings of the research are also intended to be of interest to a wide range of stakeholders including: careers advisors; young people and parents; teachers and schools; business groups; DfE and wider government, including agencies such as Invest NI. The fourth, and latest, version of the Barometer was published in 2021³⁷. ‘Skills for a 10X Economy’ used the 2021 NI Skills Barometer as one of its evidence bases for predicting the future skills needs of the local economy. The 2021 Skills Barometer highlighted that the employability skills that employers (and therefore existing and prospective Invest NI client companies) are likely to require in the future include leadership, digital skills, critical thinking, problem solving, commercial awareness, communication, customer skills and planning.

Loss of Skills to Northern Ireland

5.21 Traditionally, NI has been perceived as a region that exports talent, especially higher education students, to other regions of the UK. A 2021 research report undertaken by Pivotal, “Should I Stay, or Should I Go, Reasons for Leaving Northern Ireland”³⁸, highlighted several issues on why students chose to leave NI and not return, outside of economic factors (such as salary and job potential). These included poor community relations, ineffective government, leisure options, diversity of the education offering and strong links between work placements and degree courses. The 2020 Organisation for Economic Co-operation and Development (OECD) report on skills, ‘OECD Skills Strategy Northern Ireland (United Kingdom)’³⁹, highlighted that in recent years “*emigration and ‘brain drain’ have begun to disproportionately affect Northern Ireland compared with most other UK regions.*” However, the 2021 Skills

36 [Northern Ireland Skills Barometer Findings Report 2015 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk/northern-ireland-skills-barometer-findings-report-2015)

37 [Northern Ireland Skills Barometer 2021 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk/northern-ireland-skills-barometer-2021)

38 [Should I stay or should I go? Reasons for leaving Northern Ireland for study or work 2021 \(pivotalppf.org\)](https://pivotalppf.org/should-i-stay-or-should-i-go-reasons-for-leaving-northern-ireland-for-study-or-work-2021)

39 [OECD Skills Strategy Northern Ireland \(United Kingdom\): Assessment and Recommendations 2020 \(oecd-ilibrary.org\)](https://oecd-ilibrary.org/oecd-skills-strategy-northern-ireland)



Barometer report⁴⁰ stated that, *“losing talent to other regions is a problem not unique to NI. In fact, almost three-quarters (73%) of NI domiciled students are studying within NI HEIs [Higher Education Institutions], a retention of indigenous students second only to Scotland”*. The real problem is therefore the lack of students coming to the region from elsewhere in the UK and internationally. The Northern Ireland Skills Barometer 2021⁴¹ states that, *“Although NI’s outflow of students to other regions is relatively low compared to other UK regions, NI’s inflow of students from other regions is the lowest in the UK by a considerable margin. This results in NI having the largest negative net flow of students to HE institutions of any UK region.”*

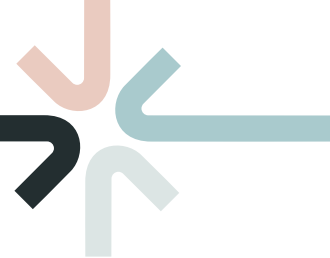
UK Immigration Policy

- 5.22 Under the current points basis system for UK Immigration, skilled workers can enter the UK if they have a job offer from an approved employer sponsor. The job offered will need to be at a required Regulated Qualifications Framework (RQF) skill level of RQF3 or above (equivalent to A level). The worker will also need to be able to speak English and be paid the relevant salary threshold by their sponsor. This will either be the general salary threshold of £25,600 or the going rate for the job, whichever is higher.
- 5.23 A report by Oxford Economics⁴² for DfE highlights that this will impact the flow of new EU26 workers who previously had free movement and who tended to take up roles in lower-value added and lower-paid sectors. Modelling, taking account of the salary threshold and other factors, estimated that the new UK migration policy will have an adverse impact on the NI economy. The impact is equivalent to 17,100 fewer jobs by 2030, implying a 1.9% loss in employee jobs relative to baseline forecasts. Much of this is likely to be focussed on specific sectors such as: wholesale and retail; manufacturing; and accommodation and food services. It is also likely to result in employers being unable to replace migrant workers leaving NI to work elsewhere. The loss of EU26 will have wider economic consequences in terms of loss of Gross Value Added (GVA) and falls in income tax, employees National Insurance Contributions (NICs) and employer NICs. Another factor is the cost of UK visa fees, which are among the most expensive in the world. The cost per person will be dependent on several factors, such as the post, how long the person is staying for and the number of dependents. This puts the UK at a competitive disadvantage both for EU26 and third-party workers.

40 [Northern Ireland Skills Barometer 2021 \(economy-ni.gov.uk\)](https://www.economy-ni.gov.uk/northern-ireland-skills-barometer-2021)

41 [Northern Ireland Skills Barometer 2021 \(economy-ni.gov.uk\)](https://www.economy-ni.gov.uk/northern-ireland-skills-barometer-2021)

42 [The Impact of changes to migration policy on the Northern Ireland economy 2020 \(economy-ni.gov.uk\)](https://www.economy-ni.gov.uk/the-impact-of-changes-to-migration-policy-on-the-northern-ireland-economy-2020)



Energy Strategy and Green Growth

5.24 The Climate Change Act (Northern Ireland) 2022 includes a target for net-zero emissions by 2050 as well as a set of interim targets for 2030 and 2040 for reducing greenhouse gas emissions in NI. In addition to this and the strategic documents listed above, Invest NI also needs to be highly cognisant of other relevant current and developing strategies, specifically in relation to Energy and Green Growth.

Energy Strategy – Path to Net Zero Energy

5.25 Published by DfE in December 2021, the Energy Strategy, ‘Path to Net Zero Energy’⁴³ sets out a “*long term vision of net zero carbon and affordable energy for Northern Ireland*”. The Strategy outlines targets to achieve this vision including 25% energy savings of buildings and industry by 2030. Furthermore, the Strategy states an ambition to, “*launch a new energy efficiency support scheme through Invest NI in 2022. This will underpin the design of potential further future tailored support schemes.*” The associated Action Plan for the Strategy⁴⁴ also outlines two actions for Invest NI. These are to “*deliver £10m of funding through a new Green Innovation Challenge Fund*” and to “*launch a non-domestic energy efficiency scheme*”.

Draft Green Growth Strategy

5.26 Led by the Department of Agriculture, Environment and Rural Affairs (DAERA) on behalf of the Executive, the draft Green Growth Strategy⁴⁵ sets out a long-term vision, up to 2050, and a framework for tackling the climate crisis by balancing climate action with the need for a clean, resilient environment and economy. It is intended that this cross-cutting strategy will be delivered through a series of Climate Action Plans, which will set out the actions to meet sector-specific greenhouse gas emission targets to deliver a cleaner environment rich in biodiversity, delivering a more efficient use of resources within a circular economy, and green jobs. It will be incumbent upon all departments and ALBs to show consideration for the aims of the Green Growth Strategy moving forward in the long term.

43 [Energy Strategy: The Path to Net Zero Energy. Safe. Affordable. Clean. 2021 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)

44 [Energy Strategy Action Plan: The Path to Net Zero Energy. Safe. Affordable. Clean. 2021 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)

45 [Draft Green Growth Strategy 2021 \(daera-ni.gov.uk\)](https://daera-ni.gov.uk)



Local Council Economic Strategies

5.27 The local councils have in recent years begun to offer skills programmes for employers and individuals. The strategic context for these programmes is contained within local economic strategies and council community development plans. All eleven local councils have community development plans with various economic targets and aspirations, but five councils have produced a district-specific economic strategy. The timeframes, aims and auspices of each strategy varies greatly from council to council. For example, Antrim and Newtownabbey Borough Council's economic development strategy 2018 - 2023, "Invest and Connect"⁴⁶ has a goal "to create new jobs, investment and improve the wealth of individuals and the community". The strategy specifically lists Invest NI as a partner and also cites an ambition to help companies who are not Invest NI clients. Causeway, Coast and Glens Borough Council's (CCGBC) 2020 – 2035 economic development strategy, "Recovery and Renewal – an economic strategy for the Causeway Coast and Glens"⁴⁷ focuses on building the economic recovery of the borough following the Covid-19 pandemic. It references that the council is at the low end of support from Invest NI, stating, "At just over £2,000 support on a per company basis, CCGBC area ranks 10th out of the 11 NI Councils for the amount received and considerably below the NI average of £7,000". The plan also lists several programmes that have been supported by funding from Invest NI including 'Go For It' and 'Collaborative Network Funding'. 'Amplify'⁴⁸ is the Economic Development Strategy of Mid and East Antrim Borough Council. The strategy has several aims, including to be "A nationally competitive economy, with output, productivity and wage rates at least 95% of the UK (including London) average." The strategy also openly calls for, "greater promotion of the support that is available through Invest NI" and says that "the area needs to do all it can to position itself for high quality and sustainable inward investment, through the development of a strong investment proposition and close working between the Council and Invest NI".

46 [Economic Development Strategy 2018 to 2023 \(antrimandnewtownabbey.gov.uk\)](https://antrimandnewtownabbey.gov.uk)

47 [Economic Development Strategy 2020 to 2035 \(causewaycoastandglens.gov.uk\)](https://causewaycoastandglens.gov.uk)

48 [About Amplify accessed December 2022 \(midandeastantrim.gov.uk\)](https://midandeastantrim.gov.uk)



Chapter 6. The NI Economy and Business Environment

Introduction

- 6.1 It is important to set the need for Invest NI's role, remit and impact in the context of the current position and performance of the NI economy and the business environment within which the agency operates. NI is a unique economic entity. It is a small, regional economy with a population of around 1.9m. Its troubled past has affected the scale and structure of the economy and its distinct geographical location as a UK region makes trading conditions different to its other UK regional counterparts. It has no monetary powers and very limited fiscal powers, meaning its ability to drive economic growth and respond to economic and wider challenges is restricted.
- 6.2 The NI economy has made significant gains over the last few decades but its relative economic performance within the UK remains weak and low productivity continues to be the most deep-seated constraint on incomes and growth. As with the UK, NI has seen little to no productivity growth in recent decades. This has been exacerbated by the financial crash in 2008/09 that hit NI harder than the rest of the UK and from which it has been slower to recover.
- 6.3 Subvention from the UK has ensured that the standard of living in NI has remained close to the UK average despite its weak economy. However, NI's dependence on these fiscal transfers leaves it very vulnerable to economic shocks. As well as the financial crash of 2008/09, the impact of the UK leaving the EU and the subsequent agreement of the NI Protocol, the restrictions put in place to mitigate the health impact of Covid-19 and the Russian invasion of Ukraine have significantly impacted the local economy. The current UK political uncertainty and the economic crisis it has exacerbated, including increased inflationary pressures on businesses and consumers, looks set to change the monetary and fiscal landscape in a way that will create significant pressures on the delivery of economic development activity. There are huge environmental challenges globally and NI must also play its part in the goal to net zero and the delivery of the Climate Change Act, as well as policies around green growth and energy delivery goals for the region.



6.4 This chapter sets out some background explaining how the NI economy has changed in recent decades, reflecting on many of the main challenges that it currently faces, highlighting the types of market failure that need to be addressed to support the 10X Vision for transformational change. There are also opportunities that NI can take hold of to drive the innovation-led growth model to which 10X aspires.

How Northern Ireland's Economy Has Evolved

- 6.5 NI evolved from a largely agricultural economy to develop strengths in engineering, shipbuilding and linen manufacturing at the start of the 20th century. However, as deindustrialisation took hold, mechanisation increased and a global shift towards emerging and developing countries made it more difficult to compete, and economic decline set in. The manufacturing sector in NI was particularly badly hit. In the 1980s manufacturing employment fell by 40%⁴⁹ over the decade, reflecting a wider change across the UK and other advanced economies.
- 6.6 The compounding effects of civil unrest in the late 1960s and the fallout from the oil shocks in the 1970s⁵⁰ led to a period of chronic unemployment. Long-term unemployment was a particular problem for Northern Ireland relative to other parts of the UK. The private sector weakened, meaning that unsurprisingly it was difficult to attract Foreign Direct Investment (FDI) and tourism.
- 6.7 The lack of private sector activity meant that over time the public sector became a larger part of the economy. By 1992, the public sector accounted for 39%⁵¹ of jobs, offering better wages and terms than many of their private sector counterparts. The UK Government also increased subsidies to the region during the Troubles, which cushioned some of the private sector decline, particularly in manufacturing, but arguably came at the cost of lower productivity and competitiveness. Other economic costs including poor educational outcomes and net out-migration.

49 G Gudgin, M. Hart, J. Fagg, E. D'Arcy and R. Keegan, (1989), Northern Ireland Economic Research Centre, 'Job Generation in Manufacturing Industry, 1973-1986: A Comparison of Northern Ireland with the Republic of Ireland and the English Midlands'

50 1973 & 1979

51 [Economics in Peacemaking: Lessons from Northern Ireland 2007 \(portlandtrust.org\)](http://portlandtrust.org)



- 6.8 As the UK economy emerged from a deep recession, the NI economy also began to recover and grow. The 1994 Ceasefires are believed to have provided an immediate and positive boost to the economy⁵². Investment activity particularly stepped up, with strong interest from the United States and this was linked to more and better jobs and improved living standards (Portland, 2007).⁵³ Several measures were also introduced to address economic inequalities and ultimately as the region became more prosperous, the private sector's share of the economy grew and a commitment to economic growth became more tangible.
- 6.9 Over time, the NI economy began to exist under more 'normalised' conditions and has emerged in a considerably stronger position as a result, with its growth path largely following that of the UK economy. Unemployment is currently one of the lowest across the UK regions, business costs are relatively low, and the region offers a competitive wage environment. It has made significant strides in presenting itself as an attractive region to live, work and visit.

Where The Key Challenges Lie

- 6.10 However, some aspects of NI's weak economic past have persisted. Low productivity arguably remains the most deep-seated factor negatively impacting on the economy and has been described as '*central*' to Northern Ireland's '*poor economic performance*'⁵⁴ and a drag on the economic prosperity of the region. GDP per head was £25,575 in 2020 in NI, 80% of the UK total and lowest after the North East (72%) and Wales (75%).

52 J Friedman, N Killick, (2007), "Local Business Pushing for Peace in Northern Ireland," European Platform for Conflict Prevention and Transformation

53 [Economics in Peacemaking: Lessons from Northern Ireland 2007 \(portlandtrust.org\)](https://portlandtrust.org/)

54 [What explains Northern Ireland's long-standing problem of low productivity? 2021 \(economicsobservatory.com\)](https://economicsobservatory.com/)

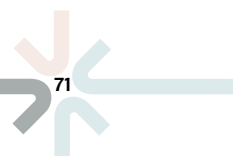


Table 3: Gross Domestic Product (GDP) Per Capita – NI as a share of the UK

	GDP Per Capita – NI as a share of the UK ⁵⁵
1947	71%
1960	63%
1973	73%
1986	80%
1991	75%
2000	76%
2009	79%
2017	77%
2020	80%

Source: Birnie & Hitchens (2001)⁵⁶, NISRA updates

6.11 Some of this productivity gap has been put down to the evolution of NI's industrial structure, including the decline in core industries as highlighted above, focus on low productivity sectors such as retail and agriculture and the after effects of civil and political instability. However, this is thought to tell only part of the story (MacFlynn, 2016).⁵⁷ Other reasons proffered have included the region's small size and geographical peripherality. Most of the region is considered rural and Belfast is the only city with a population greater than 100,000. Significant underinvestment across a range of areas including Research and Development, skills/human capital (both discussed further below) along with physical infrastructure is believed to have played a part. Another suggested driver is that the public sector in NI remains large by UK standards (currently accounting for 27% of jobs vs. 18% UK). There is also the deep-seated issue of economic inactivity. The proportion of working age people who are neither working, in education or not actively seeking work is higher in NI than any other UK region. There are currently 28% of people who are classified as economically inactive in NI compared to 22% for the UK. A big driver of higher economic inactivity is the higher share of people in NI who are classed as long-term sick and disabled, again thought in part to be a legacy of the Troubles. This and persistent long-term unemployment mean that there is a core of hard-to-reach people whose labour market potential may be limited.

55 2009, 2017 and 2020 figures reflect GVA per capita

56 E Birnie, D Hitchens, (2001), 'Chasing the Wind? Half a Century of Economic Strategy Documents in Northern Ireland', (2001), Pages 1-27, Irish Political Studies

57 [Productivity and the Northern Ireland Economy 2016 \(nerinstitute.net\)](http://nerinstitute.net)



6.12 Various policy interventions over time, including dedicated manufacturing support and a focus on specific interventions in entrepreneurship and FDI have not improved the region's productivity performance (Jordan, NIESC 2022).⁵⁸ Further evidence points to a lack of joined up policy making and the fact that productivity is typically not an explicit measure used to evaluate policy outcomes, an important consideration in the context of this Review.

6.13 Exploring some of the drivers of lower productivity and weaker economic performance suggests the following:

Northern Ireland has a smaller private sector business base with most businesses having less than 10 employees.

6.14 NI has a small business base, accounting for 2.2% of the UK total or 123,000 businesses in 2020. This takes in both registered (VAT/PAYE) and non-registered businesses. The region has one of the lowest business densities across the UK regions, with 825 businesses per 10k adult population compared to an average of 1,029 for the UK, although the NI figure is higher than Scotland and Wales. Since 2010 the region has seen the smallest percentage increase in its business population (+4%) across the regions. In London that increase has been +45% over the decade so the comparison is stark.

6.15 Within the overall business population there is a subset of VAT/PAYE registered businesses reflecting economic activity above the threshold to pay VAT/employ people. Almost 77,000 businesses were VAT/PAYE registered in NI, representing 2.8% of the UK's registered business base in 2021. Most (97%) are locally owned, although externally owned firms (including GB) accounted for 27% of jobs. The majority of externally owned firms are likely to be headquartered in GB (39%), RoI (19%) or the United States (12%). The status of NI registered businesses is quite different to the UK average, with a much lower likelihood of businesses being companies (43% vs. 74% in UK), and greater likelihood of being sole proprietors (37% vs. 15% in UK) or partnerships (16% vs. 7% in UK). Almost 3 in 5 businesses (58%) in NI are considered rural, although 84% of NI's largest businesses (250+ employees) are located in urban areas.

58 [Northern Ireland's productivity problem 2022 \(niesr.ac.uk\)](https://niesr.ac.uk)



- 6.16 The vast majority of registered businesses employ less than 10 people (90%), similar to the UK average. However, the sectoral shape of the two is quite different with a much greater focus on agricultural businesses in NI compared to a greater focus on professional services across the UK as a whole. NI also has a lower share of businesses in Information and Communication and Business Services and a slightly higher share in Production (including Manufacturing) and Construction.
- 6.17 NI has more firms with modest turnover compared to the UK average. Annual turnover is less than £100k for almost half of NI's registered business base (44% vs. 38% in UK). Interestingly, at the higher end of turnover performance, 18.0% of NI registered businesses have turnover of £500k or more compared to 16.8% for the UK.
- 6.18 Since 2013, NI's registered business base has grown by 16%. Most of this growth has come from indigenous firms. Jobs have grown by 11% over that period and while most of this jobs gain is again in indigenous businesses (90%), around 10% of jobs have been created by non-NI owned firms. Over that 9-year time frame, jobs among RoI and other EU owned companies have fallen (by 16% and 15% respectively), while jobs created by non-EU firms has increased significantly, up by 22% against a strong expansion in the number of companies whose ownership lies outside the EU.

Innovation investment and R&D activity is low

- 6.19 NI is typically associated with underinvestment in innovation and Research and Development (R&D), set against general underinvestment in UK R&D in the last few decades. NI has fewer innovation active businesses (38% vs. 45% in UK), the lowest across the UK regions, a position it has held for the last decade. Process innovation is similar to the UK average, but product innovation is lower (15% vs. 20% in UK) meaning fewer new products and/or services are introduced in the region. Innovation related expenditure is also lower in NI compared to the UK average.



Table 4: Percentage of Innovation Active Business by UK region⁵⁹

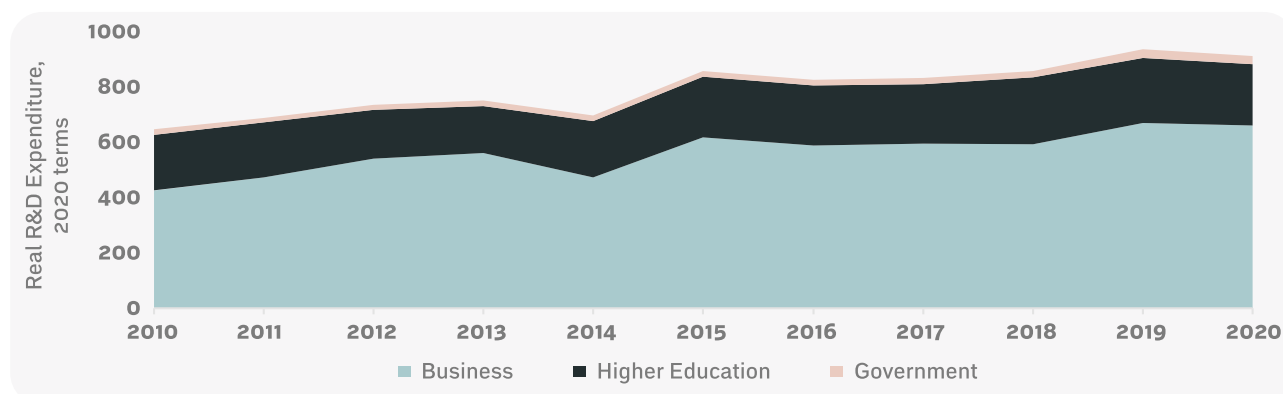
	2010-12	2018-20
North East	47%	40%
North West	42%	45%
Yorkshire & The Humber	43%	48%
East Midlands	50%	47%
West Midlands	44%	49%
East	47%	51%
London	42%	42%
South East	47%	46%
South West	48%	46%
Wales	47%	44%
Scotland	44%	39%
NI	40%	38%
UK	45%	45%

Source: UK Innovation Survey, ONS and NISRA

6.20 NI does perform better in terms of in-house business R&D spend expressed as a proportion of GVA (1.5% vs. 1.4% UK), ranking it 5th out of the 12 UK regions (2020). This tends to be concentrated in larger business, manufacturing and foreign owned businesses. The median spend on R&D was £125k per locally owned company compared to £511k per externally owned company. Belfast accounted for two-fifths of Business Expenditure on R&D (BERD) in the same year.

59 Note: Only businesses with 10 or more employees are surveyed. Innovation activity includes introducing a new or significantly improved product or process; engagement in innovation projects not yet complete, scaled back or abandoned; new or significantly improved forms of organisation, business structures or practices and marketing concepts or strategies; and investment activities in areas such as internal research and development, training, acquisition of external knowledge or machinery and equipment linked to innovation activities.

Figure 5: NI Expenditure on R&D by Source, Real Terms 2020



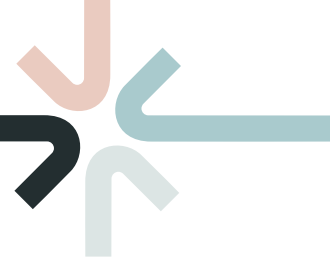
Source: NISRA, Northern Ireland Research & Development Survey 2020, December 2021

- 6.21 Business makes up most of the expenditure in R&D in NI, accounting for 72% of NI total R&D spend in 2020. Higher Education accounted for 24% for NI R&D spend. Higher Education spend has increased by 11% over the past 10 years (2010-2020). Government expenditure on R&D is only 3% of the overall spend on R&D in NI but has risen by 50% over the past ten years (2010-2020).
- 6.22 One tangible measure of R&D impact relates to patents and the evidence suggests that NI patent activity is relatively low. In 2021, there were 128 patent applications and 57% patents granted in NI, making up just over 1% of the UK total. In 2021, NI accounted for a similar share of trademarks registered (1.2%) and designs registered (1.1%). By comparison, NI makes up 2.8% of UK VAT/PAYE registered businesses.
- 6.23 University spin-out activity does appear stronger in NI. For example, based on a report from Gov Grant⁶⁰, Queen's University Belfast (QUB) ranks 9th across the UK in terms of the number of spin-outs in the 10-year period to 2018, accounting for 2.4% of UK spin-outs in that year. Another source, the Entrepreneurial Impact Ranking⁶¹ undertaken by Octopus 2020⁶², tracks UK universities' success at turning research into 'world changing companies'. It ranks Queen's University 1st place in the EIR, noting success in its high proportion of successful exits. It specifically mentions Titan IC, a cyber security and data analytics spinout, acquired in April 2020 by Mellanox, an Israeli American supplier of networking technologies. Ulster University ranks 16th in this list, reflecting strong rankings for NI's two main Universities.

60 Universities Spinout Report 2021 (GovGrant.co.uk)

61 The Entrepreneurial Impact Ranking (EIR) is calculated according to the most crucial indicators that influence spinout activity at universities. Disclosures, patents, spinouts created, and subsequent financial transactions associated with exits are those key metrics.

62 [Octopus Ventures Entrepreneurial Impact Ranking 2020-21 \(octopusventures.com\)](https://www.octopusventures.com/octopus-ventures-entrepreneurial-impact-ranking-2020-21)



Educational underachievement and skills challenges are significant concerns

- 6.24 NI is typically associated with having a significant skills deficit. At present there is projected to be an undersupply of skills at National Qualifications Framework (NQF) levels 3 and above, amounting to 5,130 jobs on average annually over the next decade (UUEPC Skills Barometer 2021). A number of business surveys, including the NI Chamber of Commerce and Industry Quarterly Economic Survey, regularly point to significant challenges in accessing workers and skills. Two key issues are thought to be the main drivers: 1) low educational achievement; and 2) the extent to which graduates leave NI to study and do not return.
- 6.25 NISRA statistics show that the region has a high level of educational achievement at one end of the spectrum, with 44% of students educated to level 4 or above in 2021, which is similar to the UK (46%). However, at the other end of the spectrum, NI has the highest proportion of individuals with low or no qualifications across the UK regions. In 2021, 12% of working age adults in NI had no qualifications (UK=6%), the only UK region with a ‘double digit’ share with no qualifications. However, this has improved considerably since 2008 when 23% had no qualifications and there has also been a significant rise in those with level 4 qualifications and above (up from 27% to 44%). However, the Lifelong learning rate in NI, reflecting participation in education/training of 25- to 64-year-olds, has remained persistently lower than UK average (NI 18% vs. 25% UK).
- 6.26 In terms of first year students, 77% of graduates in NI stayed in the region to study compared to 96% for England, 94% for Scotland and 71% for Wales in 2020/21. The region is least likely to attract GB students and its share of foreign students is low. NI students who choose to study here are however amongst the least likely to leave after graduation. Furthermore, around 50% of students who leave NI to study end up back working in the region 15 months after graduation, which places NI as a middle ranking UK region on this measure. London is the only region to attract back a significant share of its graduates (around 75%).



Low wages have been key features of the labour market, but the gap is narrowing

6.27 NI has historically had one of the lowest average wages of any UK region, with only the North East being lower. In 2021, NI's median average wages was £575 per week compared to £610 in the UK. It has also had the highest share of employee jobs across all regions of the UK with earnings below the real living wage (21.3% vs. 17.1% UK), although as with the rest of the UK that share has been falling (from 27.9% in 2018). NI has also experienced the highest growth in median wages (8.8%) in the latest statistics over the year to April 2021, which ONS suggests is driven by a change in the composition of the workforce towards more higher paid jobs and fewer lower paid jobs. The gap therefore between average wages in NI and the UK appears to be narrowing. Cost of living is lower in NI compared to other UK regions, with prices on average 2.3% lower than the UK⁶³ although this is likely to be challenged with current inflationary pressures and the impact of EU Exit.

Foreign Direct Investment is a positive feature of the economy, but evidence of investment success is mixed

6.28 FDI is an important metric for the economy because it reflects the confidence of external investors about the prospects of a region/country. NI had significant catching up to do in FDI terms given the fallout from the Troubles but did start to attract investment following the signing of the Good Friday Agreement in 1998. In fact, NI has been lauded for a relatively strong performance on FDI in recent decades. However, more recent evidence is mixed. Based on Department for International Trade's (DIT) inward investment data, in 2021/22 there were 32 FDI projects in NI, down from a high of 40 in 2019/20. Despite the fall of investment in 2021/2022, the average number of jobs per investment remained the highest over the period 2016-2022.

63 [Relative regional consumer price levels of goods and services, UK. Office for National Statistics 2018 \(ons.gov.uk\)](#)

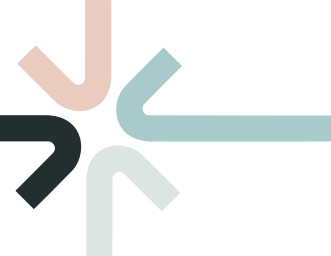
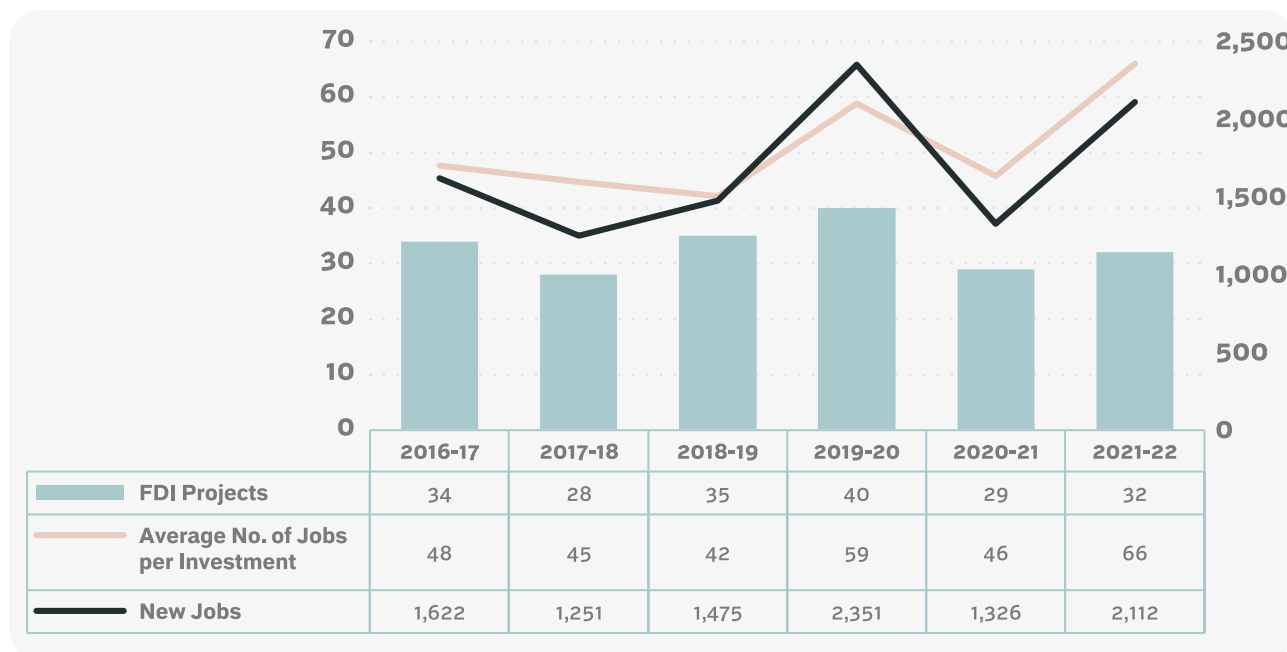


Figure 6: Number of FDI Projects and Jobs, NI



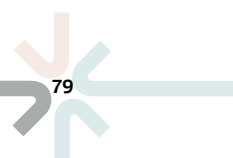
Source: DIT inward investment data

6.29 FDI Markets intelligence suggests that the value of FDI investment into NI has fallen in the period 2017-2021 compared to 2012-16 as it has done in all devolved administrations, although NI’s contraction was lowest across devolved administrations. In fact, only the Northern Powerhouse initiative in the North of England demonstrated growth. ONS experimental statistics on FDI suggest that NI accounts for the lowest value of FDI across the UK regions, 1.8% in 2020, ranking second lowest after Wales in value per head of population.

6.30 Belfast does have a favourable rating in some studies. The latest EY UK Attractiveness Survey⁶⁴ points on one hand to Belfast’s high ranking in attracting FDI, 3rd highest after Manchester and Edinburgh in 2021, contrasted against ranking lowest across the UK in an investor survey around which region in the UK investors would find most attractive to locate in. The Global City research suggests that Belfast is ranked among the Top 10 cities of the future for FDI performance⁶⁵. This does highlight the importance of Invest NI’s own intelligence in understanding the difference it makes in supporting new investment into the region.

64 [EY UK Attractiveness Survey Report 2022 \(ey.com\)](#)

65 [The Global City - UK Wide Offer](#)



6.31 Investment from GB also forms an important part of inward investment activity into NI, however, it is more difficult to comment on the region's success in attracting this investment as this information is not reported through official statistics.

6.32 EU countries are the main source of FDI for NI (61% in 2019), followed by the Americas (29%). EU inward FDI performance has been strong in the last two years recorded, arguably reflecting the attractiveness of NI as an investment location post EU Exit. However, NI's overall performance has been weaker with falling investment from all other major markets meaning that in overall terms, inward FDI fell by 25% between 2017 and 2019.

Table 7: NI's Inward FDI by Area of Origin of the Investment, (£m)⁶⁶

	2015	2016	2017	2018	2019
EU	7,452	7,010	5,234	9,082	9,084
Rest of Europe	752	*	888	815	741
The Americas	5,652	4,953	8,570	5,293	4,253
Africa, Asia, Oceania and the rest of the world	5,343	*	5,029	630	720
Total	19,199	18,163	19,720	15,819	14,798

Source: Foreign Direct Investment, experimental UK Subnational Estimates, ONS

66 Note: * values have been suppressed for quality or confidentiality purposes. The sum of the constituent items may not always agree with the totals shown due to rounding.



- 6.33 The Global Entrepreneurship Monitor (GEM)⁶⁷ highlights that NI has historically lagged behind the rest of the UK in terms of enterprise start-up activity. It uses the Total Entrepreneurial Activity (TEA) index to measure the propensity of individuals in particular countries to be entrepreneurial and shows that in 2019 (pre-Covid-19) the NI TEA rate was 6.6% compared to 9.9% for the UK as a whole. TEA fell across all areas during the pandemic. In 2021, the GEM results suggest that both male (NI 11% vs. UK 13.2%) and female (NI 3.1% vs. UK 7.7%) entrepreneurship rates are lower in NI compared to the UK average. In 2021 the gap between females and males in NI widened, after being the smallest among the UK nations in 2020. Graduate TEA is also lower in NI compared to the UK average (10.3% vs. 13.8%) and is not significantly higher than the index for non-graduates (9.7% vs. 8.1%). More than one-fifth of early-stage business owners in NI expect to achieve high growth, slightly lower than the UK average.
- 6.34 Business churn, measuring the rate of business births and deaths in an economy, is also a good indicator of the health of a business ecosystem, with high levels of churn typically associated with a more dynamic business base. However, NI is associated with both a low business birth and death rate and therefore a low level of business churn. In 2020, NI's business birth rate was 9.9% (UK=11.9%) making it the lowest across the regions alongside Scotland (9.8%) and significantly lower than London at 14%. The region's business death rate at 7.6% (UK=10.5%), was lowest across the regions. Business survival rates in NI are among the highest across the UK regions. For example, around 44% of businesses born in NI in 2015 are likely to have survived in 2020 compared to 40% across the UK.
- 6.35 NI also has one of the lowest shares of high growth businesses at 3.8% of the UK total or just 285 businesses. ONS experimental statistics on High Growth Enterprises suggest that the faster the business growth rate across the UK, the lower NI's share is of those businesses. For example, NI accounts for 4.5% of businesses growing jobs and increasing turnover at a rate of between 10% and 15% over a 3-year average, falling to 2.3% for those growing jobs and increasing turnover by 20% or more. These statistics also suggest that regardless of the stage of growth, NI businesses are less productive than the UK average.

67 [Global Entrepreneurship Monitor \(GEM\) Northern Ireland Report 2021 \(ulster.ac.uk\)](https://www.ulster.ac.uk/research/global-entrepreneurship-monitor-northern-ireland-report-2021)



NI has a small export base and relies heavily on GB for external trade

6.36 NISRA's 2020 Broad Economy Sales and Export Statistics results⁶⁸ report NI's largest market is the region itself. The majority of its sales (68%) are within NI, with external sales (sales outside NI) accounting for 32% of sales in 2020 and its relatively small export base (sales outside GB) making up just 16% of total sales.

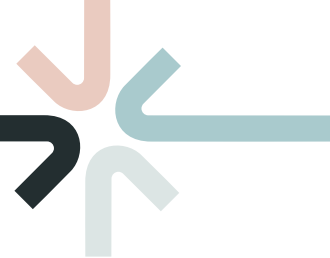
6.37 In 2020, exports are concentrated in a few sectors, dominated particularly by Manufacturing which makes up around three fifths of exports (58%), followed by Wholesale/Retail (19%). GB is the region's largest external trading partner while the RoI is its largest exporting partner. The importance of the RoI market to NI is reflected in the fact that 40% of NI's good exports are sold to the RoI (compared to 7% for the UK as a whole) while 36% of NI's goods imports were from the RoI (compared to 3% for the UK as a whole). The proximity of the RoI market means that NI's trade in services to the EU is proportionally highest out of the 12 UK regions for both imports and exports.

6.38 North America is by far the region's largest export market outside the RoI while other important markets include Asia, the Middle East, Germany, France and the Netherlands. Over the period 2011 to 2019 (pre-Covid-19), in value terms the largest increase in sales by a significant margin has been businesses selling to other businesses in the region, followed by the RoI and the United States markets. Smaller markets that have performed well include Belgium, Qatar and the Netherlands. Over the period 2011 to 2019 sales to GB actually fell by 5%.

6.39 NI relies heavily on a small number of large firms for most of its exports with the top 10 exporters accounting for 27% of exports and the top 50 firms just accounting for 49% of exports. Larger businesses are more likely to export, with companies with over 250+ employees making up around half of all exports from NI even though they make up less than 1% of the number of businesses in NI.

6.40 Exports grew by 29% over the period 2011 to 2019 (and by 13% including 2020 reflecting a downturn after the pandemic). Particular areas of export growth include the Information and Communication, Construction and Professional Services sectors, all of which have doubled or more in value over this timeframe. While remaining by far NI's largest export sector, Manufacturing exports grew by just 8% between 2011 and 2020.

68 [Northern Ireland Broad Economy Sales and Exports Statistics: Trade in Goods and Services Results 2020 \(nisra.gov.uk\)](https://www.nisra.gov.uk)



6.41 In spite of growth in value, the share of sales made outside NI (external sales) as a proportion of total sales has remained largely unchanged, at 31.8% in 2020 compared to 33.3% in 2011. Exports represented 15.3% of sales in NI in 2020 compared to 14.8% in 2011. This evidence suggests very little progress in making exports a larger part of the trade performance of businesses in the region.

6.42 Looking to other sources to give further depth to NI trade performance such as Rol's latest Central Statistics Office (CSO) data suggests that there has been a surge in exports and imports of goods to/from the Rol. For example, Rol imports from NI for January to September 2022 increased by €970 million (+33%) to €3,895 million over with the same time period during 2021. Exports to NI increased by 36% to €3,691 million when compared with the same time period in 2021. Overall, based on CSO statistics, NI is a net exporter to the Rol. The latest UK Exporter Monitor (Coriolis Technologies and The Institute of Export & International Trade (IOE&IT)) suggest that over the last year, NI's exporters have suffered less than exporters in other nations, although it notes some faltering in momentum in June/July this year. It states that '*despite the current headwinds from supply chain shortages and uncertainties around the NI protocol, they remain more resilient*'. Whereas the latest UK Regional Trade Statistics from HMRC suggests that goods exports increased in 2021 compared to 2020 in England (6.6%), Scotland (1.6%) and Wales (12.4%) but fell for NI (-0.9%). Additionally, UUEPC note that while NI's exporting performance has improved markedly from 2008 recession it remains weak in comparison to global competitors.⁶⁹

NI's Competitiveness is being eroded

6.43 The 2020 Competitiveness Scorecard highlights that NI's competitiveness has been slowly eroding in recent decades and that '*without significant change, this trend is likely to continue*' (UUEPC 2021). It suggests that while some progress has been made, other economies have improved at a more rapid rate and gained further competitive advantage. Some bright spots include the proportion of electricity generated from renewable sources, which is ahead of all competitor nations (although this advantage is likely to be narrowed given its increasing prominence in most developed countries/regions); wellbeing is rated highly with NI residents reporting a high level of life satisfaction and the business environment and physical infrastructure are thought to have improved. Key inhibitors centre around the education and skills system, persistently low productivity and innovation levels and childcare costs.



Investment activity is low

6.44 Venture capital (VC) and private equity investment along with merger and acquisition activity is also low in NI (UUEPC Competitiveness Scorecard 2020). It notes for example that even though VC investment has almost tripled over the decade to 2018, NI is still well below the benchmark economies of RoI, the UK and other competitors and the region's overall position has remained unchanged.

There are significant economic disparities between sub regions in NI

6.45 Perhaps unsurprisingly given its relatively large population base and close air and sea access, Belfast dominates the economic and business environment in NI.

Table 8: Number of VAT/PAYE Registered Businesses (2021)

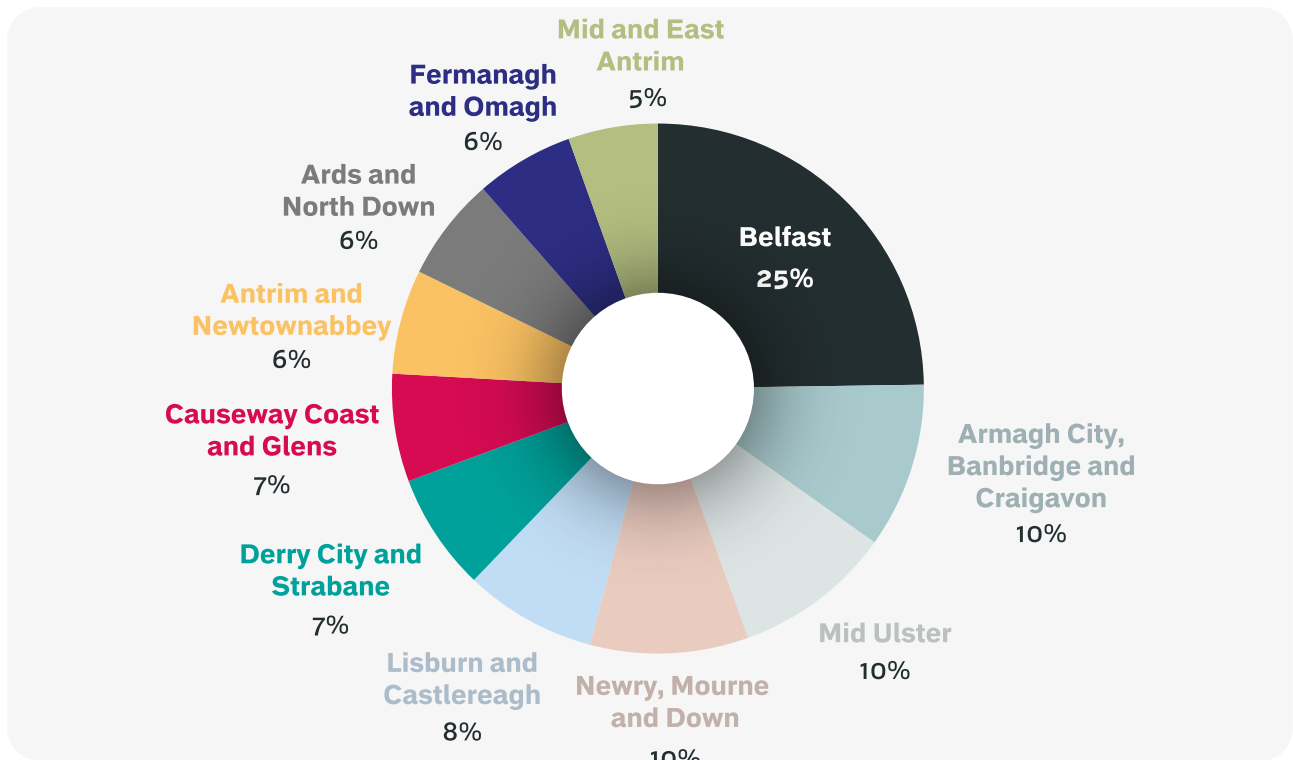
	Businesses	% Share
Belfast	10,700	14%
Mid Ulster	9,320	12%
Newry Mourne and Down	9,025	12%
Armagh City Banbridge and Craigavon	8,780	11%
Fermanagh and Omagh	8,275	11%
Causeway Coast and Glens	6,065	8%
Derry City and Strabane	5,390	7%
Lisburn and Castlereagh	5,115	7%
Mid and East Antrim	5,025	7%
Ards and North Down	4,765	6%
Antrim and Newtownabbey	4,240	6%
Total	76,700	100%

Source: ONS



6.46 Belfast accounted for 1 in 4 active businesses with 10 or more employees in 2020 while Mid and East Antrim has the lowest share at 5%. Belfast also accounted for the highest share of high growth enterprises at 32% of the total with the lowest share in Mid and East Antrim (4%). There are a few Council areas – Armagh City and Banbridge, Mid Ulster and Newry, Mourne and Down which, after Belfast, have the highest share of both active enterprises with 10+ employees and high growth enterprises which suggests that the bigger the business base the more likely it is to have larger, more growth orientated businesses.

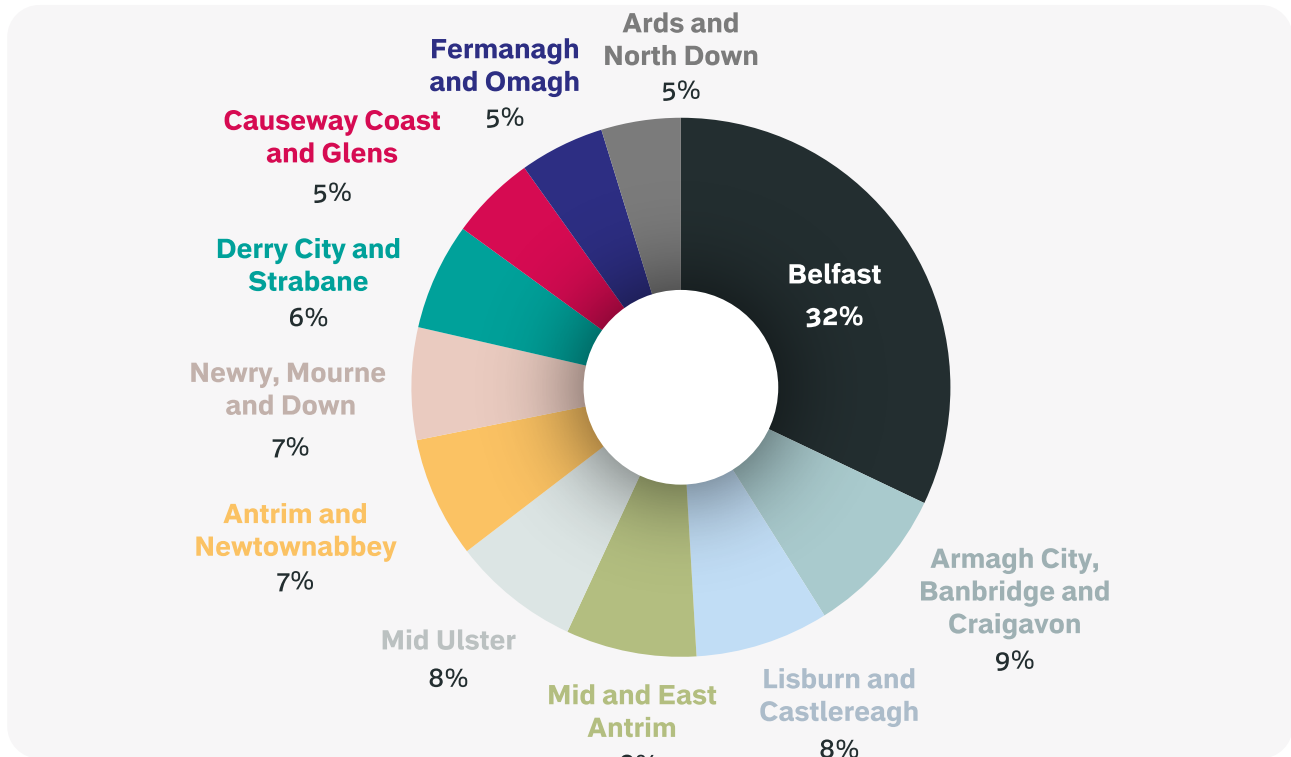
Figure 9: Share of Active Enterprises with 10 or more employees (2020)



Source: ONS

6.47 Belfast dominates in terms of value added to the local economy. It alone accounted for one third of the GVA in 2018 (latest available). All other councils accounted for between 5% and 9% of GVA.

Figure 10: GVA at Current Prices, 2020



Source: NISRA

6.48 From a sectoral perspective, the dominance of Belfast in a number of sectors is clear, particularly financial and insurance activities and information and communication. Mid and East Antrim is also a top contributing council area in terms of GVA from the manufacture of food, beverages, textiles and clothing and Mid Ulster for the manufacture of metals, electrical products and machinery.



Table 11: Top Private Sector Contributors to Gross Value Added (GVA) in NI – Local Councils, 2018

Local Council	SIC07 description	GVA £m 2018 (current prices)
Belfast	Financial and insurance activities	1,426
Mid and East Antrim	Manufacture of food, beverages, textiles and clothing	1,121
Belfast	Information and communication	1,021
Belfast	Retail trade	825
Belfast	Manufacture of metals, electrical products and machinery	615
Belfast	Legal and accounting activities	582
Belfast	Real estate activities, excluding imputed rental	579
Mid Ulster	Manufacture of metals, electrical products and machinery	501
Belfast	Agriculture, mining, electricity, gas, water and waste	406
Belfast	Wholesale trade	399

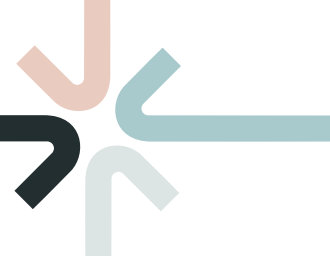
Source: NISRA

6.49 It is also important to recognise very different levels of inequality within and between council areas in NI, which can be highlighted in a number of ways. Economic inactivity (working age) varies from 19% in Lisburn City and Castlereagh to 36% in Derry, City and Strabane. It is 30% or more in Belfast, Causeway Coast and Glens and Fermanagh and Omagh. Almost 1 in 5 (19%) of the working age population have no qualifications in Causeway Coast and Glens and Derry City and Strabane. A quarter or more of the working age population in Derry City and Strabane (29.5%) and Belfast (24.9%) are employment deprived. These are people who are involuntarily excluded from the labour market.



Key Challenges and Opportunities for the Economy Going Forward

- 6.50 EU Exit has changed NI's economic (and political) landscape. The region is unique in having a land border with an EU member state, the RoI, which is NI's largest export market. The Protocol sets out that NI is to remain in the UK customs territory and, at the same time, benefit from the EU single market for goods. As highlighted earlier, the outworkings of the impact of EU Exit and/or the Protocol are yet to be established, not least because Covid-19 has arguably been a larger disruptor in the NI economy but also because the Protocol has proven very challenging politically meaning that its implementation is still in a state of flux. The evidence suggests that the Protocol has been both disruptive to some NI businesses, particularly those that purchase goods from GB, but the region is and will continue to see economic opportunities from its unique trading status.
- 6.51 Access to skills and workers is a key concern. This was already an issue before Covid-19 but because employment was not as negatively impacted as expected by Covid-19, largely due to the furlough scheme, the local economy has emerged in a relatively healthy labour market position, with access to people and skills remaining a significant concern. The outcome of the EU referendum vote had already seen EU workers leave NI and National Insurance Registrations have fallen sharply since 2016. This is further compounded by the new UK immigration policy which means no access to EU workers unless they fulfil the criteria of the new policy which comes at a cost to business.
- 6.52 Businesses are now facing a very different set of challenges with marked inflationary pressures including purchases and utility costs caused by a range of issues including supply chain disruption, reorientation and catching up after Covid-19 and now Russia's invasion of Ukraine. The global economy is in a precarious position generally after Covid-19 and this will impact the local economy. The IMF is forecasting global growth of 2.7%, the weakest growth since 2001 outside of the financial crash and pandemic. It forecasts UK growth in 2023 at 0.3% and the Bank of England is predicting GDP to continue to fall between 2023 and 2024 with growth at the end of 2024 only improving to 0.75%. There is ongoing pressure on firms to raise prices against a backdrop of UK inflation sitting at 10.1%, which may rise further. The Bank of England has raised interest rates in response, which will test many businesses and households' financial position when already dealing with a cost of living/doing business crisis. Its predictions for recession which it now believes the UK economy



is in, while not necessarily being deeper than the financial crash, is expected to last longer into 2024. This will put even more pressure on local businesses to deal with a downturn over a protracted period of time.

6.53 Political stalemate at Stormont has negative consequences across the economy, businesses and society. The current state of impasse means that decisions and outcomes around government budgets and spending are difficult and, in some cases, delayed at a point when they are needed most to address the challenges the region faces. The Budget is already under severe pressure with departmental overspends a major concern and the likelihood of a more constrained budget for NI is high in light of potential cuts across the UK. This uncertainty is extremely unhelpful to the local investment environment, both in terms of incumbent businesses but also in how attractive the region is to invest in. Political instability in the UK also plays a part in adding to instability for the region.

6.54 There are 'bigger picture' issues in the longer run that will have knock on consequences for the local economy, including a smaller working age population supporting a rapidly aging one. The goal of net zero for the UK economy by 2050 will place an onus on businesses to rethink how they do business to meet that goal. However, these challenges also present opportunities. The net zero goal in itself presents significant potential for new types of 'green' businesses and ways of working that should boost productivity. There are great opportunities in taking a different approach to sub-regional development with, for example, the success in securing City and Growth Deals for NI. The 10X Vision is ultimately focused on changing the way in which economic policy and delivery works to make NI a more innovative and productive region.



Chapter 7. Invest NI Efficiency and Effectiveness

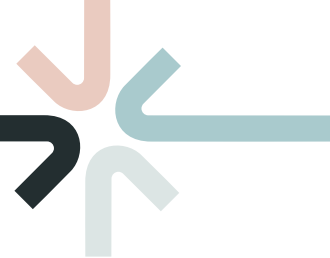
Overview

- 7.1 This chapter will provide key findings and recommendations on the effectiveness and efficiency of Invest NI. Commentary and analysis are included on various aspects and functions of the organisation including: the current oversight arrangements between DfE and Invest NI; the Board and Executive Leadership Team; Invest NI's organisational structure; current performance metrics; the client company model; Invest NI's portfolio of programmes; alternative funding streams; regional issues; and human and financial resources. The chapter draws on several evidence sources, the details of which have already been outlined in this report, including the Invest NI Performance Review (Technopolis, December 2022); Invest NI Benchmarking and Best Practice Review (Technopolis, December 2022); Successful Local Economic Development Systems (Technopolis, August 2022) responses from numerous stakeholders to the Panel's 'Call for Evidence'; and views received from a wide range of in person and virtual meetings undertaken from April to September 2022, as well as desk research undertaken to inform the Review.

Invest NI Board and Senior Leadership

Finding 1a: There appear to be profound divisions at Board and senior leadership level in Invest NI, which are having a detrimental effect on the organisation. This offers a serious threat to the future trust that can be placed in the organisation to deliver strategic priorities and requires urgent action.

Finding 1b: Although laid out in various published documents, the roles and remit of the Invest NI Board, Chief Executive and Executive Leadership Team are not clear to some members of staff, including at a very senior level, and require formal clarification and reinforcement to remove ambiguity.



Background

7.2 Invest NI is currently led by an interim Chief Executive, who heads up the ‘Executive Leadership Team’ (ELT) of the organisation. Invest NI also has a Board comprised of 13 Board members. From the start of our engagements, we heard that relationships at various senior levels within Invest NI are damaged and are harming the performance of the organisation. These include the inter-relationships at Board, senior leadership (wider than just the ELT) and CEO level and together represent an issue that must be urgently addressed if the organisation is to move forward. Concerns relating to trust, openness and respective responsibilities were shared with us, sometimes in the most direct terms, by some Board members and some senior managers, including at Director level. We were also made aware of concerns within DfE, amongst the business community and partners and, perhaps most worrying of all, amongst Invest NI’s wider staff body, that these divisions and tensions are affecting the performance of the organisation and their confidence in it. The negative effect of these relationships on the organisation is explored further in the following section, which begins by providing some narrative on the roles and remits of the Board, Chief Executive and Senior Leadership of the organisation.

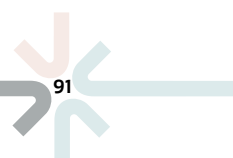
Invest NI Board

7.3 The Invest NI Board comprises a Chair and not fewer than 10 or more than 20 other members. The current Chair of the Board was appointed on 1st April 2019. Board members are appointed by the Economy Minister in line with the Code of Practice issued by the Commissioner for Public Appointments for NI. The Invest NI Board was repopulated in July 2022 with seven new members, who will serve up to 30th June 2025⁷⁰. There are 13 members, including the Chair, currently serving on the Board⁷¹. By way of comparison, the Boards of Enterprise Ireland and Scottish Enterprise both consist of ten Board members. Board members are appointed by Rol’s Minister for Jobs, Enterprise and Innovation and Scottish Ministers respectively. The Invest NI Board Operating Framework (June 2022)⁷² sets out the specific roles and responsibilities of the Invest NI Board, Chair, individual Board members and the Chief Executive. In addition, the roles and responsibilities of Invest NI as a ‘sponsored body’, including those belonging to the Board, the Board Chair, and the

70 [Department for the Economy: Minister announces Invest NI Board appointments 2022 \(economy-ni.gov.uk\)](https://www.economy-ni.gov.uk/news/minister-announces-invest-ni-board-appointments-2022)

71 [Invest NI Board accessed December 2022 \(investni.com\)](https://investni.com/invest-ni-board)

72 [Invest NI Board Operating Framework 2022 \(investni.com\)](https://investni.com/invest-ni-board-operating-framework-2022)



Chief Executive are set out in detail within Section 3 of the MSFM⁷³. In relation to the responsibility of the Board it states that, “*The Board has corporate responsibility for ensuring that Invest NI fulfils the aims and objectives set by the Department and approved by the Minister, for promoting the efficient, economic and effective use of staff and other resources by Invest NI.*”

7.4 In pursuit of its wider corporate responsibilities, the MSFM commits the Board to:

- establish the overall strategic direction of Invest NI within the policy and resources framework determined by the Department and the Minister;
- constructively challenge Invest NI’s Executive Leadership Team (ELT) in their planning, target setting and delivery of performance;
- ensure that the Department is kept informed of any changes that are likely to impact the strategic direction of Invest NI or the attainability of its targets, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account all relevant guidance issued by DoF and DfE;
- ensure that it receives and reviews regular financial information concerning the management of Invest NI; is informed in a timely manner about any concerns relating to the activities of Invest NI; and provides positive assurance to the Department that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including using the independent Audit and Risk Committee (ARC) to help the Board to address the key financial (and other) risks facing Invest NI; and
- in consultation with the Department, appoint a Chief Executive of Invest NI and set performance objectives and remuneration terms linked to these objectives that give due weight to the proper management and use of public monies.

73 [Invest NI’s Management Statement and Financial Memorandum 2018 \(investni.com\)](#)



- 7.5 Operationally, the Board is supported by the ARC. Its role is to assist the Board in fulfilling its corporate governance responsibilities. The ARC also oversees the financial reporting processes. A Remuneration Committee provides support to the Board in respect of the performance and remuneration of the Chief Executive. Minutes of Board meetings (and ELT meetings) for the last four financial years are available to the public on the Invest NI website.
- 7.6 The Invest NI Board Operating Framework⁷⁴ states that, *“The Chief Executive has responsibility, under the Board, for the overall organisation, management, and staffing of Invest NI and for its procedures in financial and other matters, including conduct and discipline. This involves the promotion by leadership and example of the values embodied in the Nolan Committee’s Seven Principles of Public Life and the Nine Principles of Public Service Delivery. The Board should support the Chief Executive in undertaking this responsibility.”*
- 7.7 We are seriously concerned about a lack of understanding among some very senior managers of Invest NI regarding the Board’s responsibilities for oversight and strategic direction. During our initial engagements we were given the impression from some members of the ELT that they regarded the Board as only having an ‘advisory’ function. This seriously understates the job it must do on behalf of the Minister, Department and the taxpayer.
- 7.8 While we were drawing together this final report, we received an extensive written submission from some of the most senior managers of Invest NI suggesting, amongst many points, a continuing confusion about the role of the Board. These ELT members stated to us that there was confusion among the Board on its actual roles and responsibilities. Some of the Board members considered themselves, wrongly in the ELT members’ opinion, to be ‘Non-Executive Directors’ or ‘NEDs’. They said that *“for over 30 years [sic] the role of the Board has been understood to be advisory in nature alongside a responsibility to provide assurance on governance. In the last 3 years the Board has taken on a much more operational and directorial role acting in a similar capacity to non-executive directors in the private sector as opposed to members of an advisory board in the public sector.”* They also stated that the MSFM is vague on the precise roles of the Board and ELT, but this is inaccurate and is not a view that we share. We believe that the status of the Board is clear and that this has

74 [Invest NI Board Operating Framework 2022 \(investni.com\)](#)



been reinforced by a recent Board Effectiveness Review, which was commissioned by DfE. We made our concerns known regarding this confusion on the status of the Board at an early stage to the Permanent Secretary of DfE and he was subsequently tasked by the Minister with commissioning this Board Effectiveness Review. This has been the first Board Effectiveness Review to be carried out since 2016, despite the MSFM requiring this to be undertaken annually. Best practice indicates this should be undertaken on an annual basis (and externally every third year).

- 7.9 While the Board is supported by a Board Secretariat the Panel is of the view that this function needs to be strengthened and an experienced Board Secretary should be considered for appointment. This would assist in ensuring robust corporate governance and provide authoritative advice and support to the Chair and Board on a range of matters including compliance with best practice, an annual Board Plan, ethics policies, timeliness and quality of papers submitted to the Board, follow-up actions, induction, skills development and management of conflicts of interest.
- 7.10 Additionally, we also made our concerns known to the Permanent Secretary at a later stage regarding two potentially serious whistleblowing cases so that they might be investigated by the 'Raising Concerns' process within the Department. We are aware that the Department has taken further action following the Board Effectiveness Review. The results of the 'Raising Concerns' investigations have not been completed and are further reflected on later in chapter eight.

Chief Executive

- 7.11 Invest NI is led by a Chief Executive who heads up an ELT. At the time of writing, the organisation is being led by an 'interim' Chief Executive, who is the third person to hold this position in the last three years. The Chief Executive is also Invest NI's Accounting Officer, responsible to the NI Assembly and the Accounting Officer in DfE. The essence of the role is a personal responsibility for the propriety and regularity of the public finances for which he is answerable; for the keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; ensuring value for money; for the efficient and effective use of all the resources: and the staffing and management of the organisation. The Accounting Officer has a responsibility to see that appropriate advice is tendered to the Board on all these matters.⁷⁵

75 [Invest NI Board Operating Framework 2022 \(investni.com\)](https://investni.com)



Senior Leadership

7.12 At the time of writing, the Invest NI ELT⁷⁶ comprises seven operational groups, each headed by an Executive Director. They are responsible for managing the delivery of the agency's support programmes and services in: Business Growth; Finance; International and Skills; Marketing and Communications; People and Culture; Transformation; and Strategy and Partnerships. Two members of the ELT (the Executive Directors of Strategy and Partnerships and of Transformation) are currently temporarily promoted. Technopolis reported⁷⁷ that the ELT is *“made up of experienced individuals, with the median term of service with Invest NI among this group being 14 years, and the longest-service member having been with the organisation 20 years. The majority of executive leadership team members (all but one) are male”*. Outside of the ELT cohort, Executive Directors also lead on teams that are divided into several smaller teams, based on target areas and sectors. These teams are each supported by a manager who oversees the Client Executives, who in turn interact with companies. In addition to the remits of the ELT and Executive Directors, the work of Invest NI is also supported by several internal boards. These vary from permanent boards for key thematic areas such as industrial development, to more ad hoc and temporary groups for approval of casework and business applications.

Relationship between Board, CEO and Senior Leaders of Invest NI

7.13 We heard a significant volume of evidence about negative and damaging relationships between the Board, Chief Executive and senior leaders⁷⁸ of Invest NI (wider than just the ELT) that appear to be having a significantly detrimental effect on organisational performance. This view runs right through the organisation and was presented to us from staff at all levels. We heard evidence from numerous staff members that they felt that the Board has been interfering with decision making at an inappropriate, operational level. It was also commented that decisions previously made at management level are now being made by the ELT. Technopolis⁷⁹ also corroborated this view, stating that *“Our consultation also revealed that there have been tensions between the Invest NI Board (which is appointed by DfE) and the*

76 [Invest NI Executive Leadership Team accessed December 2022 \(investni.com\)](#)

77 Technopolis, Invest NI Performance Review (December 2022)

78 Senior leaders are regarded as being at Director Level (Grade 5) and above

79 Technopolis, Invest NI Performance Review (December 2022)



Executive Leadership Team (ELT). On the one hand, there is the perception, from the ELT side, that the Board tends to over-extend its functions. On the other hand, the Board's Operating Framework does indicate that the Board is responsible for setting the strategic direction of Invest NI (as well as acting as a source of advice)." Tellingly, we received a written submission from a group of Senior Managers within Invest NI, at Director level, who provided detailed commentary on this issue. Their submission stated, *"During the tenure of the previous Chief Executive, the Invest NI Board became increasingly operational and hands-on. Some Board Members have been perceived as pursuing their own agenda, with an increasingly ad hoc approach and a lack of coherent policy. This includes subjective opinions / comments regarding customers, and whether they should / should not receive support, without any reference to intervention principles etc."*

- 7.14 Furthermore, in consultation with us, the interim Chief Executive also expressed his own view regarding interference from the Board, saying that they had stepped into operational areas, and that he felt that this had been unhelpful. He also told us that at times he had encountered a direct conflict between what the Board wanted and his role as Accounting Officer. The interim Chief Executive did say that this issue had been raised directly with the Board but with limited success. However, it is important to note that we also heard evidence from members of the Board who had felt it necessary to intervene on occasion and especially to reinforce the need for change in the organisation. Additionally, during our work we did review several high-profile investment cases that highlighted risk and control weaknesses in the organisation, and this is further elaborated in the associated 'Risk and Control' section of chapter eight. There was evidence that documentation was either not available or could not be located, controls and procedures were not adhered to, and prior conditions of offer were either overlooked or not met.
- 7.15 As a Panel, we also held a meeting with several Directors within Invest NI. One Director stated that conversations at the Board were tantamount to creating policy 'on the hoof'. This Director also provided further practical context on their view of the damaging nature of ELT and Board relationships, stating that they felt that there are two strong camps who are not meeting in the middle. On at least two occasions the relationships at ELT and Board level were described as "schizophrenic".



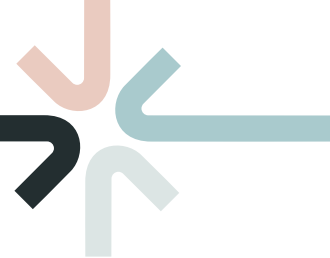
7.16 The perception given by Invest NI staff is similar to what we heard on a number of separate occasions from a variety of stakeholders and reflects a poor relationship between the Chair, Board, and senior leadership. One staff member described a “*significant disconnect*” between the groups, which was said to be having an adverse effect on the efficiency of the organisation as well as staff morale. Another staff member described morale as being at an all-time low. We also heard comments regarding a disconnect between different Board members, including those who have served longer periods of time than others. One member of ELT said that some Board members had challenged current behaviours, arguing, “*who is going to do our job if we’re busy doing everyone else’s?*” The perception of the performance and behaviour of the Board among current staff members is not positive. One member of staff described what they felt was a battle between the Board and the ELT in terms of decision making. A staff member also commented that they felt the Chair was determined to drive forward with a particular agenda irrespective of other views. In the ‘Call for Evidence’ the topic of the Invest NI Board was also raised. It was felt that there should be appropriate representation from the private sector/industry on the Board and that this would play a role “*in driving a stronger entrepreneurial culture*”.

Invest NI Senior Management Relationships

7.17 We also found evidence of some difficult relationships between the cohort of senior managers themselves in the organisation. We uncovered division amongst some ELT members and the other senior managers on key strategic directional issues within the organisation, including the criteria for the client company base, with a split between those who favour continued support for established Invest NI companies and those who would prefer a broader reach. We were told of other significant areas of disagreement between some of the ELT and some senior managers including the level of support (and repeat support) provided to large companies, about being too close to customers and acting like a ‘cash machine’. We received written evidence from some Invest NI Directors that “*there is also a significant disconnect between ELT and the rest of the organisation*” and that information from ELT is unclear and just creates “*confusion*”. They said that “*there has been continued ‘communication by soundbite’, which has been crude, extremely unhelpful and has conveyed a lack of understanding within ELT of the way in which Invest NI has been operating, and the positive role it has played.*” This concern was reinforced in the views we received from staff members, with one long serving individual suggesting a current lack of direction. Furthermore, we heard from another staff member that, “*good staff are no longer clear on their role or the role of the organisation*”.



- 7.18 We received evidence of confusion and poor delegation from some senior managers, amplified by attempts at corrective action being undertaken as part of the “Evolve” programme, which is discussed in more detail below. We also heard from both internal staff and external stakeholders that the current organisational structure can be confusing to navigate and is creating barriers to collaborative working. Whilst some restructuring has taken place following the appointment of the interim Chief Executive, we believe that further work must take place to ensure that the structure of the organisation can be better understood, both internally and externally, to enable the organisation to maximise its impact on the economy. Whilst we do not wish to be prescriptive around the structure that is put in place, we believe that the current executive roles appear to give an imbalanced representation to corporate functions rather than delivery of economic policy interventions. The organisation may wish to consider a way to corral the corporate functions, with commands across a reshaped ELT aligned and focussed on the delivery of strategic economic priorities. One senior staff member questioned the structure of the organisation and ability to change stating that, *“It has also highlighted an important question about whether the current structure/composition of ELT is appropriate for the implementation of the recommendations of the Independent Review. This may be a consideration for the new Chief Executive, when appointed.”* Further commentary on organisational structure is provided later in this chapter.
- 7.19 Overall, we believe that the organisation would benefit from the appointment of a permanent Chief Executive, with the appropriate skills and experience to be able to restore full confidence in the organisation and rebuild relationships among the senior management. Ideally this should be an individual who can command the respect of the business world but who also has an understanding of government and public finances. This recruitment should be done with the participation of current Board members but cannot be left to the Board alone to progress and DfE should also be involved.



Relationship Between Invest NI Board, Senior Managers and DfE

7.20 During our engagements we heard from both the Chair of the Board and Chief Executive regarding the need for improvements in the relationship with their sponsor Department, DfE. They jointly told us in a written submission that a much more effective and mutually respectful partnership is needed with the Department at all levels. In addition, senior managers within Invest NI wrote to us with several issues and this included concerns about the relationship with DfE. In that submission, they told us that there has been, *“an apparent lack of trust between the senior team within DfE and the Invest NI ELT. Anecdotally, this is said to be a consequence of a previous era, where Invest NI had a strong direct relationship with the Economy Minister of the day, and DfE were effectively ‘bypassed’. Since this is no longer the case, DfE appear to be asserting their ‘authority’ and have taken a more directive role. Whether this is an accurate perception is not particularly important; what is important is that there is a strong, constructive relationship between DfE and Invest NI and that there is clear alignment between the two. Unfortunately, this does not appear to be the case at the top level.”* Technopolis⁸⁰ also noted the historical difficulties in the relationship between DfE and the Board, stating that *“There is difficulty in the relationship between DfE and Invest NI (including the Board), based largely on historic factors and continuing interpersonal factors. There is appetite on both sides to address this, but the difficulties continue to play out in pockets of interaction (e.g., in interactions between the executive leadership team and the board and a lack of systematised co-working between DfE and Invest NI across policy areas). This should be a priority to address and should be backed by agreed written principles of engagement.”* In the self-assessment exercise, there were differences in opinion of the relationship with DfE by both Board and ELT. The relationship was rated ‘variable’ by some within the Board but ‘effective’ by ELT. The Board described the relationship with the Department as being like a *“parent / child”* rather than fully collaborative. They cited, *“Inconsistent Communication; Unwillingness to remove extraneous responsibilities and limitations legacy bureaucracy and perceived excessive business planning and reporting demands from the Department.”* The ELT said that *“In recent years both Invest NI and the Department have seen a significant number of changes in senior personnel. This has resulted in a move away from the ‘partnership’ model developed in recent years and led to a less effective working relationship in recent times.”*



7.21 We also acknowledge that DfE is aware of the tensions within the leadership of Invest NI and understand that the Permanent Secretary wrote separately to both the Chair and CEO in July 2022 and again in September 2022 regarding a misalignment between the Board and senior leadership and informed them that a Board Effectiveness Review was being commissioned. The correspondence stated that the Review would help to ensure that the Invest NI Board acts in an efficient and effective manner and that it is aligned with the ELT. We also heard from several DfE officials who reflected on what they perceived to be a lack of responsiveness from Invest NI or willingness to implement instructions. We will discuss the necessity for a new formal agreement between DfE and Invest NI later in this chapter of the report.

Raising Concerns

7.22 In the course of our work two specific cases were brought to our attention which, in our view, were of such significant concern that we escalated these directly to DfE's Raising Concerns unit. It would not be appropriate to comment on the merits or validity of these concerns, however we were provided with sufficient information to form a view on the effectiveness of Invest NI's initial handling of one of these cases. In this case the complainant in question asserted that they had raised their concern directly with both the Chief Executive and Chair of Invest NI in November 2021. DfE confirmed to us that Invest NI had received this complaint in November 2021. We were concerned to find out from information provided by the DfE Raising Concerns unit that a formal investigation only commenced in September 2022 following our escalation of this issue to the Department. Whilst the systems and processes are clearly documented for handling these cases, the apparent lack of action by Invest NI management in this instance suggests a broader issue about the compliance culture within the organisation. This is discussed further in Chapter eight of this report.



Evolve Programme

7.23 We were interested to note that Invest NI established a ‘Business Improvement and Change Management Programme’, known as ‘Evolve’, in late 2021. This was established to undertake a comprehensive review of the organisation, with the aim of reviewing how the organisation drives change, attempts to modernise and becomes a more efficient and effective economic development agency. The overall objective of the Evolve Programme is to provide a structured and consistent approach to changing the organisation, including to:

- ensure that Invest NI is targeting the correct outputs and outcomes, is fully aligned with Government policy, and demonstrating clearly it is delivering against these;
- organise Invest NI’s work and people to best achieve its aims, goals and overall strategy, ensuring the future state organisation structure and personnel alignment will support the new Target Operating Model, and in turn support the delivery of the 10X Economic Vision;
- review and improve the products and services offered by Invest NI, the way they are delivered, and to whom; and
- review how they provide funding for projects, moving to a competitive process to ensure the right projects are funded, that they are in line with 10X principles and that its budget is managed effectively.

7.24 We received a joint submission from the Chair of the Board and interim Chief Executive regarding the programme. It stated, “*Whilst this has not always been the case, the Board, as a whole, is satisfied with the current pace of change. The Board recognises the significant amount of energy, drive and leadership that the team are dedicating to this mission. The Board is pleased that there is much better alignment between EVOLVE and 10X Economic Vision and the draft Programme for Government.*” However, the Senior managers who wrote to us were highly critical of the Evolve programme. They said, “*It was clear from the outset that the plan was unrealistic (reflecting a lack of understanding of the organisation) and all of the targets originally set within Evolve were missed. The timing of Evolve was significantly questionable, particularly in light of the impending Independent Review. While staff were keen to be involved, the programme has been characterised by lack of genuine consultation, lack of analysis, lack of understanding, poor decision-making, and poor / inaccurate communication.*” We heard concerns from Invest NI



staff regarding the programme, particularly regarding its timing and effectiveness and conclude that, while it is undoubtedly well intentioned, it might be best suspended pending the appointment of a permanent Chief Executive with the authority and focal length necessary to make effective long-term change. It is our experience that significant change programmes such as this cannot be effectively implemented by interim managers.

Self-Assessment Exercise

7.25 As previously referenced, as part of the evidence gathering process for this Review, we specifically asked the Board and ELT to respond separately to an eighteen-part 'self-assessment questionnaire' covering issues including a SWOT Analysis, 10X and internal relationships. Tellingly, the ELT and the Board appeared to have entirely different perceptions on their respective relationships. One comment from a Board member was that of a relationship perceived to be working well, and on the contrary, an ELT member described the relationship as having been, "*challenging over the last two/three years*".

Best Practice – Industrial Development Agency (Ireland)

7.26 By way of a comparator organisation, the day-to-day operations at Industrial Development Agency (IDA) Ireland are managed and directed by the Chief Executive Officer and senior management team. The CEO and the senior management team conduct their responsibilities in accordance with the broad strategic direction set by the Board.⁸¹ The Board is accountable to the Minister for Enterprise, Trade and Employment. In addition to setting the broad policies, the Board is responsible for overseeing the general operations and monitoring performance through Focused Board Committees⁸². Priorities are informed by the 'Driving Recovery and Sustainable Growth 2021-2024' strategy developed in the context of the Department of Enterprise, Trade and Employment policy statement on Foreign Direct Investment. The strategy was formed with extensive input from clients, stakeholders, the IDA Board, management and team members and the strategy itself was developed by IDA and the Government of Ireland.⁸³

81 [IDA Annual Report 2021 \(idaireland.com\)](#)

82 [IDA Annual Report 2021 \(idaireland.com\)](#)

83 [IDA Information Compliance accessed December 2022 \(idaireland.com\)](#)



Conclusions and Recommendations

- 7.27 From the start of engagements, we heard that relationships at various senior levels within Invest NI are damaged and are harming the performance of the organisation. As outlined already in this section, these include the inter-relationships at Board, senior leadership and Chief Executive level and together represent an issue that must be urgently addressed if the organisation is to move forward. We heard of concerns relating to trust, openness, and respective responsibilities, with divisions and profound tensions affecting the performance of the agency and of confidence in it. We heard of fundamental disagreements about policy amongst senior executives and received evidence of confusion and poor delegation from senior managers, amplified by attempts at corrective action being undertaken as part of the 'Evolve' programme, which we believe should be paused until a permanent Chief Executive is appointed. There is a pressing need to recruit a permanent Chief Executive.
- 7.28 We heard of widespread concern that the Board, and the Chair in particular, has become too operational, though we understand that this may be the result of frustrations concerning perceived lack of transparency within the organisation. We are also seriously concerned about a lack of understanding among some very senior managers regarding the Board's responsibilities for oversight and strategic direction. They wrongly view the Board as having only an 'advisory' function. We also heard of difficulties at Director level, with disagreements around issues such as the client company model, and a feeling of diminishing levels of responsibility, and that this in turn is affecting the morale of staff throughout the organisation.
- 7.29 We heard evidence both internally and externally that the current organisation structure can be confusing to navigate and is creating barriers to collaborative working. Whilst some restructuring has taken place following the appointment of the interim Chief Executive, we believe that further work must take place to ensure that the structure of the organisation can be better understood, both internally and externally, to enable the organisation to maximise its impact on the economy.



7.30 We would therefore recommend the following actions are taken forward:

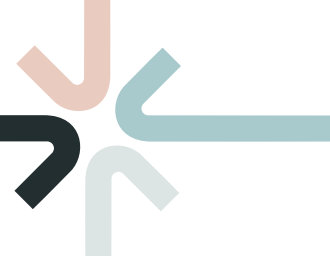
Recommendation 1a: The Department should further build on the actions taken so far to address issues with Invest NI Board and senior leadership by:

- (i) Taking such actions as are necessary to ensure strong and confident leadership by the Invest NI Board and clarity as to its roles and responsibilities, especially in terms of oversight of the use of public monies. The respective roles of the Board Chair and Members, the Chief Executive/Accounting Officer and other senior executives need to be clearly defined and included in the forthcoming Partnership Agreement to be drawn up by DfE;**
- (ii) Taking early steps to progress the appointment of a permanent Chief Executive with appropriate skills and experience to be able to restore full confidence in the agency and deliver significant change. This should be done with the participation of current Board members but not left to the Board alone to progress. It is critical that the Department is involved in this process;**
- (iii) Ensuring that the permanent Chief Executive is tasked with the urgent reshaping of the most senior levels of executive management and given the necessary support to make the changes agreed by Board and Department; and**
- (iv) Urgently completing the 'Raising Concerns' investigations and ensuring that any conclusions educate steps (i) to (iii) above.**

Recommendation 1b: The organisational structure should be revised to align with strategic priorities and be easier for both internal staff and external stakeholders to understand and navigate. When revising the structure consideration should be given to reducing the number of senior management posts and ensuring these are aligned with future strategy.

Recommendation 1c: The Board of Invest NI should undertake an annual effectiveness review (this should be carried out externally every three years) and an annual performance review of senior executive leadership, which should be reviewed by the Remuneration Committee. The Board should also assess the effectiveness of the relationship between the two parties.

Recommendation 1d: Consideration should be given to the appointment of an experienced Board Secretary position to provide authoritative advice and support to the Chair and Board.



DfE Governance and Oversight

Finding 2a: Strategy, Policy, and Guidance from DfE is unclear and not communicated to Invest NI in a manner that takes account of the business planning cycle.

Finding 2b: There is a need for greater formal clarity between DfE and Invest NI, outlining expectations and responsibilities on both parties, but that allows for an agile and responsive Economic Development Agency with proportionate control mechanisms in place.

Background

7.31 DfE has principal responsibility for developing economic policy in Northern Ireland (NI). The ultimate role of Invest NI is to carry out the functions of a service delivery body, developing and implementing programmes and processes designed to help achieve the Department's, and the wider NI Executive's, economic policy aims and objectives. It is imperative that any relationship between a sponsor Department and its Arm's Length Body (ALB) functions well, with clearly defined roles, responsibilities and expectations outlined; both formal and informal structures in place; and two-way communication well established. We acknowledge that the relationship between Invest NI and DfE has improved recently and there is the opportunity to build on this. Invest NI is reliant on the quality of strategic direction being provided by its parent department. However, as will be explored throughout this section, we found that current policy guidance seems to be communicated in an ad hoc fashion and not in line with business planning cycles.

The Policy Ecosystem

7.32 As outlined in the Strategic Context section of this report, the overarching policy document in NI should be the PfG. If the NI Executive was fully operational and functioning as intended, the PfG would be agreed, and this would set overarching policy aims and objectives for the whole of NI. The Department would then outline how it intended to take forward its assigned actions from the PfG, through its own policy priorities and strategies, such as an economic strategy document. These documents would ideally be informed by a sound evidence base and contributions



from many relevant stakeholders and be taken through a formal public consultation exercise. In turn, the Department would then ask its relevant delivery bodies to take forward the relevant actions from its policy documents. In partnership with the delivery body, a set of Key Performance Indicators (KPIs) would also be agreed. These KPIs would be expected to be economically relevant and would require regular monitoring and reporting. In summary, the Department should set clear policy priorities and ask its ALB's, such as Invest NI, to deliver on these.

Current Management Statement and Financial Memorandum (MSFM)

7.33 The 'Management Statement and Financial Memorandum (MSFM) 2018'⁸⁴ document outlines the governance framework within which Invest NI operates. This includes: the rules and guidelines relevant to the exercise of Invest NI's functions, duties, and powers; the conditions under which any public funds are paid to Invest NI; and how Invest NI is to be held to account for its performance. The MSFM also details the respective responsibilities of DfE as the 'sponsoring department' and Invest NI as the 'sponsored body'. The current MSFM states that *'the Department determines the performance framework within which Invest NI's objectives and targets are set. Invest NI's objectives and key targets are to be agreed within Invest NI's corporate and business planning process and shall be consistent with the appropriate Northern Ireland Executive PfG commitments, the Department's Industrial Strategy - Economy 2030 and Department's Corporate Plan. The objectives, targets and performance measures for Invest NI shall be set out in its Business Strategy and annual Operating Plan, both of which shall be approved by the Department'*.

Current Sponsorship Arrangements

7.34 The current arrangements are that DfE has a dedicated 'Sponsor Team' for Invest NI. This team has recently been refreshed and is overseen by the Director of Business Interventions Division within the Department. The Sponsor Team is the primary source of advice to the Minister on the discharge of his/her responsibilities in respect of Invest NI and the primary point of contact for Invest NI in dealing with the Department. The Sponsor Team advises the Minister on issues including an appropriate framework of objectives and targets for Invest NI with respect to the Department's wider strategic aims, its current PfG commitments, the Corporate

84 [Invest NI's Management Statement and Financial Memorandum 2018 \(investni.com\)](#)



Plan and an appropriate budget for Invest NI in the light of the Department's overall public expenditure priorities. The Minister should have routine meetings with both the Chair and the CEO of Invest NI with the minutes duly recorded.

- 7.35 Performance of Invest NI is regularly reviewed by the Department as part of an 'Oversight and Liaison' (O&L) process. There are bi-annual O&L meetings chaired by the DfE Permanent Secretary and attended by Invest NI's Chief Executive. Quarterly O&L meetings are chaired by the Business Interventions Director, as Senior Sponsor of Invest NI and attended by Invest NI's Director for Performance and Compliance, supported by members from various teams. Financial governance of Invest NI is monitored via DfE's Central Finance Team. There is a close working relationship between the Invest NI Sponsor Team and the Central Finance Team, and there is representation from both teams at O&L meetings.
- 7.36 In practice, Ministerial and Departmental priorities and policies can take a variety of forms, from high level strategies to ad hoc financial requests to Invest NI to consider. We could not uncover any format or established method for DfE to convey policy priorities or responsibilities to Invest NI. Similarly, there was no evidence of any formal method for Invest NI to make requests to the Department. This seems to be highly dependent on individuals and the information can be passed on in a range of ways, for example through meetings and written requests and by different areas of the Department. Technopolis⁸⁵ described that, "*Outside of the dedicated liaison role, policy-level conversations appear in some policy areas and not others (i.e., some teams in DfE and some teams in Invest NI interface more while others do not).*" Regarding the timing of requests from the Department, we could not uncover any evidence that this is aligned with Invest NI's business planning cycle. Policy documents can be regularly published mid-year and are therefore not in tandem with business plans or budget cycles. Traditionally, Invest NI's Business Strategy aligns as far as possible with the PfG.



- 7.37 It is our view that the current arrangements between the organisations almost certainly inhibit the flow of intelligence from Invest NI to the Department and this is covered in further detail later in our report. However, we also acknowledge that DfE has made recent changes to the personnel of the Sponsor Team, which has led to an appetite for change in the relationship. This was also referenced by Technopolis⁸⁶, who reported that, *“the leadership in both organisations are pressing for more collaborative approaches.”*
- 7.38 By way of comparison with another region, when Scottish Enterprise (SE) develops a strategy, it follows a relatively established procedure that is acknowledged by all stakeholders and therefore supports an independent strategy that is still in line with national priorities. After informal discussions, SE receives a Ministerial Guidance Letter that sets out what the government expects from the agency regarding overarching policy goals. The detailed strategy with its priorities and key indicators is then developed by SE and its Independent Board and later confirmed with the Government.
- 7.39 It is intended that the DfE Business Plan⁸⁷ (and the 10X Vision going forward) are the vehicles that Invest NI will use to develop its annual business plans. In practice, during development of these business plans, Invest NI directors engage with DfE policy colleagues to ensure alignment between DfE and Invest NI ambitions. Targets are developed within Invest NI using its business intelligence to assist in meeting the outcomes of Executive and DfE strategies. However, this arrangement is again ad hoc and not formally established in either organisation. The current suite of targets, or KPIs, are inadequate and need to be refreshed. Further commentary on this is contained later in this chapter. Invest NI’s annual business plan is approved by the Invest NI Board before being submitted to DfE via the Sponsor Team for consideration. The Sponsor Team engages with DfE’s policy areas for advice on alignment to the DfE business plan as well as other DfE strategies. We did not uncover any evidence of significant staff involvement in the business planning process and internal Invest NI staff expressed their concerns at this exclusion.

86 Technopolis, Invest NI Performance Review (December 2022)

87 [DfE Business Plan 2021/22 \(economy-ni.gov.uk\)](https://www.economy-ni.gov.uk)



DfE Review of Sponsorship

- 7.40 In 2022, DfE undertook a ‘Review of Sponsorship’ as part of a wider ‘Organisation Development and Transformation’ (ODT) project. This was a review of how the Department oversees and works with its 20 different ‘Sponsored Bodies’, including Invest NI. This review resulted in 20 recommendations, which included the revision of the ‘Sponsorship Manual’ and the development of ‘Partnership Agreements’ to replace MSFMs during 2022/23. Guidance on this was provided by DoF via a ‘Dear Accounting Officer’ Letter. Partnership Agreements are intended to set out the overall governance framework within which NDPBs should operate, including the framework through which the necessary assurances are provided to stakeholders to satisfy accountability requirements. The aim is to build ways of working that are outcomes-based and are characterised by focus on impact through collaboration. A key component of Partnership Agreements is recognition that relationships between Departments and NDPBs are based on clarity of respective roles, trust, shared values and outcomes, transparency and clear lines of accountability and responsibility. We believe that a new Partnership Agreement is needed between DfE and Invest NI and further details on this are outlined below.
- 7.41 The DfE ODT Programme Board concluded that the Department should transition to a ‘Hybrid Sponsorship Model’. This model recognises that “*one size does not fit all*” across the various ALBs, and this allows for the maintenance of a ‘status quo’ where current arrangements are working well, with scope for greater central oversight as appropriate. The review also noted that this Independent Review of Invest NI had recently commenced and recommended no significant changes to the sponsorship arrangements until it had concluded.
- 7.42 We believe that a new written formal Agreement is needed between DfE and Invest NI, that sets out clear roles and responsibilities for each party and also includes clear expectations on communication and intelligence sharing. Audit and Control issues are covered later in this report, but it is also essential that while any new Agreement takes account of these appropriately, it also provides Invest NI the agility to act quickly as an organisation, as envisaged in the Industrial Development Act (Northern Ireland) 2002. This new Agreement should therefore not stifle risk taking, but still ensure that appropriate controls are applied. The Agreement should also include provision for strong and improved post hoc scrutiny by the Department.



Performance should be measured against a new and revised set of KPIs, and this is covered in more detail later in this chapter. The Agreement should also be updated and reviewed on a continual basis as necessary.

Panel Engagements

- 7.43 Through our engagements, we heard from various sources that the relationship between DfE and Invest NI has limited effectiveness. The evidence presented showed that the Department tends to cascade information to Invest NI in an ad hoc and unstructured manner, rather than adopt structured or formal methods, and vice versa. Invest NI staff felt that the relationship with the Department impacted on the agility and responsiveness of the organisation, with one staff member describing that Invest NI has to drop everything to do the Department's bidding. The Invest NI Board stated that in their self-assessment, *"there have been issues that test our relationship with the Department, which displays as a parent / child relationship rather than a fully collaborative relationship"*. The ELT assessment provided some further context, claiming that, *"In recent years both Invest NI and the Department have seen a significant number of changes in senior personnel. This has resulted in a move away from the 'partnership' model developed in recent years and led to a less effective working relationship in recent times."*
- 7.44 We also heard commentary from several external stakeholders on the status of the relationship between DfE and Invest NI, with one saying that the Department should be setting policy and that delivery should be left for the ALB. Another view expressed was that there was too much governance between DfE and Invest NI which slowed the pace of work. Overall, our external engagement uncovered a common feeling of a need for a greater degree of 'joined up thinking' between DfE and Invest NI. A business stakeholder claimed that in their view the single biggest challenge is departmental and other government bureaucracy and interference.

Research

- 7.45 The view of the relationship from internal and external stakeholders was also supported by the research undertaken by Technopolis⁸⁸, who commented that, *"policy objectives and priorities are set by DfE and cascaded to Invest NI as the delivery organisation,"* and that, *"... our programme of consultation for the review highlighted*



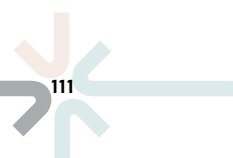
a number of issues related to engagement between the two organisations. A number of interviewees remarked on ‘bad blood’ on both sides, stemming from how the organisations have viewed one another historically. Despite appetite on both sides to redress this, and with new leadership in both organisations pressing for more collaborative approaches, some legacy issues appear to remain. As such, (re-) developing mutual trust will require firm commitments from both DfE and Invest NI.”

DfE Policy Skills

7.46 We note the recommendation from the 2009 Independent Review of Economic Policy (IREP) that the Department should ensure that more resources are dedicated to policy development and monitoring and similarly note that DfE may need to augment its policy development and monitoring capability and resources. It could also be possible that those within the Department who possess policy development skills are not working in the correct roles. This is an area that DfE should look to address urgently to help improve the quality of relevant policy making and may require a programme of training or recruitment (internal or external) if necessary. Along with this, DfE should look to strengthen its understanding of the business world as well as improving dialogue with and oversight of Invest NI.

Best Practice

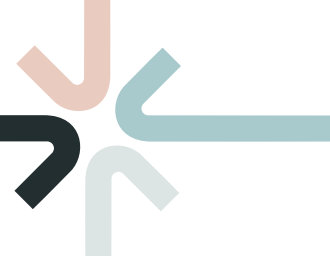
7.47 In addition to the Scottish Enterprise model outlined above, in its research⁸⁹, Technopolis uncovered several other examples of best practice in other organisations and regions around governance and oversight arrangements. In the RoI, the parent Department of ‘Enterprise Ireland’ (EI), the Department of Enterprise, Trade and Employment (DETE), leads on overall strategy development. However, EI is involved in shaping national policies through close cooperation with DETE and through the work of its strategic policy team. This team seeks to shape national policy through insights derived from EI’s operations. Members of the parent department’s board and a range of non-executive board members are heavily consulted in the development of EI’s internal strategy and priorities. To be aligned with government priorities and enterprise policy developments, the 2022-24 strategy is based on a variety of influential documents such as the Programme of Government, the Climate Action Plan and the National Development Plan.



7.48 The North East Growth Hub (NEGH) in England has a Strategic Economic Plan (SEP), which contains targets and ambitions that are transformed into KPIs at a more granular level. These are considered and decided on in a planning session before entering the financial year. Apart from reflecting on what did and did not work in the previous year, in this planning session decisions are also made regarding what must change in the next year in terms of activities and outputs. Significantly, many of the Growth Hub's funders like the Department for Business, Energy, and Industrial Strategy (BEIS) also define KPIs and targets are conditionally linked to the funding.

Operational Independence

- 7.49 During the course of our consultations, a number of individuals within the organisation, policy community and the wider business world, sought to link the issues we have discussed in this section and the 'Invest NI Board and Senior Leadership' section of this report, with an earlier period in the life of Invest NI when its executive leadership enjoyed a particularly close relationship with Ministers and the contribution of both sponsor Department and Board was more limited than might have been expected. We have not tried to explore further these historic issues but anticipate that our respondents would expect them to be mentioned.
- 7.50 Separately we also heard concerns from staff and other stakeholders during our engagements of what was termed "political interference" which we understood to relate to vigorous, perhaps over vigorous, championing of individual company applications and projects by individual MLAs. Again, we were not in a position to investigate these comments further.
- 7.51 We are not in a position to verify either set of comments or to suggest that there has been a distortion in the use of public monies. However, we are clear that the NI Executive must protect the operational independence of Invest NI and the oversight arrangements exercised by the Board and DfE.



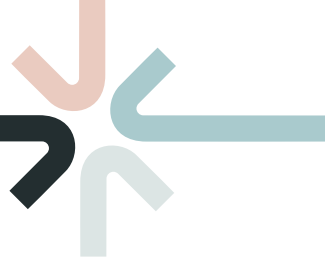
Conclusions and Recommendations

7.52 It is imperative that any relationship between a sponsor Department and its ALB functions well, with clearly defined roles, responsibilities and expectations formally outlined, both formal and informal structures in place and two-way communication well established. Invest NI is reliant on the quality of strategic direction being provided by its parent department. Currently policy guidance is communicated in ad hoc fashion, inconsistent with the business cycle needs and with unclear expectations. For example, the '10X Vision' was published by the Department in May 2021 but there is still limited policy guidance in place around this. There is regular engagement at various levels between the organisations, but more formal mechanisms to convey Departmental requirements need to be established, particularly in relation to policy aims, objectives and targets. This should take the form of a formal Agreement between the two organisations, which clearly articulates the roles, responsibilities, and expectations of both parties. This Agreement should be regularly updated and reviewed. All targets set should be clear and measurable so both organisations have a full understanding of expectations. We are also clear however, that it is essential that this Agreement still affords Invest NI enough flexibility to be an agile organisation, as envisaged for the organisation in the Industrial Development Act (2002). As an ALB, the organisation must be able to take measured risks as required, in line with appropriate control measures. It would also be beneficial to afford Invest NI a formal role during the drafting and formulating of any relevant policy. Current arrangements inhibit the flow of intelligence from Invest NI to the Department and vice versa. We understand that a Partnership Agreement between DfE and Invest NI will replace Invest NI's Management Statement and Financial Memorandum (MSFM) and we believe this may provide the vehicle to put these formal mechanisms in place.



- 7.53 Tellingly, it is also worth noting that the 2009 IREP report⁹⁰ recommended that, *“DETI should ensure they have a better resourced unit which is dedicated to economic policy development and monitoring / reporting on Invest NI performance”*. The ethos of this recommendation still applies and has not been addressed by the current Department, DfE or its predecessor, DETI. This is a failing that needs to be addressed. The IREP report stated that implementation of its wider recommendations would lead to, *“Greater clarity on the roles and responsibilities of economic policy within the NI public sector, with DETI and Invest NI taking lead responsibility”* and *“Better co-ordination in the delivery of the key factors influencing economic policy in NI, including more tailored support for businesses in NI.”*
- 7.54 Technopolis noted the benefits of improving the relationships between both parties and clarifying policies, stating that, *“There is a significant opportunity to build on the appetite for improving the working relationship between DfE and Invest NI. However, pockets of interpersonal issues still remain, and the relationship between the Invest NI board and executive leadership team appears to be contentious. It will be important to root out remaining issues and personal attitudes and improve the collaborative cross-organisational working by building on good practice where it exists. The most important first step and the basis of this is clarity of roles plus, clear policies, and processes for how policy objectives are collaboratively translated into delivery streams, and also how any required changes are made during programming periods.”*

90 [Independent Review of Economic Policy Report 2009 \(economy-ni.gov.uk\)](http://economy-ni.gov.uk)



7.55 We would therefore recommend the following actions are taken forward:

Recommendation 2a: DfE needs to set clear policy and guidance and communicate this to Invest NI in a formal manner within a new Partnership Agreement as soon as possible. This should be reported on, and reviewed, on a regular basis.

Recommendation 2b: A formal agreement should be established between DfE and Invest NI that outlines the expectations and responsibilities of both parties but allows for an agile and responsive economic development agency. Appropriate proportionate control measures, including strong post hoc scrutiny, should be included in the agreement.

Recommendation 2c: DfE should look to strengthen its policy development and monitoring capability and resources across the Department.



Client Company Model

Finding 3a: The current “client company” model is inflexible, the criteria are not widely understood by businesses, and it may lead to missed investment opportunities and/or ‘deadweight’.

Finding 3b: There is a high level of ongoing or repeat, non-repayable support to a number of existing clients.

Finding 3c: We heard evidence internally and externally that there are insufficient and inconsistent skill levels within the Client Executive cohort.

Background

7.56 The ToR for this review specifically asked us to, “*Comment on the overall effectiveness of the current Invest NI ‘Client Company’ delivery model and reach a conclusion on the merits of alternative delivery models*”. A central component of how Invest NI supports business is through what is widely known as its ‘client company’ model (also referred to as ‘account managed’ companies)⁹¹. In effect this means that when certain criteria applies, specific companies become eligible to receive more tailored, ongoing support. In total, Invest NI reports that over a five-year period (2017/18 - 2021/22), 63% of assistance went to client companies, a substantial concentration of funding to this group of firms. Analysis by Technopolis⁹² found that Invest NI supported 4,796 distinct beneficiary firms over the period 2017-2021, receiving a total of £559m of assistance. This represents around 6% of the NI total business population. Ninety-three percent of these firms were SMEs, who received almost two thirds (61%, £339m) of total assistance over this period of examination. With these statistics as a backdrop, we heard from multiple sources that becoming an Invest NI client company can be a cumbersome process, although it can also be ultimately rewarding if successfully navigated.

91 While Invest NI now refers to ‘account managed’ companies, most stakeholders we engaged with referred to the ‘client company’ model.

92 Technopolis, Invest NI Performance Review (December 2022)



7.57 We did find strengths to the current client company model. It has a process and criteria (outlined in further detail below) to establish priority cases that can add greatest value to the economy. This includes many of the sectors that could, and have, demonstrated the best potential for success in adding value to the NI economy and link to the aspirations of the 10X Vision. Notably it facilitates advice and financial assistance on an on-going basis to companies as they develop and grow. When the model works well, it is highly rated by the companies that are supported by it. However, as with wider programme supports, we heard that the criteria to become a client company is not well understood externally and this can be damaging to the understanding of, and confidence in, what the client company model involves. We heard from many businesses who were frustrated at the difficulty of becoming a client company and indeed had to retain consultants to assist with completion of applications. This section will provide a detailed commentary on the current client company model and make recommendations for moving forward.

Current Client Company Model

- 7.58 The current criteria for becoming an Invest NI ‘Client Company’ is that a business must show that it intends to sell outside NI, is actively pursuing growth plans and will contribute to increasing productivity and innovation in NI. Certain criteria such as turnover, volume of sales outside of NI and growth potential must also be met.
- 7.59 As noted above, research indicated that Invest NI supported around 6% of the overall business population of NI from 2017 - 2021. As a comparison, in the last year for which data was available (2020), the North East Growth Hub supported 1,551 businesses, which is around 3% of the total business population (53,530).⁹³ Other regions examined use different criteria for selecting the companies that they choose to support. For example, Business Wales offers its services to almost all types of businesses and sectors, but certain programmes, such as the accelerator programme, requires businesses to comply with specific rules such as being an exporting company and fast-growing. To become eligible for EI’s support, businesses either must be manufacturing enterprises or eligible ‘internationally traded services businesses’ employing 10 or more full-time employees or High Potential Start Ups (HPSUs).⁹⁴

93 Technopolis, Invest NI Benchmarking and Best Practice Review (December 2022)

94 [Sectors eligible for Enterprise Ireland support accessed December 2022 \(enterprise-ireland.com\)](https://www.enterprise-ireland.com)



- 7.60 The Brabant Development Agency in the Netherlands also has a very broad client base of companies that it works with, although these are targeted at certain sectors. The organisation indicates four main target groups⁹⁵ for succeeding in the mission of strengthening the Brabant economy. These include: innovative firms with growth ambitions and potential; organisations that develop and realise sustainable energy projects; firms that have the ambition and potential to internationalise; and foreign located firms that want to settle in Brabant.
- 7.61 Several stakeholders who engaged with us commented on frustrations with the current client company model. One expressed the view that Invest NI does not offer support beyond its client companies and another that Invest NI is too focussed on a narrow set of companies and is not putting enough focus on the new. It was felt that the organisation looked at a narrow set of companies and that there is a need to move away from Client Companies and business development to economic development and economic impact. However, another view expressed was that once you became a client company Invest NI seemed to operate “fairly well”. Internal staff made several critical comments regarding the client company model. One staff member said, “*The nuance of various offers (taking into account company size, nature of the sector, previous interventions) are now ignored in favour of a simple scoring matrix for each scheme which seems to penalise small locally owned companies in non-technology sectors*”, while another told us that the, “*main drive seems to be releasing money rather than providing business help, resulting in clients feeling entitled to full allocation even when they do not meet the Letter of Offer conditions*”.

95 Technopolis, Invest NI Benchmarking and Best Practice Review (December 2022)



Types of Company Supported

- 7.62 According to Technopolis, 93% of Invest NI supported firms between 2017-2021 were SMEs (94.1% when excluding public firms, EDO's and universities). This is comparatively lower than the proportion of the 78,880 VAT and PAYE-registered NI firms that are classed as SMEs (99.6%). Compared to the overall private sector business population of NI, SMEs in the Invest NI client database are underrepresented (by more than 5%). Based on a sample of 3,096 companies (64% of the total of 4,796 companies) for which employee data is available, the share of micro-businesses is the largest and represents almost half of the companies (45%), followed by small business (37%) and medium businesses (13%). Like in the full sample, large businesses (non-SME, more than 250 employees) represent only 5% of all companies.
- 7.63 Regarding the distribution of support by sector, Technopolis⁹⁶ reported that 31% of Invest NI financial support goes toward advanced engineering and manufacturing companies, followed by digital and creative industries (21%) and financial/professional/business services (14%). Alone those three industry groups cover two thirds of total assistance. This compares relatively well to key 10X clusters, but this could be improved by Invest NI. Technopolis said, *“While there appears to be alignment across sectors that correspond to priority strategic clusters, the structural shift predicated by the 10x Economic Vision means that there is value in ensuring that the individual programmes are conducive to the goals of developing clusters and also to fostering inclusive growth. It is difficult to see at the portfolio level whether this is the case, as a more granular view is required. Cluster development and inclusive growth and diffusion are qualitatively different objectives that would sit alongside other areas focused on by existing portfolio of investment such as job promotion, sales, and R&D investment, and thus may require different programmatic approaches.”*



- 7.64 Compared to the overall private-sector business population of NI, the manufacturing sector and information and communication sector are overrepresented in the client sample (+29% and +10% respectively), whereas the construction sector is underrepresented, and the agricultural sector is nearly absent. We heard directly during our engagements about the lack of support being offered to the construction sector, specifically in ‘retro-fitting’ as part of the net zero agenda.
- 7.65 Technopolis⁹⁷ also commented on the age and ownership of the Invest NI client base. It stated that, *“Examining age (based on firms’ date of creation), beneficiary SMEs are on average older than the average NI SME (based on a sample of 29 000 NI firms). The former group of firms are on average 15 years old (in 2022) compared to 12 years old for the NI population... Examining ownership, local companies (from Northern Ireland) represent the vast majority of the supported sample. A total of 397 externally owned companies (10% of the total) emerged from inward investments (tagged FDI by Invest NI, mostly business development), but they received more than a quarter of the total support budget (£155m, 27.8%). Supported external businesses are on average larger than local businesses (at the time of support). Almost a third (31%) of them are large businesses, compared to 2.77% of local business. Only 19% are micro businesses (compared to 46% of local businesses).”*
- 7.66 Table 12 tracks the total number of Invest NI portfolio customers for the period 2017 to 2021, indicating the number of companies added and removed from the portfolio (churn) in each of the respective years. Based on the churn information provided by Invest NI for the period 2017 to 2021, on average each portfolio customer remains as such for a period of 3.3 years.



Table 12: Invest NI Portfolio Customers for the period 2017 to 2021

Year	Opening Number of Companies	Companies Removed from Portfolio	Companies Added to Portfolio	Closing Number of Companies
2017	--	--	--	1,597
2018	1,597	305	247	1,539
2019	1,539	132	320	1,727
2020	1,727	201	188	1,714
2021	1,714	214	260	1,760

Source: Invest NI firm data (2022)

7.67 By way of comparison⁹⁸ EI is serving approximately 3,500 clients every year and in 2021 Scottish Enterprise was working in a direct relationship with 2,000 businesses. Although Scottish Enterprise generally offers its services to all kinds of businesses it typically works with three segments of companies:

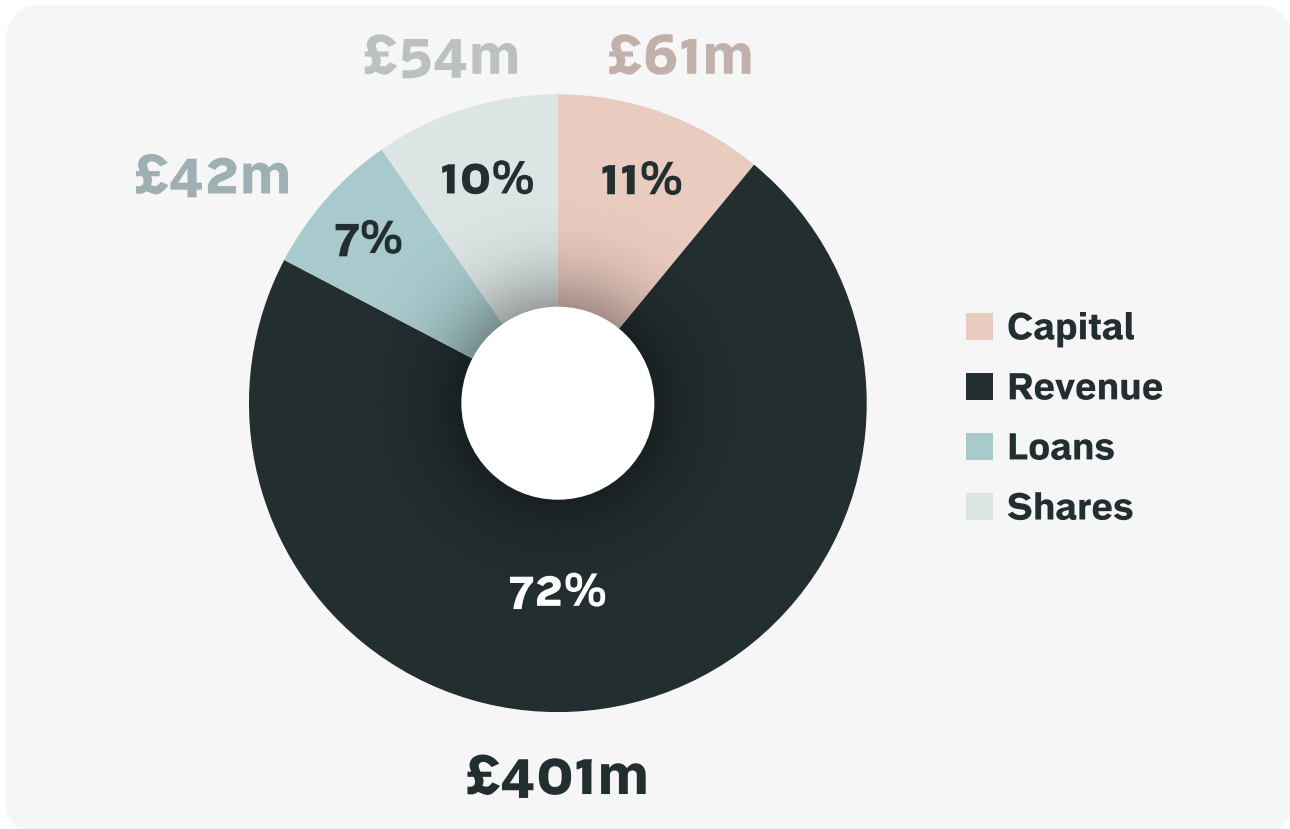
- High growth spinouts, high growth start-ups and early-stage scale ups: Typically, <£10m turnover - <5 years old with high levels of ambition and potential to scale internationally;
- SMEs: Supporting innovation, investment, and internationalisation - 10-250 employees - National/regional priority - High Impact; and
- Large companies: For indigenous and existing investors creating quality jobs and new investment - large, strategically important companies (250+ employees in Scotland or existing investors with significant global operations).

Type of Support

7.68 In terms of the type of support offered to client companies, Technopolis' analysis of five-year client data shows that nearly three quarters (72%, £401m) of total assistance was provided in the form of subventions such as revenue (grants and funds), 11% (£61m) as capital, and 10% (£54m) as shares. This is summarised in the figure 13.



Figure 13: Total assistance by financial instrument, 2017-2021

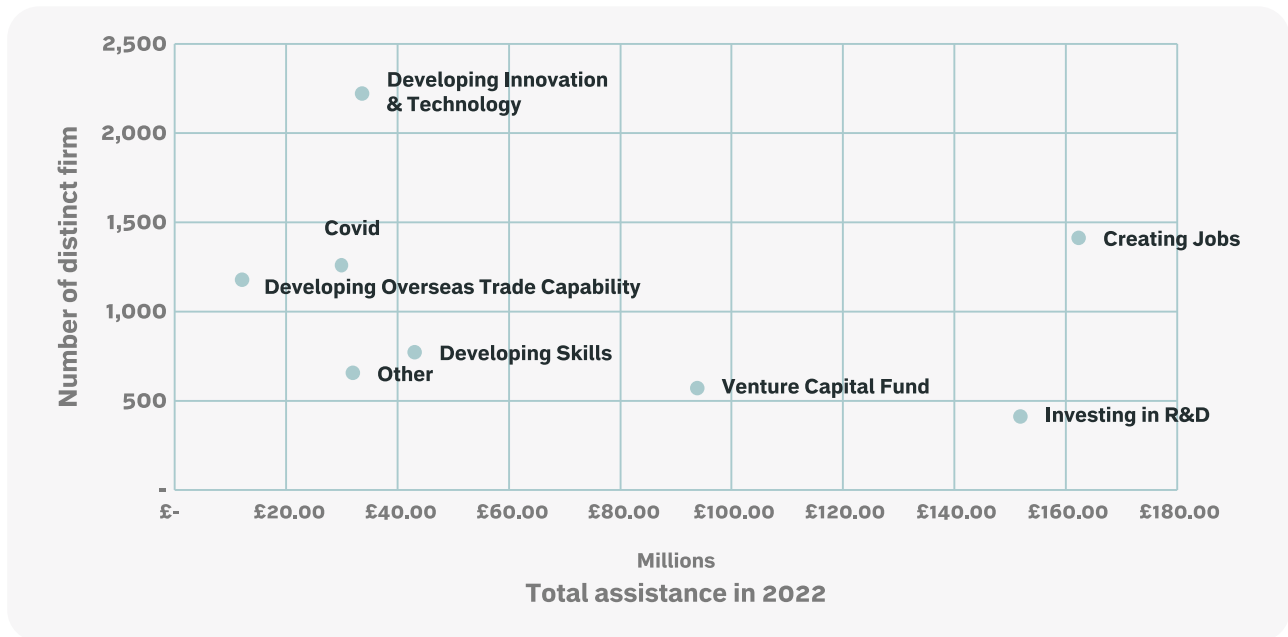


Source: Technopolis Analysis of Invest NI firm data (2022)



7.69 Figure 14 illustrates that the highest share of Invest NI assistance since 2017 has gone towards job creation objectives (29%), followed by investing in R&D (27%), though the latter is through a small group of firms. This contrasts with the larger group of beneficiary firms (2,220 unique businesses) that obtained a small proportion of cumulative assistance to develop innovation and technology (6%). The third highest proportion of cumulative assistance was allocated via venture capital funding (17%). We heard several comments from stakeholders regarding the focus on job retention, with one stating their belief that this is because it is “*easier and accurate to measure*”. An example provided by a local entrepreneur was that planned capital investment on machinery would have enhanced automation but could also have resulted in job numbers potentially falling, and therefore Invest NI would have been unlikely to offer them support. Our view is that Invest NI should move away from its primary focus on job creation to a much broader set of criteria, including productivity, which offers additionality and thereby ensures the best use of the subvention granted. We are concerned that Invest NI’s current focus on job creation may present barriers to entry and represent an opportunity cost in the agency’s ability to support early-stage companies and emerging technologies.

Figure 14: Total Invest NI assistance by Investment objectives, 2017-21



Source: Technopolis Analysis of Invest NI firm data (2022)

- 7.70 As outlined in the Technopolis research⁹⁹, SE generally provides three types of support: it supports businesses in finding and accessing the right funding; it occasionally offers a very small selection of targeted funds of its own and offers investment funding; and it gives advice on specific business-relevant topics.
- 7.71 We heard from a senior official of EI, who informed us that they predominantly offer support to start-up businesses in the form of equity. For example, its Competitive Start Fund (CSF) programme is a €50,000 equity investment designed to accelerate the development of High Potential Start Ups (HPSUs) by financing items like international market evaluations or the construction of prototypes. It also has an Innovative HPSU Fund, which provides equity investments to support the implementation of business plans. In Brabant of the Netherlands, the development agency (BOM) offers investment in either equity or loans depending on company size. In terms of programme activity, the BOM invests in scalable start-ups and scale ups with growth potential that have strong linkages with Noord-Brabant. Sustainable growth, potential employment and societal impact are the main drivers for investing in these firms. The BOM invests in firms in either the customer discovery stage, customer validation stage, customer creation stage or the company building stage. An investing-committee decides whether the BOM will invest in the firms that have applied for investment. The investment (either in equity and/or a loan) is between €150,000 and €5m. For early-stage investments the BOM mostly works with convertible loans and in later stage investments, it mostly works with equity shares. The BOM is always a minority shareholder.
- 7.72 Invest NI currently offers equity investments through its 'Access to Finance' programmes, which are aimed at SMEs whose growth is constrained by a lack of traditional finance. This totals almost £170m, with five funds spanning a deal size range of £10k to £2m and offering support to SMEs across both debt and equity markets. The funds, which operate on a fully commercial basis, are managed by independent NI-based Financial Conduct Authority approved fund managers who retain responsibility for all investment decisions. The fund managers will also offer guidance and mentoring support to help SMEs develop strategies.¹⁰⁰ We had a very informative engagement session with various representatives from the finance sector in NI during our evidence gathering. We heard directly at this session that although Invest NI does currently make equity investments, as outlined above, this

99 Technopolis, Invest NI Benchmarking and Best Practice Review (December 2022)

100 [Funding through Loans and Equity accessed December 2022 \(investni.com\)](https://investni.com)



could be expanded to take greater risk and also align with 10X priorities. One local representative told us at this session that private sector providers were happier to come into the market and support when risk was much smaller and that in their view Invest NI should be operating at that very early, high risk stage to get people off the ground. It was also stressed at this meeting that Invest NI needs to ensure that they check whether companies have sought or been able to access commercial finance as part of their appraisal process. It is our view that consideration should be given by Invest NI to enhance and increase the current offer of equity and repayable type loans, including that offered to start-up companies.

Repeat Support

7.73 The number of clients receiving repeat assistance was also of significant concern to us. Our own analysis and the Technopolis research highlighted that a sizeable amount of Invest NI's financial support is tied up in repeat assistance to a relatively small number of firms. Technopolis reported on a client base that "*demonstrates higher than expected repeat clients (more than half over five years) and a very high budget allocation to serving repeat clients (two thirds annually)*". On average, beneficiary firms have been financed three times over the 2017-2021 period, implying that some obtained different financing during the same year. Fewer than half of the total number of invested firms have received funding only once (46%). Furthermore, the Invest NI SQW Evaluation of Selective Financial Assistance (SFA)¹⁰¹ programme for the period 2011/2012 to 2018/2019 also recommended placing a greater level of scrutiny on companies receiving repeat support and the need to review the guidelines on the role of SFA as "*the assistance of last resort*". This report said, "*Mechanisms specific for requests for 'repeat support' should also be considered e.g., placing a greater level of scrutiny on this issue for firms that have secured SFA previously. Invest NI and DfE should review the guidelines on the role of SFA. Consideration should also be given to whether the 'assistance of last resort' remains valid as to how SFA is best deployed and aligned with policy objectives and departmental priorities, whilst ensuring the minimum assistance is provided*".



- 7.74 As noted above, the Technopolis research suggests a very high budget allocation to serving repeat clients, taking up over two thirds of the budget annually. The current client model raises a number of concerns. We feel that the fact that so much of the funding allocation within Invest NI is tied up in committed support to a select and small group of client companies could have consequences for the organisation's ability to deliver on a renewed approach to economic development and support the Department's 10X Vision. Furthermore, Technopolis also raised concerns regarding the current level of repeat clients following its own analysis, saying that, *"The effects measured by econometric analysis are not as dramatically different for returning clients as one may expect given such expenditure. Statistical tests find that only employment growth is higher, with turnover and productivity not significantly improved by accessing investment more than once. Invest NI should therefore consider changing the client engagement model to further expand engagement. Investing in a broader range of companies may be a better use of budget than repeating investment in a small group of companies with lower than anticipated additional return in terms of business growth and productivity."*
- 7.75 Additionally, our own research suggests that 21 of the top 50 assisted companies over the last five years had received support in each of those five years and 31 had received support over three or more years. The top 50 alone, just 1% of companies supported, accounted for 32% of company support over the 5-year period. Notwithstanding potential mobility issues, we felt that this could result in increased 'deadweight'¹⁰² in investments, and a review of these investments is recommended. This should take account of the rationale and effects of the investment. Technopolis commented that, *"the client engagement model may introduce further inefficiencies that impact effectiveness. This includes an element of potential deadweight in supporting large firms that may have experienced growth anyway and dedicating significant resource to repeat clients with less return than may have been expected."* The support of these mainly larger companies also raises questions about the ways in which the client base is maintained and refreshed, which was also of concern to us. However, we recognise the importance of large companies to the NI economy. We heard directly from the CEO of one large company who received regular and significant assistance. They fully acknowledged that their multi-national parent might consider relocating to other locations if this assistance was withdrawn in

102 Deadweight loss is described as any deficiency caused by an inefficient allocation of resources. Price ceilings, such as price controls and rent controls price floors, such as minimum wage and living wage laws; and taxation can all potentially create deadweight losses.



future years. The loss of such a company could have damaging effects on the economy and create multiple job losses, not only from the company itself, but also from potential job losses in firms in its extensive supply chain. Internal Invest NI staff expressed their views on continued support for large companies, saying that businesses with multi-million-pound profitability should be “*out of the norm*” or “*banned*” from applying for some schemes. Indeed, one staff member commented on this issue, stating that, “...*many large and multinational businesses see Invest NI as an ‘ATM’ where they can regularly come and get their once-a-year grant to supplement their bottom line*”.

- 7.76 The extent to which this model of support is justifiable requires further consideration in the context of whether so much money tied up in a small number of companies represents good value for money to the taxpayer. This may be explained in part by an element of risk aversion on behalf of Client Executives to the extent that if criteria and performance are most directly linked to job promotion then projects that are most likely to succeed, with or without support, are selected. It could also be that the better relationships noted above between the Client Executive and the company plays a part, where support is provided as opposed to an objective evaluation of where that support will have the biggest impact.
- 7.77 It has been raised with us in discussion (including with a director of a large client company) that continuing financial support may be valid if the alternative is losing the economic activity it supports to another country or region. This is a difficult challenge because it does go beyond a relatively straightforward economic decision to one that is arguably more political and not one that sits easily within the normal operation of Invest NI’s programme/policy interventions and the decision-making process to assist companies. We acknowledge that support on such terms can be a legitimate decision, but in such cases, it is imperative that Invest NI casework fully explores the realistic potential of a project moving. In the small number of cases we reviewed, we formed the opinion that there is an opportunity to enhance the evidence presented to substantiate a credible mobility argument for decision makers to consider, in line with the Invest NI Casework Guidance Template, September 2022. It is also important that the Department has a clear policy on assistance for mobile projects and agrees the assessment criteria with Invest NI.



Role of Client Executives

- 7.78 Invest NI operates different engagement models at the two tiers of client companies, i.e., 'Account Managed' and those overseen by regional offices. Account managed clients are engaged via a 'trusted partner model', which pairs businesses with a single 'client executive' within Invest NI, that acts as a 'key account manager' or 'connector' and helps to identify and navigate support on a longer-term basis. Businesses under the Regional Business Group (RBG) are engaged via a 'one to many' structure of client engagement, with no dedicated account manager.
- 7.79 Additionally, Invest NI currently has two Innovation Advisors (IAs) in post (and one vacancy) attached to the Innovation, Research & Development division (IRD). IAs are designed to be the first point of contact and the first engagement with businesses seeking innovation and R&D support. There is also a Technology Executive (TE) in the Innovation, Research & Development division (IRD). TEs and IAs engage with companies and universities on an ongoing basis in areas including software development, data analytics, cybersecurity, manufacturing, energy, materials, Agri-tech and health and life sciences. TEs and IAs continue to keep abreast of technological developments as well as other support mechanisms to influence and inform customers. Skillsets and knowledge are kept up to date by participation and attendance at webinars, conferences and courses that focus on emerging technologies, new grant opportunities and legislative changes.
- 7.80 We heard mixed evidence about the quality of support and advice available from Client Executives, ranging from glowing endorsement from some companies to others who had limited dealings with them and were unsure of their role. We heard that some had 'given up' liaising with their Client Executive in any meaningful way. For example, one stakeholder described how their appointed contact "*couldn't have been more helpful*" but another told us that they had found their Client Executive difficult to get hold of, lacked understanding of their business/sector and lacked ability to proactively cross sell other supports.



- 7.81 Another issue raised was that, rather than advising on supports available to companies, some Client Executives were supporting client businesses to access supports. This has given the impression that if a company can secure a place as a client company and has the support of key Invest NI decision makers such as the Client Executive behind them, then there is almost automatic access to funding supports whether that support is needed or not.
- 7.82 The more common view amongst stakeholders was that the success of access to support from Invest NI was dependent on the Client Executive appointed. Client Executives were described to have different experience and knowledge, which was acknowledged given the size of the organisation. A need to educate internally was shared with some expressing the view that Client Executives and sector experts were not able to keep pace with the rapid change in their industry area of expertise given the pace of change. It was expressed that Client Executives needed to be on the ground and have relevant sector expertise. In addition, a suggestion for Client Executives to be more innovative and less risk-averse was put forward. We believe that there should be a renewed training focus for Client Executives and client facing staff generally to ensure that all companies receive the same level of high-quality support that one might expect from Invest NI, with continual professional development and training in their sectors. We recommend that the Client Executive role is also reconsidered in the light of Invest NI's role in delivering on 10X to understand where it can add most value. This should consider how the Client Executive role complements and accommodates the greater use of external expertise as relevant and needed.

Conclusions and Recommendations

- 7.83 We acknowledge the strengths of the client company model but also heard from businesses who were frustrated at the difficulty of becoming a client company. We recommend that the client base and model is continually examined and refreshed, so it is understood and transparent which companies are receiving ongoing subvention, why this is the case and whether that should continue. We also note that over two thirds of the budget over the last five years has been spent on repeat clients, including many of the 'Top 100 Companies' in NI. While we acknowledge that there may be legitimate reasons for this, we felt that this could result in increased 'deadweight' in investments. A review of these investments is recommended to ensure that the client base is refreshed to seize the best investment opportunities



available that merit support as defined in meeting the Department's objectives. It is our view that there is clear need for a greater diversification of the client base, with less emphasis on curating a series of established relationships, which encourages the culture of repeat subvention.

- 7.84 Tellingly, the Independent Review of Economic Policy (IREP) report (2009), also commented on repeat subvention to a limited number of companies. It said, "*The framing of performance targets to relate solely to client companies also means that there are in-built incentives to devote significant resources to the same companies. There is no expectation in the system that firms should be 'weaned-off' government aid at any stage. Therefore... the Review Panel propose that the concept of 'clients' is removed, and that Invest NI works with the entire business base to raise awareness and provide support for Innovation, R&D and exports.*"¹⁰³
- 7.85 There is a need to rethink the type of support provided, particularly in such a challenging public sector financing backdrop. Other sources of support, such as equity or repayable finance, are used more extensively by other support agencies. We believe that there must be a much greater emphasis placed on understanding and refocusing the funding envelope towards these alternative sources of finance.
- 7.86 Regarding the Client Executive cohort, we heard mixed views from businesses regarding their levels of relevant knowledge and expertise. It is our view that Client Executives should be undertaking relevant continual professional development and training in their sectors. External expertise should be utilised if necessary to ensure that Invest NI and client companies have access to appropriate professional advice. Additionally, it is not clear that there is sufficient independent evaluation of all proposals to make sure that projects brought forward are for the minimum amount of public sector finance required for a project to proceed (rather than the amount for which a company has applied). While it is natural for Client Executives to build a relationship with companies, it is also essential that all proposals are appraised objectively.



7.87 We would therefore recommend the following actions are taken forward:

Recommendation 3a: Invest NI should review the emphasis and resource given to the client company model to facilitate greater flexibility and support for the wider NI business base. There should be less emphasis on curating established relationships with companies and greater emphasis on diversifying the client base to meet the needs of 10X. Invest NI must ensure greater emphasis on demonstrating the impact of public support and greater transparency as to which companies are receiving ongoing subvention and whether that should continue.

Recommendation 3b: There is a need to rethink the type of support provided, particularly in such a challenging public sector financing backdrop with greater emphasis on loan and equity rather than grant support as well as fuller utilisation of alternative sources of funding. Invest NI should strengthen its role and expertise as a guide to alternative sources of finance and work with DfE and DoF to ensure that it maximises its own use of available loan/equity finance.

Recommendation 3c: Client Executives and client facing staff should undergo continuous professional development and training relevant to their sectors. The Client Executive role should also be developed to ensure that it is focused on delivering the objectives of the 10x Vision. External expertise should be used where internal skills are not sufficient.



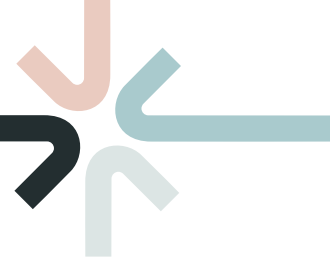
Portfolio of Programmes

Finding 4a: The portfolio of programmes that Invest NI offers to companies is too large and unwieldy, with the organisation, including at the most senior level, struggling to clearly define the exact number available. This makes it difficult for companies and staff to understand what is on offer and questions the efficiency and effectiveness of the programme offering.

Finding 4b: There appears to be very little consideration of what is offered by other delivery organisations when designing new programmes or reviewing current ones. Reviews of programmes appear to be sporadic and non-strategic. Some evaluation frameworks are in operation, but these appear to only be on individual programme level, and not across the portfolio.

Background

7.88 The ToR for this Review requested that, using ongoing Invest NI programme reviews, we, “*assess the effectiveness of Invest NI’s suite of interventions*”. Invest NI offers a large and complex portfolio of programmes across a range of economic drivers that has expanded over time. Annex D provides a list of available programmes and draws together available information from programme audits and other documentation. This section takes a closer examination of the programmes and initiatives on offer and makes recommendations for moving forward.



Portfolio of Programmes

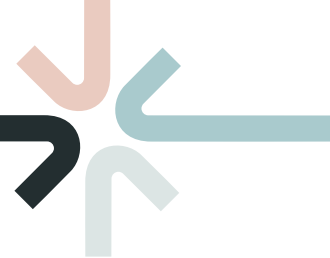
- 7.89 The main way in which Invest NI supports businesses is through a range of programme supports. At the time of writing, Technopolis detailed that Invest NI is operating a total of 62 individual programmes and interventions. This figure rises to 102 when also counting all sub-programmes. Technopolis¹⁰⁴ reported that calculating the actual definitive number of programmes was surrounded by uncertainty *“around how many programmes and sub-programmes are currently in operation, with estimates sitting between 102 as documented in information provided for the Review to 140 as discussed in interview with members of Invest NI staff.”* We believe that the extent of uncertainty about the total number of programmes available indicates that the size of the portfolio is too large and complex for both internal and external stakeholders to understand. Indeed, a member of the Board commented to us, *“...it is clear Invest NI has too many programmes, which leads to confusion, even for staff”*. Technopolis also reported the volume and complexity of the various programmes and sub-programmes on offer is very difficult for Client Executives in particular, stating that, *“the complexity of the offer may present challenges to client executives, placing significant emphasis on the business-facing Invest NI team to understand the entire portfolio to provide the best support possible. This represents a potential hurdle to new client executives in contrast to those that have been at Invest NI for many years.”*
- 7.90 Regarding the rationale for creating programmes, Technopolis states that, *“Programmes are designed to address Invest NI identified market failures, including framework conditions (access to finance, access to property), information inequalities (e.g. nibusinessinfo.co.uk, Graduate to Export, facilitation of collaboration), cost issues (addressing expensive advice and guidance for e.g. productivity), gaps in private provision (e.g. marketing and management skills development, human resources support, R&D financing), aligning supply and demand (e.g. SBRI), addressing under-served sectors in the business support space (e.g. food), addressing under-served locations (e.g. localised growth acceleration).”* This gives a flavour for the extensive list of programmes on offer.



- 7.91 It is also the case that Invest NI is engaged in a greater degree of direct delivery of supports to business compared to comparator agencies. The Technopolis benchmarking review highlighted that other agencies more often tended to co-lead, facilitate, or are not involved in certain delivery areas, leaving these to the responsibility of other organisations as appropriate. This in turn freed up those agencies' own resources to design and run a smaller number of more precisely differentiated programmes.
- 7.92 In order to be at the forefront of the latest technologies, we believe it is vital that Invest NI utilise external providers where appropriate. This could be especially important in emerging sectors to support the '10X Vision'. To maximise its own value added, Invest NI should make greater use of external partners/providers to provide direct delivery support where appropriate and particularly where certain skills are required. We are aware that Invest NI currently has a call off contract to appoint specialist contractors when needed, but this may require a refreshed approach to ensure that it is possible to appoint consultants in a flexible manner or with short term contracts.
- 7.93 There were differing views within Invest NI on programmes. Comments included that there was a "*minefield*" of provision, and that Invest NI has grown too big to manage its workload and schemes, which needs to be scaled back to cope with more strategic targeting in NI. Other views that we heard from the Invest NI staff survey included the need to have a clearer range of programmes and better internal communication with staff and external communication with clients and stakeholders.

Alignment of Programmes to Strategic Priorities

- 7.94 As already outlined in the DfE Governance and Oversight section of this chapter, there are challenges in how DfE formally communicates policy and guidance to Invest NI, with inconsistency in how priorities are cascaded, depending on the individual and subject area (although it is noted that it could work well depending on the individuals involved). With that challenging backdrop acknowledged, Technopolis carried out an analysis to compare and contrast the number of programmes and sub-programmes that Invest NI offer that are related to published DfE policy priorities. Technopolis reported that Invest NI's current programme offerings required further clarity on how the portfolio will serve the 10X Vision specifically with respect to innovation, skills



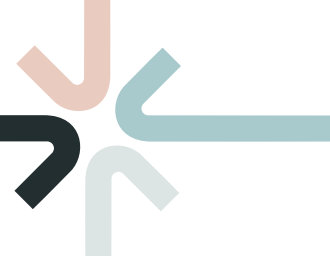
and fostering inclusive growth. Additionally, Technopolis also points to relatively low proportions of spend in areas such as ‘place’, ‘skills’, ‘entrepreneurship’ and ‘the green economy’. Despite the strategic importance of the issue, we heard specific concerns that Invest NI has been slow to recognise the significance of the green economy. One representative from a local political party directly told us that they felt that Invest NI is doing very little for the green economy while a local council representative also reflected that there is a requirement for more support around the green agenda and assisting companies to progress towards achieving targets relating to sustainable development.

- 7.95 On the alignment of programmes with the ‘10X Vision’ Technopolis further commented that, *“The 10x Economic Vision document positions the aspiration for skills as increases in education attainment across the working age population (as a proportion),¹⁰⁵ while the Invest NI portfolio in this area largely focuses on leadership, business mentoring, and human resource aspects. This may require further review of the portfolio (for example, whether further allocations should be provided in entrepreneurship) and perhaps also of the delivery and engagement model ‘tiers’ and criteria set out above.”* It was found that a relatively small proportion of the Invest NI budget goes towards entrepreneurialism and commercialisation, with this being largely developed through the ‘Go For it’ programme by the eleven local district councils. Through the self-assessment exercise the Invest NI ELT had a differing view on the economic and strategic relevance of programmes, commenting that, *“Given the breadth of Invest NI’s remit and the multiplicity of opportunities presented by the 10X vision...we continuously evaluate ... to ensure they are aligned to the needs of the economy.”* This view was not reflected in our wider engagements with other stakeholders and internal staff.



Review of Programmes

- 7.96 It was reported through Technopolis that the reasons for the extensive size and scope of the portfolio is that there is a sense that, once created, programmes are maintained and kept operational, particularly in cases where beneficiaries and partners are happy with them. This view was further substantiated by accounts of the history of the organisation, which was also found to have become larger and more complex as the programme portfolio has grown. Technopolis said, *“this does indicate that further efforts could be made to periodically review the relevance and alignment of programmes, and with a truly collaborative approach between Invest NI and DfE, it may be possible to mitigate some of the perceived pressures described.”*
- 7.97 We also believe that the current outward facing performance metrics do not allow Invest NI to understand what difference the programmes make in their entirety because they are so narrowly focused and particularly given there are wider economic priorities/drivers that Invest NI have developed programme support around. It is also difficult to understand the overall impact because companies are drawing support from a range of programmes and arguably this involves ‘double counting’ of impacts because, for the most part, each programme’s impact is assessed in isolation.
- 7.98 Through its examination of monitoring and evaluation practice of programmes, Technopolis found incomplete information related to market failures and return on investment figures. It is important that these assessments are undertaken, and it was not clear whether the missing information was due to these not having happened yet (i.e., planned for the future) or not being recorded in the information provided to the study team. This is reflected in Annex D. Invest NI’s evaluation process typically involves externally appointed suppliers and / or Invest NI and DfE personnel. It is our view these have often reached positive conclusions, they have been uncoordinated, carried out on individual programmes and have not also taken account of the latest strategic priorities. There are evaluation frameworks in place although we found these to be only on an individual programme level and not across the portfolio. Best practice indicates that programmes should be formally reviewed at least every three years. This is a three-year requirement for programmes funded through the European Regional Development Fund (ERDF).



- 7.99 We do note that Invest NI has moved to a more ‘thematic’ based evaluation approach. Although this takes a more holistic approach to understanding the impact of a particular theme (such as innovation), on its own it does not appear to consider this in the context of the impact of wider Invest NI supports provided to assisted firms. In relation to the thematic approach Technopolis notes: “*However, we would also note that it is important to evaluate individual programmes as well in order to reach a precise view of what each programme delivers. Only evaluating at the portfolio level may mask weak programmes and undermine the evidence base for decisions to be taken on the portfolio.*” We also received a written submission from Invest NI regarding a review of programmes in the portfolio that had recently been undertaken in the organisation, driven by an ELT member, because of the forthcoming loss of ERDF funding. The criteria applied on this review was said to be identifying programmes with “*the longest payback periods*” and “*those with the greatest payback risk*”. Some consideration was also given to those programmes that the organisation had the flexibility to stop as many are delivered by external bodies through contractual arrangements. We were not made aware of any consultation with the Department on this review or any criteria applied around strategic importance. It appears that following this exercise several programmes were withdrawn or stopped, including ‘Proof of Concept’, ‘Ignite’ and ‘Accelerator for Growth’. During our engagements stakeholders (including DfE) expressed disappointment about the cessation of the ‘Proof of Concept’ scheme in particular as this programme was seen as being valuable and strategically relevant.
- 7.100 Invest NI commissioned SQW to undertake three separate evaluations which included Selective Financial Assistance (SFA)¹⁰⁶, Grant for R&D¹⁰⁷ and Trade and Investment¹⁰⁸, which were published in 2022. Externally, in August 2022 Queens University published an assessment that analysed the effect of Invest NI and UKRI support for R&D and Innovation.¹⁰⁹ However, we were unable to determine how all these reviews and impact assessments are being co-ordinated or how this process is being communicated between Invest NI and DfE. At the time of writing we were also made aware of a DfE led review of innovation programmes across DfE and Invest NI, which is intended to include analysis of the Innovation Voucher scheme (alongside the Department’s InnovateUs and ConnectEd schemes). While we are of

106 [Evaluation of Selective Financial Assistance 2021 \(investni.com\)](#)

107 [Interim Evaluation of Grant for R&D 2021 \(investni.com\)](#)

108 [Evaluation of Invest NI International Business Group 2021 \(investni.com\)](#)

109 [Assessing the business growth and productivity effects of Invest NI and UKRI grant support for R&D and innovation 2022 \(economy-ni.gov.uk\)](#)



the view that continual review of the portfolio of programmes is essential to ensure that they remain as economically relevant as necessary, particularly to ensure that they deliver on the aspirations of the '10X Vision', we feel that it is also essential that this is undertaken in a measured and co-ordinated fashion.

Duplication of Programmes and Role of DfE Sponsor Branch

- 7.101 Through engagements we became aware of various other local bodies who also offer similar programme provision to Invest NI. This included individual councils and the six FE colleges, who all have substantial programmes on offer for businesses. Even within the DfE 'family' there also appears to be duplication between what the Department and Invest NI offer, including the Skills Focus, Skills Growth, Skill Up, Innovation Vouchers and InnovateUs programmes. We therefore share the view of Technopolis that a "*review of the portfolio could boost coherence and free Invest NI to focus on its core strengths*" and that it is important to "*understand whether 'other' areas of the portfolio may need to be served by different organisations.*" External stakeholders commented on duplication of provision, calling for greater collaboration among delivery bodies.
- 7.102 It is our view that the DfE Sponsor Branch has a more active role to play in ensuring that duplication of programmes is minimised. As part of the liaison function, the Sponsor Branch oversees operational performance and risk management, and strategic engagement by working with Invest NI senior representatives to identify policy gaps and agree areas of further engagement on policy matters.¹¹⁰ Consequently, we believe that this function of DfE does have the ability to regularly hold appropriate policy-level conversations and therefore possesses the opportunity to review the relevance of both policy objectives and the associated delivery programmes. However, as outlined earlier in this chapter, the role of this liaison function does require improvement.
- 7.103 Through the Call for Evidence exercise, one stakeholder commented to us in writing the importance of reviewing programmes, stating, "*INI should continually review and amend existing programmes, review the need for new programmes and terminate those programmes which are no longer relevant.*" It was suggested that to inform decision making the review should consider performance against the organisations



eight 'Economic Drivers', and by location. Additionally, the review should be published. Societal benefits should also be considered when making programme decisions. The presentation of programmes and support interventions should be reviewed to ensure a more coherent suite or list of funding mechanisms.

7.104 The Technopolis Benchmarking work highlighted that Business Wales (BW) was found to apply a much more rigorous criteria to assessing if programmes continue or not. Programmes and initiatives are assessed, reviewed, and occasionally renewed at the end of every contracting period before re-procurement. A variety of different factors lead to the decision of whether to continue with any specific area of support. For instance, before procuring their services for another five years, BW considered the results of the evaluations undertaken, looked at the wider business support environment to ensure that the service did not duplicate other provision and considered Government priorities as well as the available resources. The outcomes of this assessment formed the advice that was submitted to the Minister of the Economy who takes the decision whether it is worth continuing the programmes. We would recommend that a similar approach is considered by Invest NI. We also noted the similarity of a number of programmes and intelligence used by economic development agencies in Scotland, Wales and the RoI and suggest that Invest NI gives consideration to collaboration on a north-south and east-west basis where it makes sense to do so. We note that Invest NI did have a Memorandum of Understanding with EI in 2007 which is no longer in operation.

Performance against Invest NI Programmes

7.105 In examining the overall performance of Invest NI, Technopolis¹¹¹ reflected that, *“The efficiency and effectiveness of Invest NI’s delivery is undermined by its large portfolio and some of its processes”* and further commented that, *“The size of the portfolio and lack of clarity on some programmes affects both internal and external understanding of the organisation’s work, with some potential silo-ing across teams. Another area in which efficiency is mitigated is the reported slow timing for starting new programmes to address emerging policy priorities.”* Technopolis also reported that the programmes exacerbate the deadweight issue highlighted in the previous section of this report by *“supporting large firms that may have experienced growth anyway and dedicating significant resource to repeat clients with less return*

111 Technopolis, Invest NI Performance Review (December 2022)



than may have been expected.” It is important to note that during the Covid-19 pandemic the portfolio of programmes shifted to support businesses to address new challenges. This process was driven by DfE and we heard of concerns by the Department about the initial lack of responsiveness from Invest NI in implementing associated DfE policies and actions for businesses during the pandemic. However, it was also commented that when Invest NI eventually agreed to implement the requested policies, then it delivered these effectively.

- 7.106 Technopolis reflected that the process in place to create new programmes was hampering efficiency and performance. The process is not agile and Technopolis said, *“Our consultation revealed that it is generally not possible to create programmes quickly in the face of new or emerging policy priorities. This is a slow process at an estimated six-to-nine months based on consultation, and this undermines the original objective to create an agency that moves quickly. This is often dealt with by changing the criteria of existing programmes, which may create further portfolio confusion and inefficiency.”* Overall, the processes and measures in place to manage and create new programmes appears to be very slow. Tellingly, the Industrial Development Act (2002) sought to create an agile agency that *“could act quickly”* but processes, including those set by the sponsor Department DfE, appear to be negatively influencing timeframes. A common view that came across through the Call for Evidence phase was the need to review the organisation’s internal processes associated to accessing Invest NI support. A view was raised by a council representative who felt that bureaucracy attached to the programmes is limiting uptake and that more streamlined systems and claims processes would be beneficial. They also reflected that in their view there was a requirement for a rationalisation of support products and a clear and consistent pathway for companies/entrepreneurs to follow to access Invest NI support.



Green Growth and Tourism Programmes

7.107 There are two specific programme areas that require more immediate attention. First, we believe that it would be more efficient and effective that support for tourism accommodation, which is a statutory function currently undertaken by Invest NI, should be returned to Tourism NI. Second, whilst a dedicated unit within Invest NI has been established to support the development of the green economy, it is immature in its development and is minimally resourced. This needs to be urgently resourced and upskilled to ensure that Invest NI can support and maximise green growth opportunities for business and the economy. Further specific details on these programmes are contained in the following sections of this chapter.

Conclusions and Recommendations

7.108 We heard from many sources that the size of the portfolio of programmes on offer from Invest NI is too large and complex for both internal and external stakeholders to understand. The organisation struggles to articulate precisely how many programmes are available. Several reviews of these programmes have been carried out both internally and by external consultants, but these have been uncoordinated and have not taken account of strategic priorities or been taken forward in conjunction with the sponsor Department. It is our view that the current extent of programme offering is unsustainable, costs time and money to administer and impacts on the connectedness and co-ordination of supports across teams. We have concluded that there should be a detailed review of the number of programmes and sub-programmes offered by Invest NI based on clear principles of prioritisation drawing on further guidance from DfE concerning the vision and implementation of the 10X Vision. For all programmes retained or created in the future there needs to be stronger testing of need, scale, criteria and additionality as well as enhanced efforts to ensure understanding amongst staff and potential clients of what is on offer to whom and what it sets out to achieve.

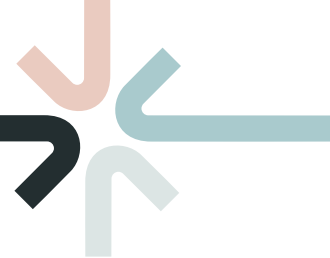


7.109 We are of the view that any review of programmes cannot be taken forward in isolation but should take into consideration the entirety of the offer from the organisation beyond programmes. This is important in the context of what has been identified as the agency's wider remit compared to other organisations and whether there are aspects of its wider offering beyond programmes that should be removed. Where other organisations are more appropriate and more skilled in delivery, then Invest NI should accommodate external supports.

7.110 We would therefore recommend the following actions are taken forward:

Recommendation 4a: Invest NI needs to ensure a streamlined portfolio of programmes is offered to align with the growth ambitions for the NI economy and deliver additionality and value for money. A strategic audit of all Invest NI programmes should take place, in conjunction with DfE, to assess economic impact, ensure they are based on current priorities, meet Key Performance Indicators and eliminate duplicate provision (including taking account of external provision).

Recommendation 4b: Invest NI should ensure that an agile framework is in place to appoint external organisations to deliver programmes, especially in regard to the latest and emerging technologies.



Green Growth

Finding 5a: Whilst a dedicated unit within Invest NI has been established to support the development of the green economy, it is immature in its development and has insufficient resources.

Finding 5b: Despite the strategic importance of the Net Zero agenda, the Panel heard evidence from DfE that Invest NI had been slow to recognise the significance of the green economy and has been slow to respond to the development of new schemes to support the delivery of DfE's Energy Strategy.

Background

- 7.111 Invest NI has a statutory responsibility to promote the efficient use of energy in industry under Section 2 of the Industrial Development Act (NI) 2002. The focus on the green economy has become prominent recently with several local strategic policy documents including 'A 10X Economy', 'Skills for a 10X Economy', 'Path to Net Zero Energy' and the draft "Green Growth Strategy. The Climate Change Bill¹¹² was also passed by the Assembly in March 2022, which has important implications for the economy and society in NI.
- 7.112 A review of the green economy landscape and emerging opportunities undertaken by KPMG (April 2022) for Invest NI, identified overarching areas of opportunity in energy generation, low carbon heat and transport. Flowing from this, three opportunities have been identified for NI, including: offshore wind; green hydrogen; and energy efficiency including retrofit.
- 7.113 Invest NI has stated these areas will be a focus going forward where it can add value to facilitate strategic engagements that contribute to growth and opportunity development in line with the ambitions set by the 10X Vision, the Energy Strategy and the draft Green Growth Strategy.

112 [Climate Change Act \(Northern Ireland\) 2022 \(legislation.gov.uk\)](https://legislation.gov.uk)



Invest NI's current activity

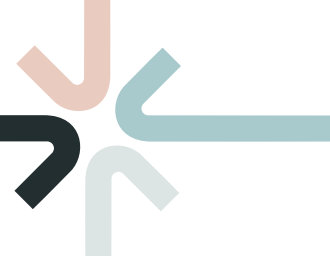
7.114 Invest NI has offered sustainable development support to businesses since its inception in 2002. Currently, Invest NI offers support to help businesses reduce waste and save energy through its Energy and Resource Efficiency (ERE) team. The ERE team delivers a suite of support, detailed in table 15, including specialist advice and investment capital, to enable NI businesses to become more efficient and resilient through green efficiencies.

Table 15: Energy & Resource Efficiency (ERE) team suite of supports

Support Scheme		Scheme Detail	Businesses Supported (Oct 19 to Sept 2022 ¹¹³)
Technical Consultancy		Report to a company offering specialist advice on areas including engineering, manufacturing, product, process, environmental, intellectual property, and workplace health and safety matters.	262
Sustainability Reports		Examines the current activity of a company and allows the business to measure and track its carbon footprint and other green credentials over time.	12
Resource Matching through Industrial Symbiosis	Match Reports	Provides an opportunity to transfer business waste, unwanted materials and by-products from one business or organisation to be reused, recycled, reprocessed and repackaged by another.	254
	Advisory Visit Reports		483
Resource Efficiency Capital Grant		Provides Invest NI clients with financial support for the installation of new equipment that delivers a reduction in raw materials, waste and/or water. This support enables clients to achieve costs savings and increased productivity through resource efficiency.	101
Energy Efficiency Capital Grant		A £500,000 scheme focussed on supporting businesses to become more resilient through green efficiency. It provided grant support for the installation of energy efficient equipment to help businesses deliver long term cost and carbon savings.	83

7.115 In addition to the ERE team, a new Green Economy Development team (GED) has recently been established to support the exploitation of business opportunities in the development of the green economy. Its work focuses on two key areas:

113 Evidence provided by Invest NI (September 2022)



- To identify new market opportunities in the green economy and ensure that companies, across key clusters, are supported in competing for these global opportunities; and
- To support NI businesses to go greener, focusing on green efficiencies and decarbonisation.

7.116 We learned through our engagements that the GED team consists of the Green Growth Lead and one additional part time staff member, although we noted additional recruitment was underway as detailed below.

7.117 Invest NI's 2021/22 Business Plan¹¹⁴ had eight key drivers, one of which was to 'Drive Green Economy growth in NI and maximise zero carbon opportunities'. Invest NI set several targets against the activity outlined in the plan and provided details of the results in-year. This is summarised in table 16.

Table 16: Annual Green Growth Activity Measures 2021/22

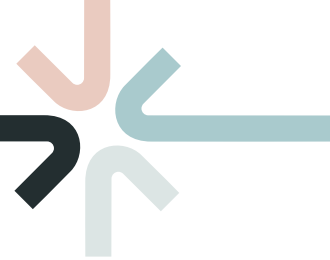
Annual Activity Measure	2021/22 Target	2021/22 Results
Number of companies supported to identify and implement energy and resource efficiency measures.	80 – 120 Companies	207
Investment secured in energy and resource efficiency measures.	£3m – £5m Investment	£8.8m
Number of companies that commit to a sustainability plan as part of the pilot.	10 – 20 Sustainability Plans Developed	10
Number of significant investments (>£1m) secured in Green / Clean products or services with potential for sales of £100m+ within 5 years.	2 – 4 Projects	0
Increase in value of sales into the Green / Clean, circular economy space.	5% – 10% Increase in Sales	-5.65%



- 7.118 The 2021/22 Business Plan stated, *“We have reprioritised sector team resources and will appoint a new Green Champion to oversee and drive the effective implementation of our new strategy and actions and to ensure we maximise emerging Green Economy opportunities”*. In addition, the Business Plan also referred to the development of *“an ambitious Green Economy sector strategy to support NI business to optimise their strengths and capability in areas such as hydrogen, offshore wind and transport and to address the non-energy green economy”*.
- 7.119 Whilst we welcome confirmation from Invest NI on the appointment of the new Green Champion to the Board and we are aware of recent recruitment activity aimed at appointing one Grade 7 and two Deputy Principals by December 2022, we found the delay in these appointments has contributed to the slow pace of development of the sector strategy and appears to give credibility to the assertion that Invest NI has been slow embrace the green agenda.
- 7.120 The 2021/22 Business Plan was approved by the DfE Minister in September 2021, yet it has taken some considerable time, nearly 16 months, to recruit new staff and to appoint a Green Champion. We heard evidence that this has limited the level of engagement that can be delivered.
- 7.121 We are pleased to note Invest NI recently hosted an event on a clean hydrogen future for the NI economy as well as a webinar on the Industrial Energy Transformation Fund totalling £70m being offered by BEIS. The fund is specifically targeted at businesses in manufacturing, quarrying, recycling, and data sectors.

Engagement and Research

- 7.122 We received views from both within the organisation and externally from the sector that Invest NI’s resources in the green economy area are inadequate, with those resources diluted across a number of projects. One consultee from within the sector confided that Invest NI lacked sectoral knowledge and expertise, despite the green economy being vital for the NI economy moving forward. They added that they were having to educate Invest NI on green issues.

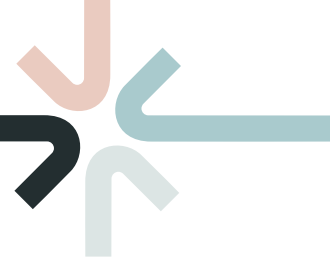


- 7.123 The Northern Ireland Affairs Committee¹¹⁵ recently commented that NI is furthest behind in reducing its carbon emissions on the path to net zero by 2050 of the four UK nations, adding that it is one of the top 10 most carbon-intensive economies in the world.
- 7.124 Given the clear strategic importance being placed on the green economy, we were concerned to note that the Technopolis research highlights the relatively small proportion of resources dedicated to green economy drivers, equivalent to 2% (£3.8m) of the overall annual budget of £195m for the last business planning period of Invest NI (2021/22). Technopolis commented that while the green economy was a policy area in operation it was a less important area of work for the organisation. It was further suggested “*as such, a review of this between Invest NI and DfE may be required to ensure that this is appropriate*”. Through its benchmarking research, Technopolis found that all six comparative case studies examined played an active role in the green economy.
- 7.125 Whilst we welcome that Invest NI has introduced a new target of £15m-£20m green investment across its current suite of interventions in 2022/23 and is also developing a new energy efficiency scheme for business, we would question if Invest NI has allocated enough human resource to deliver on these commitments. We note that Invest NI has itself identified these new targets will only be achievable with the necessary budget and appropriate staffing resource.
- 7.126 It would be beneficial to take stock of this now and examine the appropriateness of the staff allocations and skills and whether the relatively limited resources in areas such as the green economy are in line with policy aspirations.
- 7.127 Throughout the course of the Review, we have heard of areas of non-alignment in the relationship between DfE and Invest NI that led to a lack of understanding/confusion on what is required from policy through to delivery.
- 7.128 During the extensive engagements we heard from multiple stakeholders that there is a silo mentality with little co-ordination or joined-up thinking between relevant departments and agencies. It was noted by one stakeholder that there is a greater need for joined up conversation between DfE and Invest NI.

115 [Northern Ireland Affairs Committee: Investment in Northern Ireland 2022 \(parliament.uk\)](https://www.parliament.uk/northern-ireland-affairs-committee/investment-in-northern-ireland-2022)



- 7.129 The significance of the net zero agenda was highlighted by consultees from industry as well as the wider public sector during our consultations. Many of the organisations we spoke to recognise the challenges, as well as the opportunities, for business in delivering on the net zero policy objectives.
- 7.130 A representative from DAERA commented on the need for a joined-up strategy between all departments involved in green growth. They highlighted the need to work more collaboratively across the NICS to better align policies through all departments and emphasised the need to continue to engage around the strategic direction of green growth.
- 7.131 DfE has stated that in its experience there has been a lack of strategic thinking within Invest NI around its role in the green agenda, a resistance to requests from the Department to become involved and a consistent attitude of delaying delivery. The example of the Green Innovation Challenge Fund was cited, where Invest NI was approached to run the scheme but responded by claiming it would take two years to launch. Ultimately, given the urgency of delivering on the net zero agenda, the Department opted to proceed with Innovate UK who indicated that it could launch a programme in six months.
- 7.132 Conversely, an Invest NI employee questioned DfE's understanding of the business planning cycle for scheme development stating "*DfE bids for significant levels of funding and approaches us quite regularly [to explore] if we have a route to market for it or approach us on how we could deploy projects and funding on their behalf. There is no outline for the green technologies that DfE wants to fund and despite the energy strategy being in place it is not clear*". We welcome the recognition from both DfE and Invest NI that these relationships have improved recently and there is the opportunity to build on this. It is imperative that any relationship between a sponsor Department and its ALB functions well, with clearly defined roles, responsibilities and expectations outlined; both formal and informal structures in place; and two-way communication well established.



- 7.133 Whilst relationships are improving, there appears to be a disconnect between the appetite to drive the green economy shown by the Department and the Board and the urgency of ELT to deliver on this clear strategic priority. When replying to our self-assessment questionnaire the Board identified that *“The Green Economy must be recognised as the unique game changer that it is, and this must be reflected in the overall organisational focus and structure”*.
- 7.134 In comparison, the ELT response failed to acknowledge the opportunities of the green economy. We heard views from Invest NI staff that similarly suggested that there had been great interest and pressure from the Board but not the ELT.
- 7.135 We have been sighted on the draft Invest NI Business Plan for 2022/23 and note that while the proportion of resources dedicated to green economy drivers remains at a similar level, 2% (£2.8m) of the overall annual budget of £151m, this represents a 26% (£1m) reduction on the previous year.
- 7.136 In addition to the reduced budget allocation, we also note a proposed reduction in several annual activity targets associated within the 2022/23 Business Plan. For instance, in 2021/22 Invest NI secured £8.8m of investment in energy and resource efficiency measures against a target of between £3m - £5m whereas the draft 2022/23 target is set at between £2m - £3m.
- 7.137 Similarly, in 2021/22, Invest NI supported 207 companies to identify and implement energy and resource efficiency measures against a target of between 80 – 120 firms. The 2022/23 target remains at between 80 – 120 business.
- 7.138 Invest NI has said these targets had not increased owing to the end of the Covid-19 Energy Efficiency Capital Grant but that it anticipates this will increase substantially in 2023/24 due to the planned development and launch of a new energy efficiency scheme to deliver on the 25% energy savings target set by the Department’s Energy Strategy.



Conclusions and Recommendations

- 7.139 Invest NI is reliant on the quality of strategic direction being provided by its sponsor department, Board and ELT. DfE set out an ambitious plan in ‘The Path to Net Zero’ in December 2021 and the Board of Invest NI has been clear on its ambition to deliver a programme of interventions to capitalise on the market opportunities created by the net zero agenda. Despite the ambition of both the Department and the Board, as reflected in the Invest NI Board minutes, the organisation has been slow to respond with an adequately resourced plan.
- 7.140 There is need for clarity and agreement on Invest NI’s role in the ecosystem. For example, if Invest NI is to deliver additional or new programmes in supporting delivery aims of the 10X Vision, Energy Strategy and Green Growth Strategy this area will need to be well structured and resourced both from a people and financial perspective.
- 7.141 There is also a need for agility and targeted financing to address the challenges faced by NI in achieving its green economy aspirations. This element should be underpinned by longer term strategic business plans and jointly agreed programmes of work across government.
- 7.142 With the global move towards net zero and the resonance across all of the economy, there is an opportunity to intensify and focus support to assist businesses to identify and respond quickly to this window of new market opportunity. Given its early stage this is an opportunity to build best practice around good sectoral work and skills and demonstrate best practice in supporting delivery aims of the 10X Vision, Energy Strategy and Green Growth Strategy.
- 7.143 We would therefore recommend the following action is taken forward:

Recommendation 5: Invest NI should urgently engage with DfE and DAERA to agree the policy priorities in relation to the green economy. Invest NI should develop a clear and ambitious plan to determine the appropriate financial and human resources required to deliver upon these priorities.



Tourism

Finding 6: There appear to be inefficiencies in the split of responsibilities for the delivery of tourism support between Invest NI and Tourism NI.

7.144 The second programme area that in our view requires more immediate attention relates to the tourism sector.

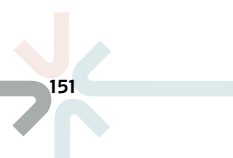
Background

7.145 Tourism is a growing sector of continuing significance to the NI economy and has an important part to play. It is one of the largest, internationally traded sectors that helps to drive export earnings, job creation and contributes to balanced sub regional growth. A paper by the UK Industrial Strategy Council¹¹⁶ in January 2021 noted “Arts, culture, recreation, and tourism can play a key role in levelling up, not just via direct revenue, but also by reshaping the image of a place. High living standards attract young professionals looking for a good place to live”. We acknowledge the important role that place making has in shaping the overall economic and social proposition of the region and in particular the increasing importance of tourism in the NI economy.

7.146 The sector is a substantial industry that in 2019 generated direct expenditure of over £1bn, over £700m of which came from ‘out of state’ visitors. The importance of business tourism has also recently been recognised with the publication of the Northern Ireland Business Events Integrated Strategy¹¹⁷ to 2030, which estimates that the expansion of the business events sector will generate up to 2,000 new jobs across NI.

116 [What does it take to “level up” places? 2021 \(industrialstrategy.org\)](https://www.industrialstrategy.org/level-up-places-2021)

117 [Northern Ireland Business Events Integrated Strategy 2030 \(tourismni.com\)](https://www.tourismni.com/northern-ireland-business-events-integrated-strategy-2030)



- 7.147 Following the establishment of Invest NI in 2002, the responsibility for managing capital grants to the tourism accommodation sector was transferred from Tourism NI's (TNI) predecessor, the Northern Ireland Tourism Board (NITB) to Invest NI under the Industrial Development Act (Northern Ireland) 2002.¹¹⁸ The Act was established after the NI Executive published the "Agenda for Government" in June 2000. One of the key issues identified was the reorganisation of the DETI economic development agencies. A consultation process involving Assembly Ministers, the Enterprise, Trade and Investment (ETI) Committee, the Economic Development Forum and Northern Ireland Public Service Alliance (NIPSA) considered a range of options and arrived at the decision to create a single economic development agency at arm's length from Government¹¹⁹. TNI remains the lead agency for tourism, with overall responsibility to develop the tourism sector in NI. TNI's principal functions are to encourage tourism, to encourage the provision and improvement of tourist facilities and amenities and to certify tourism accommodation.
- 7.148 Invest NI has detailed 383 offers of assistance to companies operating within the Leisure and Tourism Sector¹²⁰, totalling almost £15.5m over the five-year period 2017/18 to 2021/22. According to Invest NI, this support has the potential to realise a total planned investment of £90.1m and create 250 new jobs.¹²¹ Invest NI has also provided evidence that tourism clients availing of its tourism support have gone on to access wider supports from the organisation, particularly capability support, which are not available to the wider tourism business base.
- 7.149 TNI also offers a range of capital funding support schemes¹²² to tourism businesses including a Website Development programme and an Experience Development programme. The Website Development programme aimed to help experienced providers develop their websites and digital presence; whereas the Experience Development programme aimed to develop new tourism experiences and enhance existing tourism experiences. Over the 5-year period from 2017/18 to 2021/22 TNI's capital budget for investment projects totalled over £11.8m.

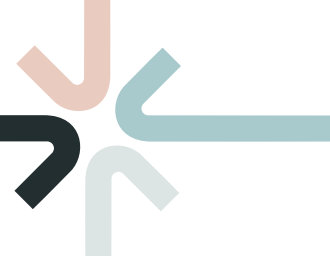
118 [Industrial Development Act Northern Ireland 2002 \(legislation.gov.uk\)](#)

119 [Industrial Development Act Northern Ireland Explanatory Memorandum 2002 \(legislation.gov.uk\)](#)

120 This is the industry grouping as categorised by Invest NI

121 Evidence provided by Invest NI (July 2022)

122 [Funding & Grants for Tourism Businesses accessed December 2022 \(tourismni.com\)](#)



Panel Engagements

- 7.150 Through our extensive engagements, we heard evidence from various sources that navigating support for the tourism sector can be confusing for business. Having TNI, Tourism Ireland and Invest NI all operating in the same space without the co-ordination that is needed between the organisations is viewed as ineffective. Queries have been raised with us regarding the benefit in having both TNI and Invest NI seemingly doing the same thing.
- 7.151 We have heard views that tourism is not seen as a priority sector for Invest NI, with one stakeholder commenting that Invest NI believed it was not their job to support the tourism sector. Another stakeholder stated that some businesses do not engage with Invest NI because the tourism sector is regarded as “low value” by Invest NI. A review of minutes of the Invest NI Board over the last 5 years showed little reference to the issue of tourism and neither responses from the ELT or Invest NI Board to our self-assessment exercises made any reference to the sector. This suggests that it may not be seen as an issue of strategic significance to the organisation.
- 7.152 Some stakeholders felt that they were not best represented by Invest NI and highlighted that the tourism sector has not been identified as one of the priority sectors of the 10X Economic Vision. Whilst not included as ‘enabling technologies’ or ‘priority clusters’, NI’s ‘Thriving Tourism Offering’ and the ‘Visitor economy’ is highlighted in the 10X Economic Vision as being at the forefront of marketing NI’s reputation and attractiveness to the world. The Business Events strategy also recognises that there are opportunities for Invest NI to build on the partnership established with TNI, particularly in international markets and within key sectors.
- 7.153 An Invest NI staff member outlined that there was no clear rationale for Invest NI continuing to support tourism companies, adding that they get access to additional support and that some in the wider tourism sector who do not get this support feel massively aggrieved.
- 7.154 In its response to our Call for Evidence, in reference to the current arrangements, TNI said, “*it is inefficient and sub-optimal that the capital scheme for investment sits with Invest NI, whilst all other engagement with and support for the industry sits with Tourism NI*” adding that “*there is a clear rationale to transfer Invest NI’s tourism sector responsibilities to Tourism NI*”.



7.155 During our consultations we heard evidence from TNI that it has successfully delivered substantial capital investment programmes including the Waterfront Hall Extension, Titanic Belfast, and the Giants Causeway Visitor Centre.

Previous Independent Reviews

7.156 During our Review, we have considered the 2009 Independent Review of Economic Policy (IREP)¹²³ by Richard Barnett and the 2013 Independent review of the Northern Ireland Tourist Board and wider tourism structures¹²⁴ by John Hunter.

7.157 The IREP Panel recommended that Invest NI should transfer its budgets relating to tourism accommodation back to DETI to be “*redistributed to a more appropriate body.*”

7.158 However, in 2011, the then DfE Minister rejected this recommendation, deciding that Invest NI would continue to discharge primary responsibility for Tourism Accommodation grants. A contributing factor in this decision was Invest NI’s expertise in the conduct of economic appraisals.

7.159 The Hunter Review agreed with this assessment, recommending that Invest NI should remain responsible for the administration of Tourism Accommodation grants (pending the outcome of DETI’s planned review), stating that “*it seems appropriate for accommodation grants to remain the responsibility of Invest NI not least given the latter’s expertise in the economic appraisal of purely commercial capital projects.*”

Conclusions and Recommendations

7.160 Whilst there is some evidence of co-operation between TNI and Invest NI, particularly in relation to the delivery of the capital schemes and a number of actions in the Northern Ireland Business Events Integrated Strategy, some stakeholders, including TNI itself, commented that further work could be done to ensure a more joined-up and strategic approach.

7.161 It is our view that the current delineation of responsibilities creates the potential for confusion and inefficiency in the provision of support to the Tourism Industry.

123 [Independent Review of Economic Policy Report 2009 \(economy-ni.gov.uk\)](http://economy-ni.gov.uk)

124 [Review of the Northern Ireland Tourist Board and Wider Tourism Structures 2014 \(economy-ni.gov.uk\)](http://economy-ni.gov.uk)



- 7.162 In addition, our view articulated earlier in this chapter is that Invest NI needs to strategically review the range of programmes within its portfolio and attempt to bring focus to its operations on those areas aligned with its strategic objectives and how it best supports the delivery of 10X.
- 7.163 The original rationale for accommodation grants remaining the responsibility of Invest NI now appears to be redundant given, in our view, TNI has shown the ability to successfully manage significant capital funding over the last number of years. Moreover, we understand that positive initial discussions took place between the organisations on a potential transfer of responsibilities during 2021. However, due to the Covid-19 pandemic, we understand the necessary work to progress these discussions did not take place.
- 7.164 We recognise both organisations are ALBs that report to, and are funded by DfE, each with a dedicated sponsor branch responsible for developing and setting policy and monitoring performance.
- 7.165 It is our view, also recognised by the Department, that DfE should take steps to ensure stronger cooperation between both organisations, and its wider family of ALBs, in the context of delivering the strategic aims, objectives and expected outcomes of 10X Vision.
- 7.166 We have reservations that the tourism sector is being well served by the split functions between TNI and Invest NI, which challenges the agility of TNI to deliver as the region's lead tourism agency. In keeping with the IREP recommendation, we believe that it would be more efficient and effective that, at the very least, Invest NI transfer all responsibility for tourism accommodation capital schemes to TNI.
- 7.167 We would therefore recommend the following action is taken forward:

Recommendation 6 – Support for Tourism should be led by TNI and, in keeping with the IREP recommendation, responsibilities related to tourist accommodation capital schemes should be delivered by TNI.



Skills

Finding 7 – We heard significant evidence regarding the importance of skills, however, there is a perception that the Northern Ireland skills ecosystem is somewhat cluttered, uncoordinated and involves duplicated efforts.

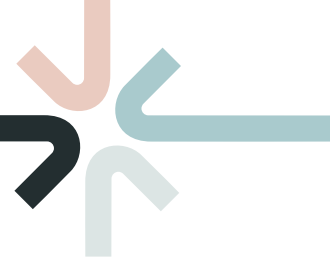
Background

- 7.168 The '10X Vision' highlights the importance of skills to the NI economy, with 'talent' identified as one of the five key pillars for delivering success. In March 2022, following the publication of 'A 10X Economy', DfE released 'Skills for a 10X Economy'¹²⁵, the Skills Strategy for NI. 'Skills for a 10X Economy' sets a strategic framework for the development of the skills system in NI up to 2030. It states, *"There is no doubt that delivering 'a 10X economy' will require transformation of our skills system."*
- 7.169 In the 2021/22 financial year, Invest NI allocated 4% of its total budget (£7.3m) to skills programmes. This was delivered through 11 programmes and seven sub-programmes, equating to around 18% of the total portfolio of activities. We heard significant evidence during our engagements about the importance of skills, particularly from employers; and regarding the necessity of lifelong learning, up-skilling and re-skilling. Mixed views were expressed by stakeholders on Invest NI's role. Some noted the positive role played by Invest NI in contributing to the NI skills landscape, while others felt its support was displacing skills programmes from other providers. This section of the report examines these skills issues further and provides a recommendation for moving forward.

Skills For A 10X Economy

- 7.170 The 'Skills for A 10X Economy' Strategy highlights the importance of skills to the local economy, stating that, *"In an economy with limited natural resource it is the skills of our people that will be the primary driver of our success. Harnessing talent is not only a key objective in itself, it is integral to every aspect of this vision statement."* The Strategy sets out a plan for delivering substantial growth in qualifications in technical and professional skills through the FE colleges. In parallel, it aims to rebalance graduate and postgraduate qualifications in higher education. There is a

¹²⁵ [Skills Strategy for Northern Ireland 2022 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)



focus on STEM subjects and an ambition to tackle inequality by supporting people with low or no qualifications to overcome barriers to employment. The Strategy also recognises that the NI skills landscape is cluttered, stating that, “*Throughout the programme of research and stakeholder engagement which has underpinned the development of this Strategy, there has been a clear and consistent message that our ‘skills system’ is fractured and fragmented. Different institutions govern and deliver different elements and there is an absence of a consistent overall vision for what we expect our skills system to deliver. Addressing this, and the inefficiencies it causes, will require a refreshed approach to how we view and govern the system*”. The Strategy recommended a revised set of governance structures, bringing together senior representatives from central government departments, local government, business, trade unions, the students’ union and the voluntary and community sector. Subsequently the Minister for the Economy established the Northern Ireland Skills Council (NISC). The NISC has been sitting in an ‘interim’ capacity since the Strategy was published in March 2022 and, at the time of writing, a public appointments process is underway to appoint Council members with permanent members expected to be in post in March 2023. The Council is expected to provide strategic advice to the NI Executive and government departments on issues pertaining to the development of skills policy. We were surprised to note that the Skills Strategy contains minimal reference to Invest NI, referring only briefly to some of the delivery offered by the organisation (specifically the Skills Growth Programme).

Invest NI Skills Programmes

7.171 Invest NI has several dedicated Skills Advisers who provide one to one support for companies to assist them in identifying training needs and help develop a plan to address these needs. This is a free service available to Invest NI client companies. ‘Skills Growth’ is one of the 11 skills programmes on offer from Invest NI. It is split into two separate programmes, one that offers support to SMEs and the other to large enterprises. It offers financial support for training activities to Invest NI client companies. The scheme supports trainee wages, an internal trainer, external trainer and travel and accommodation costs. Grant support is variable up to a maximum of 50% of eligible costs. Another programme that Invest NI offers is the ‘Skills Advancement Grant’. This is available to smaller companies who are already client customers of Invest NI. Support is available for external training, travel and accommodation costs through a 50% grant up to a maximum of £15,000.

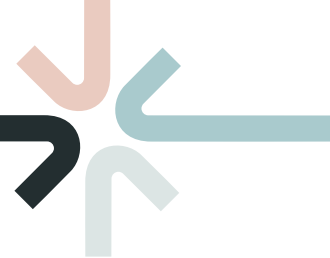


7.172 Invest NI also offers the Innovation Voucher Scheme. An Innovation Voucher is worth up to £5,000 and allows SMEs or early-stage entrepreneurs to access academic skills and expertise from one of the registered 'Knowledge Providers' throughout NI and the RoI. The aim is to improve the innovation capability of businesses and to build links with public sector knowledge providers, such as the universities, colleges, technology institutions or research organisations. Other skills programmes on offer from Invest NI include 'SME Mentoring', the 'Non-Executive Director Programme' and the 'Accelerating Growth Programme'. The latter offers regional businesses an opportunity to grow through mentoring at minimal cost. A list of programmes on offer by Invest NI is included in Annex D.

DfE Skills Programmes

7.173 In addition to the Apprenticeship and Higher Apprenticeship programmes and outside of mainstream further and higher education, DfE also provides funding for several large-scale skills programmes, including Skills Focus, Skill Up and InnovateUs. Skills Focus aims to support, promote, and facilitate collaborative working between business and FE colleges, in order to provide tailored skills provision to small and medium-sized enterprises (SMEs) to increase the skills to level 2 and above. The programme was traditionally 75% funded by DfE, with a 25% employer contribution, although this became a fully funded scheme during the Covid-19 pandemic (and this remains the current position). InnovateUs is a fully funded programme, for businesses of 50 employees or less, that offers tailored training for small businesses to undertake innovation activity. Both Skills Focus and InnovateUs are delivered exclusively through the FE colleges.

7.174 Additionally, the fully funded SkillUp programme offers individuals the opportunity to engage in upskilling and reskilling in areas where there is existing labour market demand. This programme is available to June 2024 and has been funded jointly by DfE, the Northern Ireland Office and DoF. It is delivered by the local further and higher education providers. There are up to 7,000 free places available until end of June 2023 with many more expected to follow in the next few years. Most courses are delivered online in areas where job growth is expected to be high as NI emerges from the impact of Covid-19.



Assured Skills

7.175 Assured Skills was cited by several stakeholders as a successful skills programme, especially in relation to collaboration between DfE and Invest NI. Under the Assured Skills ‘Academy Model’, where a company or a consortium of companies (frequently identified and signposted to DfE by Invest NI) have an identified skills need, DfE will consider developing a short-term pre-employment training intervention to meet that need. This typically involves a six-to-eight-week pre-employment training programme delivered by a local college or university. The programme is designed to upskill individuals in the skills needed by industry for current job vacancies. The Academy Model is flexible and has been used to help companies recruit new staff in areas such as data analytics, business consultancy, legal services, financial services, software development, cyber security, welding and numerical control machining. In 2020/21, the programme delivered 27 Academies, upskilling 508 individuals, 470 of whom secured employment with participating companies. This increased in 2021/22 with the programme delivering 48 Academies, upskilling 712 individuals, 623 of whom secured employment with participating companies. The programme is mainly limited to job creation for FDI companies and expanding businesses. However, we did also hear some reservations from stakeholders regarding the effect that increasing the number of FDI companies can have on the wage levels of indigenous companies. One local business representative said that they felt that instead of increasing the true number of jobs created there is a “*merry-go-round*” effect of skilled staff moving within the sector on increasingly higher salaries. We recognise the concerns of local companies that inward investment can intensify competition for already scarce skills and believe that reinforces the case for well targeted investment in training.

Management and Leadership Provision

7.176 We heard from several stakeholders specifically about the importance of management and leadership skills. The ‘Skills for a 10X Economy’ Strategy states¹²⁶ that, “A key way to drive adoption of high-performance working practices is to support business leaders through enhanced management and leadership training provision.” The OECD Skills Strategy Northern Ireland Report also reinforced the importance of management and leadership skills and highlighted that this should be a priority¹²⁷. Invest NI does

126 [Skills Strategy for Northern Ireland 2022 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)

127 [OECD Skills Strategy Northern Ireland Assessment and Recommendations 2020 \(oecd-ilibrary.org\)](https://oecd-ilibrary.org)



offer some Management and Leadership training, such as the 'Leader Programme', 'Non-Executive Director Scheme' and 'Leading within a Group' provision. The 'Leader Programme' is designed to enable entrepreneurial business owners to effectively grow their business through the development of strategic leadership capabilities. It offers business leaders the opportunity to critically assess their business's performance, set a more ambitious strategic direction, learn from like-minded business peers, overcome challenges, and build organisational capability to compete globally.

- 7.177 Other regions such as the RoI have developed successful programmes in Management and Leadership. We are aware that Invest NI has placed some of their client companies on one of these schemes, the Enterprise Ireland 'Leadership4Growth' programme. This is a programme designed for high-growth companies. Invest NI identifies between four and six companies per year that are suitable to sit on the programme and it asks that the most senior leaders in the company (CEO, Chief Operating Officer, Managing Director, etc.) participate on it. Traditionally there has not been the capacity or volume in NI for Invest NI to run its own programme and the EI scheme provides linkages to entrepreneurship, academia, and business institutions in the US.

Skills and Local Councils

- 7.178 Over recent years local councils have also begun to offer skills programmes for employers and individuals. For example, Belfast City Council (BCC) has several programmes on offer that are funded through the Belfast Regional City Deal (BRCD). BCC has created a BRCD 'Employability and Skills Programme'. This programme contains a suite of interventions grouped across the thematic areas of: Skills for Growth; Skills for Inclusion; Skills for a Digital Future; and Digital Futures. BCC has also created its own 'academy' style programme, frequently targeted at those not in employment. There is some overlap with the DfE academy model and offering but the BCC scheme concentrates on areas not traditionally covered by the Assured Skills programme, including in social care, play-work and childcare, retail and hospitality and transport and logistics. Newry, Down and Mourne District Council also has its own 'skills academy', which offers a tailored training programme designed to help individuals get jobs and businesses with recruitment.



Apprenticeships and the Apprenticeship Levy

- 7.179 The Skills Strategy also acknowledges the importance of Apprenticeships. It reads, “*Apprenticeships are a key pathway into employment for those who wish to pursue a vocational education pathway, after completing compulsory education. Apprenticeships provision includes ApprenticeshipsNI (Level 2 and Level 3) and Higher-Level Apprenticeships (Level 4+) programmes*”. The Strategy also commits to extending access to apprenticeships so that they are an opportunity for everyone regardless of age or sector. Employer-led Sectoral Partnerships have been developed across 15 sectors to ensure apprenticeships meet the current and future needs of industry in NI. On 13 October 2022, the Minister for the Economy announced that ‘all-age’ Apprenticeships would be introduced in 2023.
- 7.180 The Skills Barometer recognises that, due to issues of scale, SMEs can have problems engaging in apprenticeship programmes. Research by OECD found that lack of capacity was the main reason cited for not taking part¹²⁸.
- 7.181 An Apprenticeship Levy came into effect on 6 April 2017, with the aim of boosting investment in apprentices and skills training and to ensure that this training meets employers’ needs. It applies to all employers in NI as it does across the UK. Those with a pay bill of over £3 million (including government departments), contribute to the Levy. NI then receives a Barnett consequential of apprenticeship expenditure in England, funded by the Apprenticeship Levy. However, in NI there is no scheme for businesses to bid back into Levy funds in the same way as in other regions. Although NI businesses pay into the scheme on the same basis as elsewhere, the sector is unable to access apprentices through government vouchers. Businesses in NI that pay the Levy, as well as business representative organisations, have described this lack of provision as inhibiting growth plans and diminishing productivity levels.¹²⁹

128 [Engaging Employers and Developing Skills at the Local Level in Northern Ireland 2019 \(OECD.org\)](#)

129 [The public finances in Northern Ireland: A comprehensive guide 2021 \(nifiscalcouncil.org\)](#)



7.182 Employers and business representative bodies have complained that the Levy's introduction has had a negative impact on skills investment in NI. A Fiscal Commission report¹³⁰ goes on to suggest that, as a relatively small tax, devolution of the Apprenticeship Levy would do little to improve the financial accountability of the NI Assembly, but it would help strengthen the link between the Levy and apprenticeship funding. As such, it considers the case for devolution of the Apprenticeship Levy is strong enough to merit further investigation. However, in terms of sequencing, the Commission is of the view that the case for devolution would be best made following any decision to devolve income tax and/or National Insurance contributions, given the likely administration costs of pursuing the Levy in isolation and will be considered further as part of its second phase of work.

Skills Ecosystem

7.183 We could not find any evidence of how the Invest NI skills programmes fit in with the wider skills ecosystem, the ambitions of the '10X' and the Skills Strategy, how they co-ordinate with the provision of other providers or if they have been developed in conjunction with DfE's priorities. There is a widespread perception among stakeholders that there are inefficiencies and duplications in this wide portfolio of programmes across the skills ecosystem. A stakeholder from a large company said that it was, in their view, not clear what skills programmes Invest NI undertake and how they fit with DfE Skills Strategy. A local council representative said that there are too many different organisations in the NI skills ecosystem. In relation to Invest NI's skills provision Technopolis¹³¹ stated that, "*The provision of support for skills should be examined in light of 10x strategic priorities, and examined as to whether further provision should be explored as part of Invest NI's portfolio or to be delivered elsewhere (such as via higher and further education bodies). Similarly, a review on how the portfolio concretely addressed the inclusive growth focus of 10x will be important, particularly in areas of diffusion of innovation across the economy.*" One staff member of Invest NI told us that, "*there is a "minefield" of programmes and services devoted to generation of innovation, job creation, R&D and skills.*

130 [More Fiscal devolution for Northern Ireland 2022 \(fiscalcommissionni.org\)](https://www.fiscalcommissionni.org/)

131 Technopolis, Invest NI Performance Review (December 2022)



- 7.184 Some stakeholders claimed that a stronger emphasis on skills was the only way of collectively achieving on the 10X Vision. Technopolis noted¹³² that the Invest NI skills portfolio may need to be amended to help deliver on the Vision, “*The 10x Economic Vision document positions the aspiration for skills as increases in education attainment across the working age population (as a proportion),¹³³ while the Invest NI portfolio in this area largely focuses on leadership, business mentoring, and human resource aspects. This may require further review of the portfolio (for example, whether further allocations should be provided in entrepreneurship) and perhaps also of the delivery and engagement model ‘tiers’ and criteria.*” The current client company model adopted by Invest NI has already been discussed at length in this chapter, and we have outlined recommendations to change it. At present, this model does afford Invest NI Client Executives the opportunity to work with companies regarding their skills needs and gives them the ability to offer tailored skills development. Although this can be a useful service for individual companies it may not adequately help to deliver strategic priorities, or resolve identified skills gaps, such as those outlined in the 10X Vision.
- 7.185 We believe that there is an opportunity to review the skills provision offered by Invest NI and DfE, for possible synergies and amalgamation. Although we would not wish to be specifically prescriptive, we believe that further work needs to be taken forward to review the provision of these programmes, and any programme that DfE offers funding for, to eliminate duplication and ensure that they are delivering on the ambitions of the relevant strategic priorities. It is crucial that, as outlined in the Skills Strategy, new programmes should not be created without examining current provision. We would recommend consideration is firstly given to adapting current schemes before any new programmes are created. As per the Leadership4Growth programme, consideration should also be given to utilising schemes on offer from other areas and providers.

132 Technopolis, Invest NI Performance Review (December 2022)

133 [Skills Strategy for Northern Ireland 2022 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)



Stakeholder Engagement

7.186 Skills was a common thread running throughout our engagements, in particular the need to address gaps and the role of Invest NI in this. A common theme that emerged from our engagements was around a perceived lack of ‘joined up’ thinking between DfE, Department for Communities (DfC), Invest NI, industry, universities and colleges when it comes to skills. We heard calls for greater co-ordination between these bodies with clear leadership and direction to try to predict where skills are needed and delivery of programmes to deal with shortages. There were mixed views around the role of Invest NI in relation to skills - some were unsure on the programmes the organisation offered, others felt the skills programme was good but did not go far enough. Others questioned if Invest NI should have a delivery role at all or whether they should focus on identifying potential shortage areas and leave skills programmes to the Department/councils. One attendee from a higher education institute expressed the view that it would be productive for Invest NI to highlight skills gaps and deficits.

Skills in Other Regions

7.187 Of the various economic agencies that Technopolis¹³⁴ examined, Scotland was the only other region that is directly involved in skills development. One of the four main aims of Scottish Enterprise is to, “*maintain and enhance skills and capacities relevant to employment in Scotland and assist persons to establish themselves as self-employed persons*”. However, this is mainly in a facilitation role as since 2007 the responsibility for the delivery of careers, skills and training services in Scotland has largely been delivered by Skills Development Scotland, the national skills agency. Scottish Enterprise works with Skills Development Scotland to identify and address gaps in skills and training. Similarly, ‘Skillnet Ireland’ is a business support agency of the Irish Government, responsible for advancing the competitiveness, productivity and innovation of businesses operating in the ROI through enterprise-led workforce development. The primary objective of Skillnet Ireland is to increase participation in enterprise training by businesses.

134 Technopolis, Invest NI Benchmarking and Best Practice Review (December 2022)



7.188 Business Wales delivers some services on behalf of the skills team of the Welsh Government, but mainly provides a ‘skills gateway’ that supports Welsh businesses in identifying training and development opportunities to upskill staff and support growth within the Welsh Government services. Apart from advice on skills development, Business Wales offers a tool for businesses to create a skills profile of their company. Its offering encompasses various services and programmes in three main areas: Recruiting and Staffing, Workplace Skills, and Leadership¹³⁵.

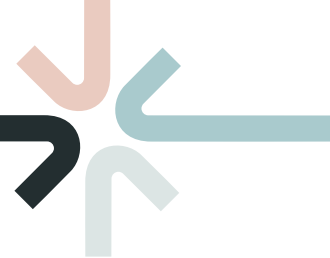
Conclusions and Recommendations

7.189 We heard from many stakeholders regarding the importance of skills to the local economy. Invest NI allocated 4% (£7.3m) of its total budget in the 2021/22 financial year to skills programmes in the last financial year and this seems to have contributed to what appears to be a somewhat cluttered local ecosystem, that in our view is not focussed on strategic priorities and may not deliver on the ambition of the 10X Vision. Mixed views were expressed by stakeholders as some noted the positive role played by the organisation in contributing to the NI skills landscape, while others felt Invest NI support was displacing skills programmes from other providers. Although we recognise the positive steps taken by DfE in relation to skills over the last few years, including the publication of a new Strategy in 2022, overall, we found a perception from those we engaged with that the NI skills ecosystem is somewhat cluttered and uncoordinated with some duplication. This includes similar programmes on offer from both Invest NI and DfE and from other organisations, including several of the local councils. We would recommend that a review of skills programmes takes place, initially between DfE and Invest NI. Consideration should be given to widening the scope of this review to take account of the entirety of the local skills offering, to ultimately minimise duplication and make best use of public funds. This would require co-ordination and co-operation between various organisations including other departments, the eleven local councils and the NISC. As a minimum however, the offering provided by DfE and Invest NI should be re-considered.



7.190 We would therefore recommend the following action is taken forward:

Recommendation 7: DfE should lead on a review all of skills programmes that it provides funding for, including those on offer from Invest NI, to ensure focus, reduce duplication and eliminate wasteful provision. Consideration should be given to widening the scope of this review to take account of the entirety of the regional skills offering.



Performance Metrics

Finding 8a: The current outward facing metrics do not allow Invest NI to demonstrate the impact of its interventions. They are not wide enough to capture the full range of activity and in some cases better reflect how clients perform rather than what difference financial assistance has made.

Finding 8b: The current emphasis of metrics unduly focuses on outputs, particularly job promotion rather than outcomes and should be widened to include higher productivity, job quality and innovation impacts.

Finding 8c: Existing KPIs do not tell the full story of Invest NI's work, and this contributes to suboptimal external communication.

Finding 8d: The 10X Vision provides an opportunity for DfE and Invest NI to establish a new set of KPIs that will provide a much more focused approach to how Invest NI leads and supports economic development in NI.

Background

- 7.191 The Review ToR requires consideration of, *“the appropriateness of Invest NI’s current performance metrics and current methods of data collection, systems and reporting”*. This section of the report provides our view of the organisation’s performance metrics, focussing on its Key Performance Indicators (KPIs).
- 7.192 Oversight of Invest NI and its use of public monies, including the monitoring of KPIs is underpinned by the Management Statement and Financial Memorandum (MSFM), which states that the *“Department determines the performance framework within which Invest NI’s objectives and targets are set.”*



- 7.193 The MSFM continues, *“Invest NI’s objectives and key targets are to be agreed within Invest NI’s corporate and business planning process and shall be consistent with the appropriate Northern Ireland Executive PfG commitments, the Department’s Industrial Strategy - Economy 2030 and Department’s Corporate Plan. The objectives, targets and performance measures for Invest NI shall be set out in its Business Strategy and annual Operating Plan, both of which shall be approved by the Department.”*
- 7.194 In practice, during the development of Invest NI’s business plans, Invest NI Directors engage with DfE policy colleagues to ensure consistency of ambition. Subsequent targets and metrics (KPIs) are set by Invest NI to assist the achievement of outcomes within DfE and wider Executive strategies.
- 7.195 Invest NI’s annual business plan is then endorsed by the Invest NI Board before being submitted to DfE via the Sponsor Team for consideration. The Sponsor Team coordinates with DfE’s policy areas to ensure alignment with DfE’s Business Plan and associated strategies. DfE feedback is considered and incorporated as necessary, before Invest NI submits a finalised document seeking Ministerial approval. Our experience has been that DfE’s leadership of and input into the development and monitoring of KPIs is not as evident as these structures suggest.
- 7.196 As outlined in the Governance and Oversight section of this chapter, 10X has superseded the Industrial Strategy and a Partnership Agreement will soon replace the MSFM. The crux of the new Partnership Agreement approach is to engage with delivery partners to improve collaborative working based on shared objectives with clear accountability and distinct functions for each party. We have recommended that this imminent Partnership Agreement articulates the roles and responsibilities of both DfE and Invest NI in terms of targets and KPIs used to measure impact and change.



Current Targets and KPI Monitoring

7.197 The most recent Business Strategy covered four years from 2017 to 2021¹³⁶. Invest NI set out the rationale for the proposed targets in this Strategy, which presented two sets of metrics – outcomes and activities. The rationale highlights that this would facilitate measurements against the direct impact its support and resources have on its customer base.

7.198 The key outcomes proposed for assessment over the four-year period were:

- 30,000 - 40,000 Additional Jobs;
- £3.2 - £4.2bn Total Sales; (£bn);
 - a. £2.4 - £3.1bn External Sales (£bn);
 - b. £0.8 - £1.2bn Export Sales (£bn); and
- £160m - £200m increase in Business Expenditure on Research and Development (BERD).

7.199 All these outcomes were measured and published by Invest NI as KPIs, with the exception of BERD, which remains an external measure sourced from NISRA.

7.200 Businesses receiving support from Invest NI are classified as ‘account managed’¹³⁷ through the Customer Relationship Management (CRM) system. Account managed businesses are selected each year to fill in a KPI survey. The KPI survey asks businesses to provide data¹³⁸ on an annual basis, which includes employment; sales; external sales and exports (including value of sales to specific markets); employment costs; net profit; and target markets. The change in the jobs, sales and external sales metrics are then tracked year on year and can be analysed by individual businesses, industry sector, market, and council area.

136 [Progress towards 2017-21 Business Strategy Targets 2020 \(investni.com\)](#)

137 As referenced in the Client Model section, while Invest NI now refers to ‘account managed’ companies, most stakeholders we engaged with referred to the ‘client company’ model. Invest NI operates a two-tiered approach to selecting clients, with ‘Account Managed’ clients and those overseen by the ‘Regional Business Group’ (RBG).

138 Technopolis, Invest NI Performance Review (December 2022)



Invest NI Performance 2017-2022

7.201 On receipt of Ministerial approval in September 2021, Business Strategy outturn figures¹³⁹ compiled from KPI data collected from over 1,700¹⁴⁰ businesses were published in the Invest NI Business Plan 2021/22 and updated in the 2021/22 Annual Report. At the time of publication, figures show that Invest NI met, or exceeded, four out of the five targets. At the time of writing BERD 2021 final figures were not published.¹⁴¹

7.202 The business performance of customers in the 2021 cohort enabled the values for employment, sales and external sales to return to approximately pre-Covid-19 levels, whilst exports sales growth remains lower than in pre-Covid-19 years. Invest NI has reported the following outcomes since the commencement of the Business Strategy 2017-2021¹⁴²:

Table 17: KPI Business Performance 2017-2021

KPI	2017 Outcome	2018 Outcome	2019 Outcome	2020 Outcome	2021 Outcome	Cumulative Outcome*
Additional New Jobs Created	10,987	9,298	8,886	7,585	9,556	46,312
Total sales growth	1.7bn	1.6bn	1.3bn	-0.3bn	1.5bn	£5.7bn
External sales growth	1.3bn	1.4bn	1.0bn	-0.3bn	1.1bn	£4.4bn
Exports sales growth	0.8bn	0.8bn	0.4bn	-0.9bn	0.2bn	£1.4bn
Business Expenditure on R&D growth	14.8m	10.1m	82.9m	29.7m	-**	137.5m

*Growth figures based on an annual cohort of businesses which have data recorded for consecutive years. Some figures have been rounded and thus may not add to cumulative totals.

**Growth figures taken from the R&D Statistical Bulletin. 2021 figures will be available in late-2022.

139 [Invest Northern Ireland Business Plan 2021-22 \(investni.com\)](https://investni.com)

140 Classified as account managed through the CRM system

141 [Invest NI Annual Report and Accounts 2021-22 \(investni.com\)](https://investni.com)

142 [Invest NI Annual Report and Accounts 2021-22 \(investni.com\)](https://investni.com)



- 7.203 The Invest NI Business Plan 2021/22, anchored by eight economic drivers¹⁴³ was intended to bridge the gap between the end of the 2017-21 Business Strategy and *“the development of a new longer-term strategy from April 2022 to transform and refresh our (sic) solutions, interventions and processes aligned to the 10X strategy.”* A Business Plan from 2022/23 onwards is yet to be developed, constrained by the lack of an agreed PfG and clarity on the operational requirements of the 10X Vision. However, in line with MSFM principles, annual business plans are provided to DfE for approval and operating plans outlining objectives and performance targets are discussed with DfE during Oversight and Liaison meetings.
- 7.204 KPI data is gathered and reported annually, whilst activity measures of the Operating Plan track and drive progress towards KPI delivery. The Invest NI Annual Report and Accounts 2021-2022 record that *“Overall performance within the Operating Plan 2021-22 was good, with 13 of the 20 activity measures met or exceeded.”*¹⁴⁴ Operating Plan 2021-22 performance is summarised in table 18.¹⁴⁵

143 Grow External Sales; Innovation; Entrepreneurship & Commercialisation; Skills; Investment; Green Economy; Compete 4.0 & Supply; and Economy & Place

144 [Invest NI Annual Report and Accounts 2021-22 \(investni.com\)](#)

145 [Invest NI Annual Report and Accounts 2021-22 \(investni.com\)](#)

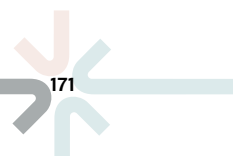
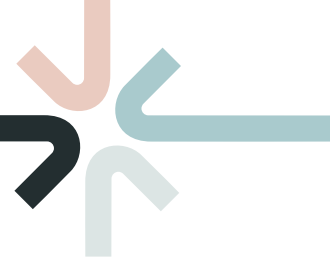


Table 18: Annual Investment & Jobs Activity Measures 2021/22

Activity	Target 2021-22	Outcome 2021-22
1. Investment & Jobs		
a) Assist Locally-Owned and Externally-Owned Companies to Grow their Employment	4,000 - 6,000	3,548
b) Support New Quality Jobs (jobs above NI Private Sector Median (PSM))	2,000	2,466
c) Support Externally-Owned Companies to invest in NI for the 'First Time'.	20 - 30	15
2. Innovation		
a) Innovation Investment Secured	£15m - £20m	£15m
b) R&D Investment Secured	£60m - £225m	£78m
3. Skills		
a) Support Companies through Skills Programmes	150 - 180	86
b) Total Investment in Training and Skills Development	£34m - £44m	£29m
4. Grow External Sales		
a) Support Companies to 'Sell outside NI for the First Time'	100 - 150	131
b) Support Companies to identify and sell in to a 'New Market'	200 - 300	250

7.205 Invest NI indicated that the biggest influence on 2021/22 outturns was DfE's December 2021 request to pause the issue of offers due to budget uncertainty. The Report's introduction from the Chair and Chief Executive stated "*This effectively stalled performance across our three main performance areas – R&D, Skills and Jobs. Clearly, this limited some of our activity, with a consequential impact on some of our outcomes.*"

7.206 Covid-19 restrictions and the Coronavirus Job Retention Scheme impacted the target for Total Investment in Skills as companies delayed progressing training plans. The agency also supported the Department in a number of Covid related schemes, which involved a considerable staff resource during that time and diverted resources away from core areas of support.



Invest NI Board and Executive Leadership Team (ELT) View

- 7.207 As outlined in chapter three, to facilitate introspection, we invited the ELT and Board to separately complete a Self-Assessment Questionnaire. We posed a specific question on the efficacy of existing KPIs, through a 10X lens.
- 7.208 The Board felt job creation is becoming a less relevant metric as innovation and technology improves efficiency and productivity. They commented that future KPIs must hinge on strategy work and *“should be sectorally, potentially sub-regionally, and IDE (innovation driven enterprise) aligned.”* Funding allocation would be crucial to target setting, with the Board stating *“KPIs need to be baselined and then growth targets determined in line with budget”*.
- 7.209 The Board suggested that *“Potential wider consideration should be given to measures across collaboration, wealth creation, building clusters, encouraging entrepreneurship, diversity, innovative solutions, knowledge transfer partnerships, building up transferable skills and working with the private sector to leverage private money alongside our (sic) own.”* More generally, the Board cited KPI delivery and collaboration with DfE on their development as a strength. These metrics represent a significant departure from those currently in place.
- 7.210 Whilst the ELT response recognised that some new KPIs would be required to accommodate 10X, they stated that targets related to innovation, jobs and external sales remain appropriate due to alignment with draft PfG Outcomes and Indicators. The ELT felt the lack of an agreed PfG and clarity on 10X workstreams rendered consideration of indicators premature and remarked that guidance regarding development of metrics on job quality, green economy and in particular productivity, would be welcome¹⁴⁶.
- 7.211 The ELT also highlighted its record of delivery against targets as a strength but acknowledged that performance and delivery weighting against activities as opposed to outcomes is sub-optimal.

146 Both Board and ELT self-assessment questionnaires were completed in March 2022



7.212 Performance results across recent years support the assertion of the Board and ELT regarding delivery success, but the internal acknowledgement of KPI limitations and the challenge of effectively measuring the organisation's impact in a rapidly changing political and economic landscape illuminates the scale of the task for Invest NI and DfE. Both the Department and Invest NI (internally also within the organisation) must now collaborate with each other and with key stakeholders to ensure the future Business Plan performance metrics are reflective of 10X and wider Executive priorities, and adequately report Invest NI's value to businesses and the economy.

Wider Stakeholder Perception

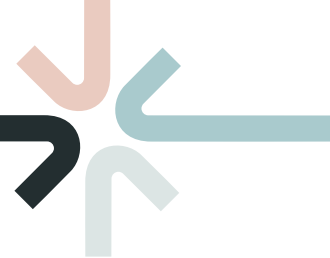
7.213 Unsurprisingly, due to the operational nuances of performance metrics generally, wider stakeholder engagements did not focus on KPIs. Views were mostly around the perception that Invest NI is a jobs promotion agency, which stakeholders argued was too narrow a focus, especially in a period of close to full employment. One academic remarked that KPIs on jobs promoted encourages a focus on larger companies rather than small and innovative firms and a business organisation commented that investment in machinery means that staff numbers will go down due to automation.

7.214 There was an overwhelming sense that, as articulated by a local business representative, KPIs are wrong or not specific enough and this is incentivising damaging impacts to the economy, with government officials emphasising inputs and outputs should be reworked to embrace outcome-based targets.

7.215 Invest NI staff have concurred with views that metrics are output based, with one commenting that there is too great a focus on financial transactions between the organisation and companies rather than the difference they make.

7.216 The NIAO¹⁴⁷ has also observed that a balanced scorecard or performance pyramid that ensures a range of metrics used to measure different elements of performance and bring them together to provide a more coherent picture may be beneficial.

147 These observations are based on high level engagement with Invest NI and are not the result of an audit of the organisation.



7.217 This links with our observation that the current KPIs appear to be both underselling the organisation's scope and achievements and failing to assess outcomes and effects of the agency's impact on the NI ecosystem. Focus on input and output measures encourages a myopic view of support results and can also incentivise short termism in delivery, which has been conveyed to us on numerous occasions by various parties. As will be examined in more detail in the Communications section of this report, existing KPIs have at times caused confusion amongst stakeholders.

Technopolis Research

7.218 Our commissioned research illustrates¹⁴⁸ that the set of outward-facing KPIs used by Invest NI is "*narrower than expected for such a broad portfolio.*" Particularly in the context of benchmarking research from Technopolis¹⁴⁹ "*the main difference is that the KPIs set by each organisation correspond more closely to the overall mission of each organisation, while in the case of Invest NI, they are mostly focused on employment, sales and business expenditure which do not capture the variety of expected outcomes / impacts expected from its extensive portfolio.*"

7.219 A broader set of KPIs is used in the internal balanced scorecard. Technopolis research has confirmed this is due to be refreshed but the last version was also "*largely input and output based, including KPIs on firms entering new markets, newly exporting firms, and investment through R&D and innovation-related projects.*"¹⁵⁰

7.220 These metrics remain important in understanding the activities of Invest NI but must be set within a wider context of ultimately what difference this activity makes. We are of the view that simple counts of activity (web visits to nibusinessinfo.co.uk, number of trade missions undertaken, number of innovation projects supported/initiated, number of new collaborative innovation partnerships formed) to more descriptive measures of outcomes (new products/processes/business plans, intellectual property rights filed, improved skills) would provide stakeholders, funders and the wider public with a better sense of the extent of activity that Invest NI is engaged in, as well as its impact.

148 Technopolis, Invest NI Performance Review (December 2022)

149 Organisations considered are Scottish Enterprise, Business Wales, the North East Growth Hub (England), Brabant Development Agency, Enterprise Ireland and IDA Ireland

150 Technopolis, Invest NI Performance Review (December 2022)



7.221 This has prompted Technopolis to advise that existing KPIs do not accurately reflect the story of the organisation and should be amended to also measure the effects on the NI economy. Technopolis stated that *“a more comprehensive set of KPIs should be developed to offer deeper insight into the quality of the effects of support for both clients and the regional economy (including qualitative KPIs). This would better communicate the role and value of Invest NI, such as reporting economic effects and experiences of the client journey.”*¹⁵¹ Areas for improving metrics include qualitative measures to better relate impact in terms of quality, change or experience as well as further work on the collection and analysis of performance data, which would have the benefit of augmenting Invest NI’s intelligence and role in the economic ecosystem.

7.222 During the benchmarking exercise, Technopolis has confirmed that the Welsh Government sets priorities and KPIs for the Business Wales contract that are driven by the programme of the government. Furthermore, an independent board oversees the delivery of the KPIs and challenges Business Wales on how it achieves value for money and outcomes.¹⁵²

10X Economic Vision

7.223 The 10X Economic Vision states that DfE’s policies and interventions will be focused on delivering an economy that is innovative, inclusive, and sustainable over the next decade. This ambition, as has been recognised by DfE and Invest NI senior leadership, will naturally need to be captured in the agency’s future performance metrics.

7.224 Our findings on 10X are discussed in more detail in chapter nine of this report, but it is important to note that, on 12 October 2022, Minister Lyons launched a public consultation¹⁵³ that sought views on the performance management framework that will set the structure to achieve 10X. On 27 October, the Minister published next steps and objectives for the implementation of the Vision¹⁵⁴.

151 Technopolis, Invest NI Performance Review (December 2022)

152 Technopolis, Invest NI Benchmarking and Best Practice Review (December 2022)

153 [Department for the Economy: Minister launches consultation on 10X Performance Management Framework 2022 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)

154 [A 10X Vision - Next Steps for Implementation 2022 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)



- 7.225 We welcome the opportunity for wider stakeholder feedback on 10X and the fact that the objectives and metrics that were consulted upon have been shared with Invest NI. We also acknowledge the Department's response to the consultation to undertake further work on the metrics and objectives to strengthen the framework. We urge that any ensuing metrics set for the organisation align to and facilitate effective articulation of how Invest NI supports economic development and business growth in the context of a 10X Economy.
- 7.226 This exercise should embrace the move to a Partnership Agreement and involve co-design between the Department and agency. The opportunity to reset should also include a focus on KPIs that can support the organisation to take a longer-term perspective on the difference it can make. We would emphasise the importance of these new KPIs in providing an excellent opportunity for Invest NI to refocus and refine its current delivery model to one that best supports and maximises the achievements of its new KPIs.

Other Findings

- 7.227 As summarised in the Portfolio of Programmes section, we believe the portfolio is too large and recommend it should be reviewed. If accepted, this review will inevitably shape changes to future programme KPIs.
- 7.228 The core KPIs are largely focused on client company performance, reflecting Invest NI's client company model rather than the difference Invest NI makes. The IREP report (2009) has previously made the point that "*The framing of performance targets to relate solely to client companies also means that there are in-built incentives to devote significant resources to the same companies*". This statement is discussed further in the Client Company section of this report but is also linked to the Technopolis key learning point 9, which emphasises "*the effectiveness of Invest NI's investment in firms primarily relates to job creation. Effects on innovation are unclear, and effects of productivity are muted.*" Traditionally it has been perceived that Invest NI has been focused on job promotion/creation, with this being the prominent KPI used when measuring the success of a project or support. One view offered by a Board member as to why performance is often boiled down to job creation by Invest NI is that it is easier and accurate to measure. This raises additional questions regarding how challenging the Invest NI KPIs are and the level of ambition that should be considered in setting new targets going forward. This also



links to a possible undue focus on 'job promotion' which includes jobs promoted and safeguarded as opposed to 'job creation' and the need for Invest NI to follow up with companies to understand what jobs actually materialised as a result of support.

Productivity

7.229 Low productivity is arguably the largest challenge facing the NI economy as discussed in the economic context of the report. However, it is important to note that a high-level productivity measure has not been included in the PfG or supporting economic strategies since the 2008/11 PfG document. Subsequently this has not been included in an Invest NI Corporate Plan since 2008. The region's productivity gap is historic and enduring¹⁵⁵ but there is no singular reason for its persistence, nor is there a clear owner for this issue. However, Invest NI does have a role to play in supporting a focus on improving firm-based productivity through its supports.

7.230 During their self-assessment exercise, the Board and ELT both referenced productivity, with the ELT keen to receive guidance on developing metrics in this area. The August 2021 SQW Evaluation of Invest NI International Business Group¹⁵⁶ remarked that *"introducing KPIs with more emphasis on the quality rather than the quantity of inward investment jobs would potentially help Invest NI to address the concerns about displacement within the wider business base and help to raise the bar in terms of productivity in Northern Ireland."*

7.231 SQW reports that *"International sales drive business performance through innovation and productivity (and vice versa). The evidence from the survey suggested that 70% of Invest NI clients had seen a positive impact on productivity. This is hard to measure but a proxy could be estimated as a change in the ratio between sales and employment."* It should be noted that this is based on a survey of 36 businesses. Interestingly, the Technopolis research noted growth in sales and employment among the cohort of Invest NI clients assessed but with no discernible improvement in productivity.

155 [Northern Irelands Productivity Challenge 2021 \(productivity.ac.uk\)](https://productivity.ac.uk/)

156 [Evaluation of Invest NI International Business Group 2021 \(investni.com\)](https://investni.com/)



7.232 Following its 2012 Performance Review of Invest NI¹⁵⁷, the NIAO commented that “Any narrowing of the productivity gap between Northern Ireland and the rest of the UK would also be an indicator of the impact of ‘Transform’¹⁵⁸. However, we acknowledge that Invest NI is only one of a number of ‘influencers’ in this regard and cannot be held solely responsible for the economy’s performance against this objective.”

7.233 Although a productivity metric would drive more focused interventions, we must be realistic regarding what Invest NI can do to tackle this serious existing weakness in the NI economy. We believe this NIAO finding is still valid and attempts to address and measure productivity cannot be driven forward by Invest NI in isolation. However, given the role of Invest NI as the lead economic development agency, and the move towards productivity and innovation focussed metrics within the 10X framework. Alongside associated strategic policy direction from DfE, Invest NI must make greater efforts to attempt to understand the impact of its activity on productivity.

Conclusions and Recommendations

7.234 Invest NI is successfully delivering against the KPIs that have been largely set by the organisation itself. However, the consensus from Technopolis and stakeholder engagement including the Board and ELT is that the KPIs, metrics and associated targets used by the organisation are too narrow with an undue focus on job numbers. It is also questionable as to how appropriate that has been in the recent economic and policy climate, specifically considering the tight labour market.

7.235 Technopolis research has found that Invest NI’s support has had a positive impact on employment growth among assisted firms, but the jobs KPI has encouraged a focus on jobs promotion to the point that Invest NI seems to be acting as a job promotion agency (without a firm understanding of jobs actually created through the support). Internally this could encourage ‘quick wins’ as opposed to addressing the market failures that stop businesses reaching their full potential. Jobs safeguarded forms part of Invest NI’s job promotion target and this in itself complicates evaluation and clear conclusions about value for money.

157 [Invest NI Performance Review 2012 \(niauditoffice.gov.uk\)](http://niauditoffice.gov.uk)

158 Invest NI change management programme launched in February 2010, in response to the 2009 IREP report and stakeholder feedback.



- 7.236 The jobs focus is also at odds with the longer-term ambitions of 10X, which is centred on innovation and the role of cluster development, skills and more sustainable growth to support a step change in the direction of the NI economy. Effects on innovation, one of the organisation's biggest investment themes, are unclear although we appreciate the challenges in measuring this. KPIs around FDI and sub-regional effects are also less prominent than expected for an economic regional development agency.
- 7.237 It is clear that the current metrics do not allow the organisation to fully capture and clearly understand its impact, but rather are more aligned to how the clients it assists perform. Technopolis has also highlighted that the current metrics provide only a narrow view of the extent of Invest NI's activity and this is compounded by the way in which value and impact is communicated internally and externally, meaning that the organisation cannot be well judged. In addition, while Invest NI does capture wider activity-based measures (which are important to understand how the agency supports businesses) we underline the need for much greater connection to outcome-based measures. Other agencies examined through the benchmarking research do include some activity-based measures in their impact reporting framework. Bringing both together would provide Invest NI stakeholders, funders and the wider public with a better sense of the link between what Invest NI does and the difference it makes.
- 7.238 Notwithstanding the challenges ahead for Invest NI, especially given the uncertainty that is inhibiting the finalisation of key strategic component documents, Technopolis has said *“Overall, there are better stories to tell, and an additional benefit of improving this practice is that it allows the development of a stronger evidential base to demonstrate impact across policy areas including innovation and increased productivity.”*¹⁵⁹



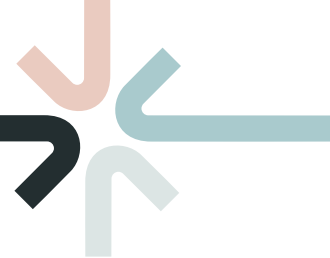
- 7.239 This revision of metrics and KPIs should support the organisation to take a much more strategic approach to understanding the difference it can make. Therefore, while jobs may remain an important metric of success for the organisation, particularly if economic conditions change, there should be a more strategic approach linked to 10X objectives. Firm-based productivity could be included as a metric, meaning that over time, a key success might show tangible signs of productivity improvement in supported businesses relative to regional performance. The approach to developing the new KPIs should embrace the Partnership Agreement principles and build upon a co-design approach between the Department and agency. We would emphasise the importance of these new KPIs in providing an excellent opportunity for Invest NI to refocus and refine its current delivery model to one that best supports and maximises the achievements of its new KPIs.
- 7.240 We would draw particular attention to the role of the Department in leading on the development of Invest NI's KPIs and in reviewing them on an on-going basis. In its responsibility for setting strategy, the Department must lead on the development of Invest NI's KPIs using a co-design approach with the agency to ensure relevance and practicality of implementation.
- 7.241 Whilst we acknowledge that there are annual reviews of the performance data conducted by DfE's internal audit service we are of the view that there is potential for greater level of scrutiny, value for money audits and review of performance.
- 7.242 Although published over a decade ago, both the IREP and more recently an NIAO audit of Invest NI highlighted the agency's lack of external challenge in what it achieves. The IREP found that *"In terms of performance monitoring, we have indicated that this should be undertaken by the body responsible for setting strategy and not by the organisation charged with delivery. It is our firm view that no organisation should have the responsibility to report on its own performance (as Invest NI currently does in its Performance Information Report)."* Section 6 of the NIAO's Executive Summary¹⁶⁰ states that, *"Similar to many Government agencies in Northern Ireland, the quality and reliability of Invest NI's performance data has not been subject to external validation."*



7.243 Benchmarking research has shown that lead departments in other jurisdictions play a more active role in assessing the KPIs of their agencies. In some instances (e.g., Business Wales and BEIS) funding support is conditional on performance. With Business Wales, the sponsor department has adopted ongoing and impartial oversight. There would be merit in reviewing these approaches to ensure the right Invest NI KPIs are measured and tracked on an on-going basis. This is important in an evolving economic landscape that requires agility to ensure business needs are appropriately addressed.

7.244 We would therefore recommend the following action is taken forward:

Recommendation 8: A well-defined set of SMART performance metrics should be set, and evaluated, by DfE in close co-ordination with Invest NI. They should focus on demonstrating where the organisation adds value to the NI economy and be better aligned to the 10X Vision and any future policy priorities of the NI Executive.



Sub Regional Partnerships

Finding 9a: There is insufficient focus on the development of sub regional economies. Regional offices are under-utilised with staff and decision-making too centralised in Belfast. While we acknowledge that regional development is not the sole responsibility of Invest NI it does have a key role to play.

Finding 9b: There is inconsistency in how Invest NI engages with external partners, including the Department for the Economy, other parts of central government, local government, UK Government and the private sector in NI.

Background

- 7.245 The ToR for this Review required us to, “Review Invest NI’s performance at a sub-regional level and provide recommendations regarding delivery in this area.” We acknowledge the need for development of the whole sub regional ecosystem, which in our view is not solely for Invest NI to address. However, we believe it is a key player in this process and we have focussed on its potential role and how it might add value in the development of this ecosystem.
- 7.246 We engaged with all eleven local councils and, although there are already Community Planning Partnerships in place in each region, we found considerable interest from them in playing a fuller and more active economic development role in NI. We recognise that they are well positioned to tackle local supply side problems, to promote local place making and to identify and support emerging enterprises. The councils conveyed to us a particular interest in playing a greater part in resolving other local economic development issues including those concerning land and premises and skills. We found good examples of energetic sub regional partnerships, drawing together local councils to work within and across existing council boundaries with local colleges and economic development stakeholders. The success in securing the City and Growth deals, with UK Government support of £617m, was cited by many as a strong example of effective local partnerships.

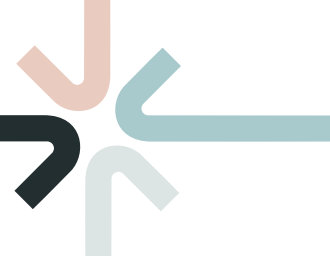


7.247 The feedback we received on the effectiveness of the existing local offices of Invest NI was varied. We found that they are underutilised with staff and decision making is largely centralised in Belfast. There was, however, some very positive feedback on the regional offices themselves and the staff within them, but there was also widespread concern that these offices were not perceived to be fully integrated into Invest NI and are too modestly resourced. We also received considerable feedback from councils about what they felt was a ‘preoccupation’ with Greater Belfast (or sometimes Belfast and Derry/Londonderry), especially in terms of FDI. We do acknowledge that the larger cities and towns of NI are likely to exert greater gravitational pull when attracting FDI and investing companies cannot simply be redirected to a location in the interests of equity and balance. As a Panel we also acknowledge that an FDI win for NI is positive and that competition for such projects should be external and not between NI sub regions.

7.248 Overall, we found an insufficient focus on the development of sub regional areas and partnerships by Invest NI and that the regional offices are underutilised. The following section of this chapter examines these findings in further detail and makes recommendations for improvement.

Local Councils and Community Planning

7.249 From 1 April 2015, local councils in NI have had responsibility for Community Planning, which is a strategic process led by each council in NI, in conjunction with partners and communities. Invest NI is a statutory partner for all 11 councils under the Community Planning Partnerships (CPPs). It is our understanding that as a statutory partner, Invest NI offers advice and support to help develop and shape Community Plans to drive economic development. The Invest NI Regional Office Network is a partner in this process.



7.250 Each CPP is made up of the council, statutory bodies, agencies, and the wider community, including voluntary sector and residents. Invest NI has been involved in the development of Partnership Plans with each council. These are bespoke to each council and set out an agreement of priorities and respective responsibilities between each council and Invest NI. They also identify long-term priorities for improving the social, economic, and environmental well-being of districts and the people who live there. The plans are designed to ensure each council knows they are receiving dedicated and bespoke support particular to their area needs. For example, as a Statutory Partner in the Fermanagh and Omagh District Council 2030 Community Plan¹⁶¹, Invest NI has committed to working “*in partnership to help businesses across the Council area to grow and compete globally.*” Although we welcome the co-operative work undertaken in developing these community plans, we are of the view that creating 11 separate plans in each council area does not do enough with regards to building active and effective sub regional partnerships. We believe that Invest NI should strengthen its contribution with increased enthusiasm and have a stronger focus on more effective cooperation with local partners and this is explored further throughout this section.

7.251 Additionally, the ‘Go For It’¹⁶² programme, is delivered by all 11 local councils. It is a programme designed to help potential entrepreneurs explore a business idea and includes free one-to-one advice from a business advisor and tailored guidance to develop a business plan. ‘Go For It’ is part funded by Invest NI and ERDF under the Investment for Growth and Jobs Northern Ireland (2014-2020) Programme, however the funding will come to an end in 2023. BCC is leading planning on securing replacement funding for the programme and an application to the UK Shared Prosperity Fund (UKSPF) is an option that is currently being explored. This programme was originally delivered by Invest NI but transferred to councils for delivery in 2017. Further details on the future of ERDF funding is contained in the ‘Finance and Human Resources’ section of this chapter.

161 [Fermanagh and Omagh Community Plan 2030 \(fermanaghomagh.com\)](https://fermanaghomagh.com)

162 [Home - Go for It accessed December 2022 \(goforitni.com\)](https://goforitni.com)Go For It (goforitni.com)



Engagements with Councils and Relationships with Invest NI

- 7.252 We found via our numerous engagements with councils that they recognise the important role played by Invest NI but also that most are frustrated with their engagement with the organisation. Some councils feel that they could replace the job done by Invest NI in whole or in part. However, we also acknowledge that this is not realistic with existing skills and resources but there is an opportunity to align the different contributions more closely to good effect. We also found that Invest NI did not play as full a role as might be expected in developing sub regional areas and partnerships, which does seem counter to the partnership agreements under the Community Plans.
- 7.253 There is a clear necessity for DfE and Invest NI to recognise the potential contribution that councils can make. We believe that this needs to be more than providing contributions to the creation of 11 separate CPPs in each of the council areas. There is a need to share information and Invest NI should become a more active and enthusiastic player in the development of stronger local partnerships, helping to build a more effective ecosystem overall. It is worth noting that in its review of successful local ecosystems¹⁶³, Technopolis stated that, *“for a local development system to be effective, there must be an obvious leader or leadership body that sets guidance for the myriad of other bodies in the local development system. While decisive leadership can take many forms – from multi-stakeholder boards to influential economic development departments – there is no universally ‘right’ body that should take up this role”*. We do not believe that Invest NI should necessarily take the lead in developing these partnerships as a matter of right but should co-operate with local partners and proactively strengthen its contribution. Local leadership will be important where there is an appetite. We believe there is scope to build on the enthusiasm in emerging sub regional partnerships (such as the North West and South West regions for example) to identify supply side constraints and opportunities. It is also worth noting that Technopolis¹⁶⁴ acknowledged the difficulties in succeeding with fully integrated local partnerships, stating that, *“In the local development system, development agencies can have many tasks and functions – but there is no blueprint for success.”* It is also important that Invest NI shares clear information on strategic priorities and the criteria attached to financial support and investment with sub regional partners. This also

163 Technopolis, Successful Local Economic Development Ecosystems Review (August 2022)

164 Technopolis, Successful Local Economic Development Ecosystems Review (August 2022)



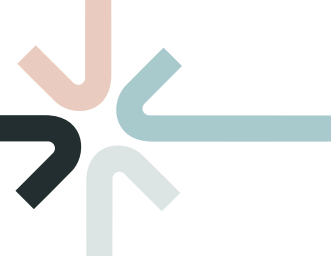
requires further strengthening of the dialogue with individual councils. Another feature of a successful local development system highlighted by Technopolis is that there are “*clear lines of communication between key bodies and partners. While communication channels can be formal, such as stakeholder leadership boards, informal channels have been proven equally successful, the most important thing being that they serve their objectives.*”

7.254 We recognise that there are no formally defined ‘sub regions’ in NI and some councils, and possibly the communities they represent, may be antipathetic to the very concept. However, effective co-operation with 11 councils will be expensive and certainly involve an element of duplication. We have been impressed by the efforts to strengthen co-operation between councils (via the Northern Ireland Local Government Association (NILGA), and the Society of Local Authority Chief Executives (Solace)) and more particularly the emerging cooperative arrangements for the City and Growth Deals. These could be built on further to the benefit of all. Behaviours are important in effective cooperation. Invest NI will need to recognise the independence of local councils and seek to avoid giving the impression that it wishes to play a parental role. Several times we heard the view that Invest NI appeared to be less visible and supportive of local efforts following the Transfer of Functions to councils in 2015. In a similar vein, councils will need to ensure that they recognise Invest NI’s line of accountability to DfE and its Minister and so avoid unhelpful demands for undue local accountability. We believe that there is more to be done on the quality of the 11 separate CPPs and the extent to which these reflect council’s own plans and perceptions. A well-functioning relationship should have a greater level of shared learning, frank challenge and a high degree of congruency between Invest NI plans and those of the council.



- 7.255 We also received considerable feedback from councils about what they felt was a preoccupation with Greater Belfast (or sometimes Belfast and Derry/Londonderry) especially in terms of FDI. The broad consensus was that the other regions struggle for Invest NI support and are “*fighting for scraps*”. Other comments from councils included that there was too much focus on Belfast and the wider economy does not see the benefits. Tellingly, Technopolis reported that, “*Geographically speaking, the client base of Invest NI reflects the Northern Irish business population with two sole exceptions: the council of Belfast is overrepresented (+10 percentage points) and the Fermanagh and Omagh council is underrepresented (-5 percentage points).*” We acknowledge that the larger cities of NI are likely to exert greater gravitational pull when attracting FDI and investing companies cannot simply be redirected to a location in the interests of equity and balance. We also acknowledge that FDI success for NI is positive and that competition for such projects is external and not between NI sub-regions. However, discussions with EI suggested they have had some success in encouraging a wider spread of FDI investment. It argues that this has been achieved by commitment to that outcome and measures to ensure the focus of senior management on the desired outcomes. We heard a case study from a successful FinTech company whose investment in Derry demonstrated that a combination of market pressures (especially for scarce labour skills) and Invest NI cooperation with an open-minded company can influence location. At the very minimum this points to the need for effective engagement and cooperation, perhaps founded on a stronger acknowledgement for Invest NI to be sensitive to and understand the different needs and opportunities of the various sub regions.
- 7.256 Technopolis¹⁶⁵ reports that EI’s two top-tier partner organisations are the Local Enterprise Offices and its parent department DETE as they share a common vision and strategies. There are also partnerships with many other departments and institutions such as the Department of the Taoiseach, Department of Foreign Affairs, Department of Further and Higher Education, Research, Innovation and Science and the Department of Agriculture, Food and the Marine, or government agencies, including IDA Ireland, Science Foundation Ireland (SFI), Bord Bia and Tourism Ireland, suggesting that a more open and cooperative approach to sub-regional development has strong merits.

165 Technopolis, Invest NI Benchmarking and Best Practice Review (December 2022)



Location of Invest NI Regional Offices

7.257 The Invest NI Regional Office Network includes five full regional offices and one satellite office known as a 'point of presence'. The 'point of presence' office is housed within the Southern Regional College, Craigavon, and provides a presence for local businesses and stakeholders to access. The other regional offices collectively service all 11 council areas and are located as follows:

- Northwest Regional Office – based in Derry/Londonderry – this team works with businesses in the Derry City and Strabane and Causeway Coast and Glens council areas;
- North Eastern Regional Office – based in Ballymena – this team services the geographic areas covered by Mid and East Antrim and Antrim and Newtownabbey council areas;
- Eastern Regional Office – based in Bedford Street, Belfast – servicing the geographic areas of Belfast City Council;
- Southern Regional Office – based in Newry – servicing the geographic areas covered by Lisburn and Castlereagh, North Down and Ards and Newry and Mourne District Councils; and
- Western Regional Office – based in Omagh – servicing the geographic areas covered by Fermanagh and Omagh, Mid Ulster, and Banbridge and Craigavon Councils.

7.258 Table 19 outlines the number of staff in each regional office:

Table 19: Invest NI Regional Office Staff headcount (July 2022)

Regional Office	2022-23 Budget (£ '000)	Headcount	Regional Manager (G7)	Client Facing Executive (DP)	Client Executive (DP)	Client Officer (SO)	Executive Officer (EOII)	Administrative Officer (AO)
Eastern	1,000	10	1	3	4	0	1	1
North-East	850	12	1	0	2	1	1	0
North-West				0	4	0	3	0
Southern	825	13	1	1	5	1	3	2
Western	825	8	1	1	4	0	1	1
Total	3,500	43	4	5	19	2	9	4



7.259 Invest NI has 43 staff located in its regional offices, around 7% of its Northern Ireland based headcount. As a comparator, Scotland has 12 regional offices while Wales has four regional Business Wales centres. Regarding EI, while the majority of employees, around 64 percent, work in its headquarters in Dublin, 14 percent work in ten regional offices across the country.

Performance of Regional Offices

7.260 Although Technopolis reported that *“the Transformation Group often acts as a first point of contact for most small businesses”* we could not verify this; and we retain some uncertainty that most of the new business comes through the regional offices. Some internal Invest NI staff commented on what they felt as *“lip service”* only being paid to the staffing of sub regional offices. It was raised that there is only one Grade 7 in the North West office and one in the Western office despite the large number of Grade 7’s employed by the organisation as a whole. We believe that it is important that sub regional activity and the regional office network is championed at senior leadership level in Invest NI. Some action on this has been taken through Evolve, which is Invest NI’s Business Improvement and Change Management Programme. As part of this programme, a Sub Regional Board Working Group has been established with the role of strategic oversight at the sub regional level and ensuring the delivery of the Invest NI strategic plan is benefitting all of NI. One of the goals of this working group is to, *“Promote and engage in productive local partnerships that drive economic growth, including developing and delivering clear economic strategies at the council level working with key stakeholders”*. However, while we consider this is an important area for change, it should be noted that we are recommending, as outlined previously in this chapter, that the Evolve programme is paused pending the appointment of a permanent Chief Executive of the organisation.

7.261 Across any one year, Invest NI’s Regional Office Network has an active portfolio of over 1,500 companies that they are tracking or actively working with. Invest NI tends to support ‘Pre-entry’ customers up to a maximum of circa £10k and ‘Entry’ level customers up to a maximum of circa £50k. A summary of this support is outlined in table 20:

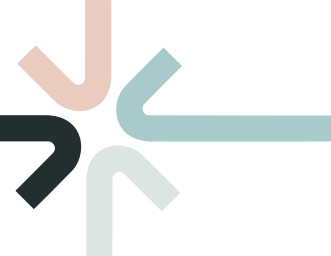


Table 20: Invest NI Customer Segmentation

Segmentation Stage	Support Provided / Benefits to Business	Financial Support Available
Wider Business Base (WBB) / Tracked	<ul style="list-style-type: none"> • Business Support Team • NIbusinessInfo.co.uk • Business Info Centre • Access to Finance Solutions • 1 to Many interventions • Bespoke WBB interventions (Innovation Vouchers) 	<ul style="list-style-type: none"> • Limited to small number of WBB accessible interventions.
Pre-Entry	<ul style="list-style-type: none"> • 1 to 1 executive support • Trade Programmes • Early-Stage Innovation Programmes • ICT Interventions • Growth Accelerator Programme 	<ul style="list-style-type: none"> • Work to a £10k cap for Pre-Entry support. • Flexible if business exhibits higher growth potential.
Entry	<ul style="list-style-type: none"> • More intensive 1 to 1 executive support • Access to all Invest NI interventions • SFA • R&D and Innovation Programmes 	<ul style="list-style-type: none"> • Work to a £50k cap for Entry support. • However, flexible if business exhibits capability and higher growth potential.
Account Managed	<ul style="list-style-type: none"> • Full range of Invest NI Support 	<ul style="list-style-type: none"> • Uncapped, outside of scheme intervention limits.

7.262 Whilst most Regional Office Network offers are therefore typically below £50,000, the group can provide greater levels of support where the need is objectively assessed and established and where the company has the necessary capability and sophistication to deliver a project of the required scale. Higher investment levels are therefore possible. Invest NI's regional offices follow a rigorous assessment process for companies within its remit. This tends to primarily cover businesses with turnover of up to £1m, but the teams do manage some companies with turnover that exceeds £1m (for example, where the company is established and trading locally but is now seeking to expand internationally). That being said, the perception from different stakeholders is that the 'larger' projects are managed through the Invest NI Belfast headquarters and not in regional offices.

- 7.263 The Growth Accelerator Programme or Selective Financial Assistance projects (such as Export Start) are the most common type of support offered directly by regional offices. However, the team has access to all Invest NI's products and services. In an average year, the Regional Office Network generates over 1,600 referrals for development support on behalf of micro businesses and SMEs to wider capability programmes within Invest NI HQ. This results in over 330 projects being offered over £4m of assistance. However, it is also noteworthy that Technopolis reflected that support and advice even without financial assistance can be valuable, joining up local companies with common interests, helping to identify local suppliers of goods and services, building local supply chains, etc.
- 7.264 In comparison to head office and sector team functions, we found that the Regional Office Network teams have specific skills in start-up and early growth support, regional and partnership delivery and have detailed knowledge and expertise in local enterprise and business ecosystems. This enables the team to operate as the Invest NI gateway for first time exporters and local external growth companies. Table 21 outlines regional office activities from 2017/18 to 2021/22:

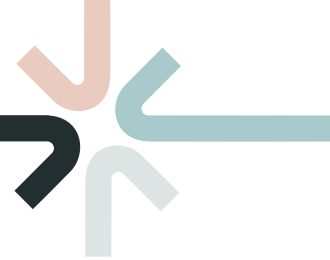


Table 21: Invest NI Group and Regional Office Activity (2017/18 to 2021/22)

Group	Total			
	No of Offers	Total Assistance £m	Total Planned Investment £m	New Jobs
Business and Sector Development	1,302	120.81	981.84	11,005
Business Solutions	7,851	337.09	1,217.88	1,738
International Business	3,976	49.52	521.68	5,378
Regional Business	1,567	51.82	336.89	4,773
Group Total	14,696	559.25	3,058.29	22,894

Team				
Regional Office East	234	8.93	59.34	747
Regional Office North-East	73	3.74	30.17	332
Regional Office North-West	182	7.46	45.82	632
Regional Office South	285	11.39	73.30	1,098
Regional Office West	239	9.43	58.95	906
Regional Office Total	1,013	40.94	267.58	3,715
Stage of Development	177	7.74	62.86	1,058
Support to Export	103	0.86	1.70	0
Entrepreneurship	9	0.28	0.60	0
Regional Development Team	265	2.00	4.16	0
Regional Business Group Total	1,567	51.82	336.89	4,773

Source: Invest NI

7.265 In respect of total Invest NI activity in the period 2017/18 to 2021/22, the five regional offices accounted for:

- 6.9% of all offers;
- 7.3% of all assistance offered;
- 8.7% of all total planned investment; and
- 16.2% of new jobs.

7.266 At a corporate level, the Regional Office Network targets primarily focus on the following three areas:

- Jobs and Investment (i.e., direct jobs assisted by Invest NI within the financial year and direct investment to deliver specific projects);
- High Potential Start-Ups (high growth companies that meet specific criteria supported within each financial year); and
- Companies Selling for the First Time Outside of NI (this is a joint target with Invest NI's Trade Division).

7.267 Performance against these areas is outlined in tables 22, 23 and 24:

Table 22: Jobs and Investment 2019/20 to 2021/22

Financial Year	Jobs		Jobs Above NI PSM	
	Target	Outturn	Target	Outturn
2019/20	500-650	897	300-390	656
2020/21	500-640	815	300-384	629
2021/22	500-650	609	250-325	411

Table 23: High Potential Start-ups 2019/20 to 2021/22

Financial Year	High Potential Start-ups	
	Target	Outturn
2019/20	10-15	13
2020/21	10-15	12
2021/22	10-15	11



Table 24: Companies Selling for the First Time Outside of NI 2019/20 to 2021/22

Financial Year	Companies Supported to Sell for the First Time Outside of NI			
	Target	Trade	RON	Grand Total
2019/20	75-125	29	104	133
2020/21	75-125	11	108	119
2021/22	100-150	25	106	131

Regional Effects of Support

7.268 To further test the regional effects of Invest NI funding, Technopolis carried out analysis on a three-year growth period by district council area (DCA), covering one year prior to investment and two years following investment. It is important to note that, given the small sample of firms by local council (for instance on average 20 for turnover and productivity by region), this analysis cannot provide robust figures at the sub-regional level. Nevertheless, several trends were identified:

- Belfast, Derry City/Strabane, and Mid-East Antrim are characterised by high employment growth rate (35% on average), whereas Lisburn, Newry/Mourne and Antrim have the smallest rates (14% on average);
- Turnover growth seems large in Newry and Mid-Ulster (39% on average), whereas insignificant in five councils (Ards, Armagh City, Belfast, Causeway and Lisburn); and
- Finally, productivity is seen (slightly) growing in only two regions: Newry and Mid Ulster (19% on average).

7.269 Technopolis concluded that, *“We would also suggest that consideration is given to bringing more rigour to the ways in which sub-regional effects are recorded and communicated, for example via calculating growth rates as we have for this study. This could in principle be supported by the economics team of Invest NI.”*

7.270 We also noted the launch of ‘Ambition to Grow’ during the period of the review. This is a competitive programme seeking 40 innovative and ambitious businesses who could receive up to £45k in funding, including up to £5k per job (minimum of 3 jobs), £10k towards business development activities to a maximum of 50% and £5k on the completion of an export health check. The programme is not open to existing Invest NI clients and, in an effort to promote the programme, Invest NI’s regional offices have partnered with local councils to host information sessions. It will be important to understand the success of this programme through this new subregional approach.

Funding for Start-Up Companies

7.271 Another issue that surfaced consistently in our discussions with local government and the business community is the fragile state of funding and support for the encouragement of start-up enterprises. The responsibility for encouraging self-employment, the creation of new businesses and support for the survival and growth of very small enterprises seems to be taken seriously by all councils and they deliver this predominantly through the ‘Go For It’ programme (although there may be room for stronger cooperation and shared learning between them). One programme that Technopolis identified for new companies was the ‘Start-Up Support’ scheme, which is a pilot approach offered by Invest NI to supporting start-ups under the SFA programme. This appears to offer a streamlined appraisal and approval process for smaller start-ups, a negotiated standard offer and an offer that included innovation and product development support. Technopolis reflected that provision of investment for entrepreneurialism is a more minor part of the Invest NI portfolio, stating that there was, *“more delivery in this area reportedly undertaken by local councils. This raises a question as to whether a streamlining of the complex Invest NI portfolio and gaps in provision highlighted here could or should open up space for other delivery mechanisms in the region. This may have the benefit of improving coherence in the investment offer and freeing Invest NI to focus on a more specialist sub-set of activities and objectives”*. Invest NI seems to demonstrate variable conviction that councils in their work with start-ups may be able to identify the growth prospects of the future and so funnel prospects to Invest NI. This needs to be a bigger part of future cooperation, with greater clarity about the characteristics Invest NI looks for, and clearer feedback to help increase understanding of if and when the agency is interested in examining a company being referred from the local level. Very significant improvements are also needed in the recording of this data, a



subject that is covered in further detail later when we discuss Invest NI's use of the intelligence that it gathers.

Panel Engagements

- 7.272 The Board and ELT of Invest NI offered differing opinions on the regional offices and partnerships from the self-assessment exercise. The Board stated in its response that, *"Improvement is needed on sub-regional delivery,"* however the ELT stated that, *"Invest NI's sub-regional impacts are often understated and mis-communicated by others"*. The Board also highlighted regional opportunities, stating that there are *"Opportunities to support and target growth outside of the Belfast catchment area."* A staff member pointed to regional imbalance when it comes to R&D project activity as it was stated that it comes from the top ten R&D spending businesses. Internal staff were more concerned with personnel issues and stated that there is no regional spread of human resources within the organisation and those in regional offices are not able to avail of promotion opportunities or can risk losing their base. Despite a 'Hybrid' working model introduced after the Covid-19 pandemic, it is said that jobs and promotion are still *"Belfast Based"*.
- 7.273 During the Panel stakeholder engagement process, there was a prevailing perception that Invest NI focuses too much on serving Belfast and does not proactively promote other regions. There were frequent suggestions, possibly exaggerated, that companies outside Belfast do not even try to engage with Invest NI as they believe there is no point. One business owner from the mid-Ulster region reflected that Invest NI support is Belfast and Derry/Londonderry centric. They said that in their opinion anywhere outside these areas struggles to get Invest NI support. Furthermore, one respondent told us that, in their experience, Invest NI would "feign interest" in other regions but when it came to bringing clients to sites, locations outside Belfast were rarely pursued. A comment was that there is too much focus on Belfast and the wider economy does not see the benefits. In the 'Call for Evidence' exercise responses were largely of the view that regional offices should continue to play a role in promoting the regional area, providing a presence and a balanced approach to economic development across NI. Stakeholders did comment on a need to refine their role and how regional offices could be used better to serve economic development. Common views were that Invest NI could promote better joined up working collaborations with councils and other government departments, allowing for a more effective use of resources and knowledge.



Conclusions and Recommendations

7.274 We engaged with all 11 local councils and found considerable interest from them in playing a fuller economic development role in NI. We recognise that they are well positioned to tackle local supply side problems. There is a clear necessity for DfE and Invest NI to recognise the potential contribution that the councils can make. There is also a need to share information and Invest NI can play a more active role in co-ordinating these essential local partnerships, helping to build a more effective ecosystem overall including strengthening the provision of support for local start-up businesses. Collaboration should also include working with other Departments outside of DfE when necessary, including DfC. We found that the regional offices of Invest NI are generally underutilised with staff and decision making centralised in Belfast.

7.275 We would therefore recommend the following actions are taken forward:

Recommendation 9a: There is a need for a more co-ordinated, partnership approach at a local level especially on employability, skills and land and premises issues. DfE working where appropriate with DfC should consider how best to strengthen and promote a strong sub regional economic ecosystem and ensure they have effective leadership. Invest NI should strengthen its contribution with increased enthusiasm, a stronger focus on the local, the encouragement of entrepreneurship and more effective cooperation with partners.

Recommendation 9b: Invest NI Regional Offices should have a more strategic role and be more clearly influential within the agency including at ELT level. The staff, resources and powers allocated to them should be reviewed.



Land and Property

Finding 10a: Invest NI's involvement in land acquisition and disposal has been limited over the last decade.

Finding 10b: There is evidence of market failure in the provision of industrial land in a number of areas in NI.

Background

7.276 As part of our ToR, we were asked to, “*Review the functions of Invest NI and consider viable alternative delivery models, or other structural changes, which are required to rationalise the organisation and optimise Value for Money in the delivery of economic interventions.*” Invest NI has a number of functions relating to land and premises that were established under the Industrial Development Act (Northern Ireland) 2002.

7.277 Land and property provision was a common issue raised throughout our engagements, with several sources voicing concerns regarding the lack of industrial land and property available, which they felt was hindering business growth and start-ups. This section of the report examines Invest NI's role in land and property provision and support along with research and insights from our engagements on this issue.

Invest NI's Role in Land and Property

7.278 There are several policies and strategies¹⁶⁶ across NI government that outline plans to grow a regionally balanced economy that benefits all people. The availability and distribution of quality land and property is vital to enable indigenous business start-ups to be established, to allow existing businesses to grow and remain in NI and to attract inward investment.

7.279 Invest NI has the following functions and powers in relation to land and premises:

166 The New Decade New Approach (2020); 10X Economy: An Economic Vision for a Decade of Innovation (2021); The Regional Development Strategy 2035 (2012)



- General Powers of Industrial Development - Invest NI may carry on, or establish and carry on, or develop, by itself or jointly with any other person, any industrial undertaking and may otherwise promote or assist in the establishment, maintenance or development of any industrial undertaking for the following purposes:
 - the development or assistance of the economy;
 - the promotion of industrial efficiency; and
 - the provision, maintenance or safeguarding of employment in NI.
- Provision of Premises and Sites - to provide or facilitate the provision in NI of premises for occupation by industrial undertakings carried on or to be carried on, or for otherwise meeting the requirements of such undertakings, or for meeting the requirements (including the training) of persons employed or likely to be employed therein, Invest NI may:
 - acquire or take on lease any land or acquire land compulsorily;
 - develop land (either by itself or in agreement with another person) that it has acquired or taken on lease; and
 - dispose of any land that it has acquired or taken on lease.

Invest NI Property Interventions

7.280 Invest NI offers five property related interventions. Its primary property intervention is the purchase, holding and sale of services sites to account managed businesses. The allocation and sale of an Invest NI property is typically through a 999-year lease; however, businesses also have the ability to sell and move on within the terms of their respective lease. Other associated property interventions include:

- Property Assistance Scheme;
- Direct provision of rental property solutions;
- Provision of Property Market Information; and
- Engagement in the Planning System¹⁶⁷.

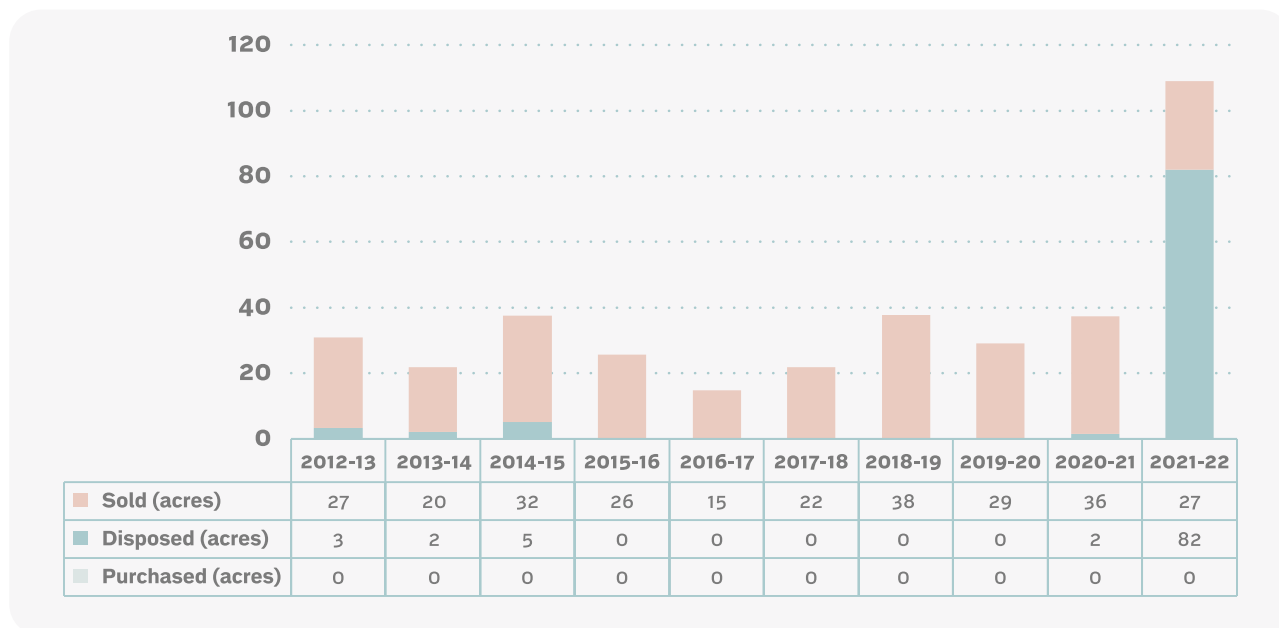
¹⁶⁷ Formal responsibility for the development of Local Development Plans lies with the Councils; Invest NI is a consultee and seeks to ensure that industrial land is zoned and protected for future economic use.



Invest NI Activity

7.281 In the last decade Invest NI has sold 272 acres of land, disposed 94 acres and purchased none. The largest disposal was in 2022, with the sale of its 76-acre technology park in Antrim, accounting for 88% of total disposal in the last decade. The rationale for this large disposal was to allow for its full potential to be reached through further development from the private sector. In liaison with the Strategic Investment Board, Invest NI considered it an opportune time to sell. This generated revenue of £7.5 million.

Figure 25: Invest NI Sales, Disposals and Purchases of sites (acres)



Source: Invest NI

7.282 As of 31 December 2021, Invest NI owned 541 acres of undeveloped land across 32 industrial estates/business parks in NI. This represents less than a quarter (23%) of Invest NI’s original 2,314 acres landholding. There is no even distribution of Invest NI’s original stock or the remaining 2021 stock. The size of sites also varies substantially from 1 acre¹⁶⁸ to 95 acres¹⁶⁹.

168 Two sites: Glenbank (Belfast) and Woodside Road East Industrial Estate (Ballymena)

169 Mandeville (Craigavon)



Table 26: Invest NI Total Landholding vs 2021 Remaining Land (acres) by District Council Area, 2021

District Council	Total Acres	2021 Available Acres	% Acquired
Mid Ulster	177	5	97%
Lisburn and Castlereagh	75	3	96%
Mid and East Antrim	236	21	91%
Belfast	193	27	86%
Fermanagh and Omagh	170	32	81%
Newry and Mourne	244	47	81%
Derry and Strabane	454	107	76%
Antrim and Newtownabbey	276	83	70%
Ards and North Down	73	22	70%
Causeway Coast and Glens	130	61	53%
Armagh, Banbridge and Craigavon	287	135	53%
Grand Total	2,314	541	77%

Source: Invest NI Provided Data, 2021

7.283 Looking at towns and cities, all Invest NI's landholding in Omagh and Cookstown has been acquired while Lisburn, Toomebridge, Dungannon and Ballymena have less than 5% of landholding available. In contrast, Craigavon has 96% remaining usable land.

7.284 Figure 27 provides a breakdown of where exactly Invest NI's landholding has available sites and which towns/cities are at or close to full occupancy.

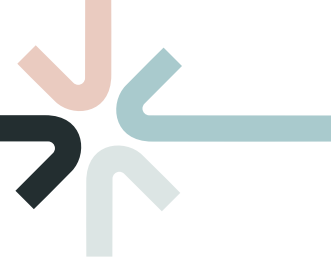
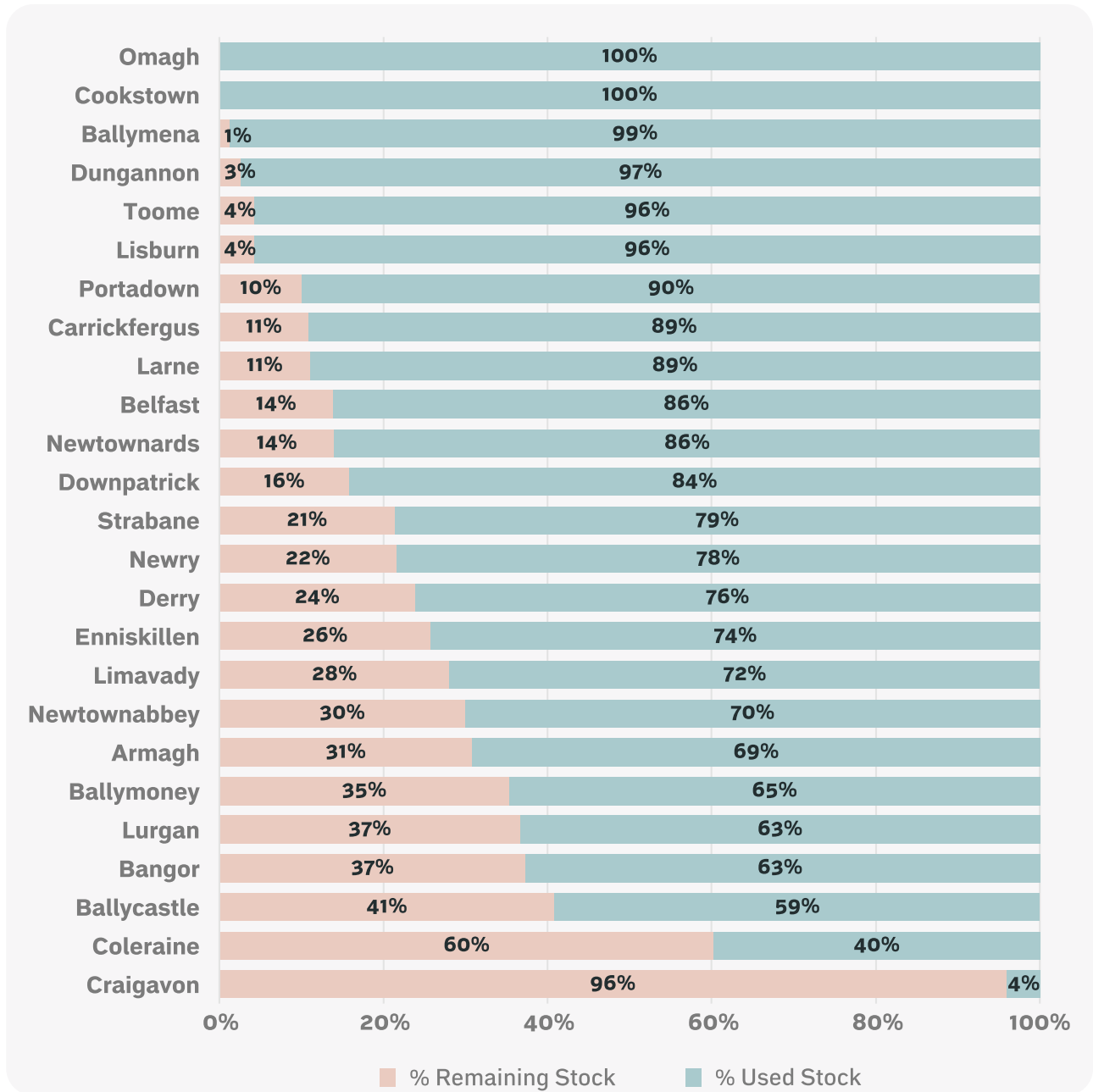


Figure 27: Breakdown of Total Landholding vs Remaining Usable Land by Town/City



Source: Invest NI

7.285 Invest NI's Property Assistance Scheme is available to customers to provide support to develop new property solutions to meet their new growth plans. In the last five years (2017-2021) Invest NI has provided grant assistance of £3.6m to 11 businesses. Property assistance represents less than 1% of Invest NI's total assistance over this period. The size of the grant to those 11 businesses varied substantially: the smallest grant was for £67k; the largest for £982k with the average grant of around £330k.

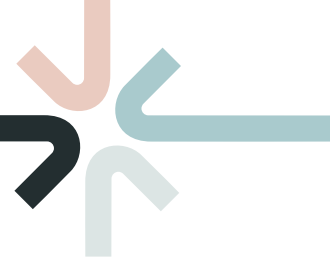
Research and Best Practice

7.286 Invest NI commissioned SQW to undertake an assessment of the NI industrial land market and the role of Invest NI within this. The core findings of the report are summarised below:

- The policy basis for Invest NI interventions is not explicit in recent NI policy statements for example, the 10X Vision. Three of the five clusters¹⁷⁰ outlined in the Vision will require availability of affordable industrial space;
- Invest NI plots have limited availability to accommodate large enquiries, with a large number of small plots (less than five acres)¹⁷¹ available;
- The maintenance/upkeep of Invest NI's property holdings are around £1 million per year;
- Infrastructure constraints (electricity, water and sewerage connections) were commonly cited by consultees as slowing or preventing development because the systems are at full capacity;
- The report provided a market context of the industrial property market in NI reportedly being almost at full occupancy. The shortage across land and property has led to increased rents to levels unaffordable to business. As a result, there was a consensus that market failure in the provision of industrial land and buildings in NI remains;
- Several consultees recommended that Invest NI should dispose of some of its current portfolio to generate receipts;
- Councils expressed a desire to work more collaboratively with Invest NI;

170 Advanced Manufacturing and Engineering (from aerospace and defence through to consumer products), Life and Health Science (including pharmaceuticals and in relation to medical devices), and Agri-Tech (including secondary processing and advanced packaging)

171 A caveat that Mandeville (Craigavon) could be subdivided into nine plots of circa 10 acres each



- An e-survey of nine respondents¹⁷² stated that they would recommend buying sites from Invest NI because it represents good value for money and has a predictable payment process. Six of the nine gave a positive rating for the process; and
- Through comparator analysis of Scotland, Wales, North East England and the RoI, the study found that there is a role for public sector to play in addressing market failures that exist in the property market.

Summary of Panel Engagements and Written Evidence

7.287 Through engagements with stakeholders, we heard from various people on issues relating to Land and Premises that echo some of the findings from the 2022 SQW Study. A common view amongst those engaged was the lack of suitable available land and premises hindering scaling and growth. Anecdotally it was claimed that some small businesses were starting in inadequate premises but had nowhere available to expand. Frustration was also shared that Invest NI land appeared to be restricted for Invest NI clients. The general perception of these engagements was a need for greater investment for Invest NI to acquire more land as well as for the agency to be more transparent with the quantity of land it has available. An issue was raised of Invest NI appearing to hold on to land strictly for client company use despite other opportunities being presented. A local council anecdotally claimed that Invest NI expressed that land is not for development but for Invest NI clients. We believe there is a clear appetite from local councils to work more closely with Invest NI on land issues. Whilst councils have this appetite, some have stated that Invest NI should come to the table as a partner and be “willing to use their land”. Utilities were also raised as an area of concern. Multiple businesses described how certain sites offered by Invest NI were not suitably equipped to meet industrial use e.g., poor utility supply including electricity. Invest NI does not hold information on the quality of infrastructure and/or utilities within its industrial estates. This is a matter for the owners of the respective infrastructure networks such as NIE Networks and NI Water. Invest NI has noted through its engagement with these bodies that there are significant challenges over the available capacity within the electricity and wastewater networks to meet the demands of modern business. Clients are advised to engage with providers such as NIE Networks and NI Water at the early stages of their land application process to ensure that there is sufficient

172 The survey was distributed to 22 businesses that had purchased sites from Invest NI representing a response rate of circa 40%.



capacity within the relevant networks to meet their needs and to help avoid any potential delays at the planning application and/or build phase of the project. There is a case for greater collaboration between Invest NI and these bodies as well as a role for the Department for Infrastructure to better plan advanced servicing of land where supply is tight.

7.288 Numerous concerns were raised, particularly amongst councils, on the availability/ scarcity of land in particular council areas and the maintenance of certain Invest NI sites. One council representative definitively stated that the most pressing current issue is the lack of available land. One business representative claimed that some Invest NI sites have been sitting for 30 years. Another trade body representative said that many small businesses were starting in private houses but had nowhere available to expand.

7.289 In terms of accessing Invest NI associated support it was felt it had numerous steps, there was a tight criteria and lengthy time associated. One senior public servant claimed that information held by Invest NI would be valuable to companies, for example, if they have acres of land available. Generally, there was a perception that there was an overly bureaucratic process that one stakeholder went as far as to describe as “*torturous*”. Two of Invest NI’s internal processes are detailed below as an illustration.

Leasing NI Property

7.290 Register interest through Invest NI Client Executive (applicable to Invest NI Clients):

- Stage 1: The completion of the application form (consisting of an 8-page document and 11-page guidance notes document);
- Stage 2: Assessment of the business case(s) being made for the allocation of the site;
- Stage 3: Formal allocation of the site for the project;
- Stage 4: Negotiation period for agreement in principle on price and the terms and conditions of the lease; and
- Stage 5: Due diligence on the title to the land and the associated Agreement for Lease.



Property Assistance

- Outline scoping meeting with customer, their professional advisors and Invest NI Technical Advisors;
- Preparation and submission of technical information in support of project;
- Invest NI technical assessment of eligible costs;
- Submission of an approved business plan which demonstrates scope for capability and growth plus funding ability;
- Appraisal of business plan will be in accordance with Invest NI Business Support Principles;
- Recommendation to Invest NI Casework Panel; and
- Issue of Letter of Offer of support.

7.291 Looking at Invest NI's two internal processes detailed above there appears to be a number of steps and areas that could be potentially difficult for businesses to overcome, particularly for those smaller in size. Both also make reference to 'customer' or 'client executives' suggesting this support is restricted to those businesses that meet the required criteria¹⁷³.

7.292 We recognise that these engagement findings are somewhat conflicting with those of the SQW e-survey¹⁷⁴ with six of the nine respondents giving the purchasing process a positive rating and the remaining three giving a neutral rating. Bringing this together with the panel engagements there is a mixed picture on experiences shared by business and councils that have engaged with Invest NI.

Conclusions and Recommendations

7.293 Based on the above analysis there is clear evidence that Invest NI's involvement in land acquisition and disposal has been limited over the last decade, particularly in reference to purchases. The organisation has acquired no land or property and its last Land Acquisition and Disposal Strategy dates back to 2009, which we view as highly unusual for an economic development agency. This has affected Invest NI's ability to provide clients with property solutions. Context provided in the draft

173 Businesses must have i) turnover of at least £250k ii) exports of more than £250k per annum or 25% of sales, and iii) have growth potential, defined as having potential, over the next three years, for 20% growth in employment/growth of 20 jobs or more, 20% sales' growth/sales' growth of £500k or more, or 20% growth in GVA per employee.

174 Distributed to 22 businesses that had purchased sites from Invest NI; 9 responded representing a response rate of circa 40%.



SQW report as well as results from a search on the NI Commercial Property Search engine¹⁷⁵ indicate that NI's industrial property market is operating at almost full occupancy, highlighting that market failure persists and public sector intervention could be justified.

7.294 In addition, another major issue appears to be the infrastructure constraints such as utilities (electricity, gas, and sewerage) on sites as connection issues are faced. This is leading to the prevention or slowing of developments.

7.295 Building on our findings and the draft SQW report, we conclude that Invest NI should be involved in addressing this issue in partnership with other key stakeholders, which should include, as a minimum, the Strategic Investment Board, local councils, utility providers (NI Water and NIE Networks) and the Department for Infrastructure. This should provide clarity on demand indicators for industrial land and property. Invest NI should move quickly on acquisition/development in areas where there is a clear need and develop a clear longer-term strategy for site acquisition/development in collaboration with strategic partners.

7.296 We would therefore recommend the following actions are taken forward:

Recommendation 10: Invest NI should bring forward a strategy for the development of industrial land and property in partnership with other key stakeholders, in particular the local councils. This should consider respective roles of each partner in improving the supply of land and premises for growing businesses.

175 [Find Offices in Northern Ireland | Commercial Property Finder accessed December 2022 \(nibusinessinfo.co.uk\)](#)



Internationalisation – Inward Investment and Trade Support

Finding 11a: Attracting and supporting FDI and inward investment is widely recognised as playing a key role in Invest NI’s portfolio of support but there is lack of clarity as to the organisation’s strategy on FDI and how it supports the 10X Vision.

Finding 11b: A perception and concern has built up that Invest NI is too focused on attracting FDI while data indicates that inward investment (FDI and GB) companies account for less than one third of Invest NI funding over the last 5 years (2017-2021).

Finding 11c: Stakeholders were largely positive on the quality and value of market intelligence and services provided by Invest NI overseas offices although their role is not well enough understood and articulated inside and outside the organisation.

Finding 11d: There are clearly defined metrics that demonstrate Invest NI’s activity in supporting trade and investment, however they are largely input driven. There is no clear metric to demonstrate how the agency will increase the quality of new inward investment.

Finding 11e: The value and impact of inward investment, both Great Britain and FDI, is not sufficiently monitored, evaluated and understood.

Background

7.297 As part of our ToR, we were asked to “Assess whether Invest NI’s approach to the delivery of Inward Investment, including its interventions and structures, is effective”. Linked to the delivery of inward investment is the agency’s wider remit to promote NI on an international stage, not just as a destination for inward investment but also as a source of trade and exports. From engagements this was seen to be a central role of the organisation.



7.298 As already outlined in the Economic Context chapter of this report, we recognise NI's good performance on Foreign Direct Investment (FDI) in recent decades. However, more recent evidence regarding FDI performance is mixed and there are some key strategic choices for Invest NI to make around its focus on trade and investment in light of EU Exit, the NI Protocol and the 10X Vision. This section takes a closer look at Invest NI's delivery of inward investment along with other international work, such as trade and export promotion. It draws together related research, evaluations and views from engagements to inform our recommendations.

Policy and Strategic Context

7.299 The Invest NI International Strategy dated 2017 to 2021 is the most recently published document to outline Invest NI's ambition, approach and actions specifically relevant to trade and investment. The Strategy set out three aims which include: the increase of sales outside NI; the increase of the number of businesses selling outside NI; and increasing the level and quality of new inward investment. Strong collaborative partnerships inside and outside NI were referenced to be a critical success factor for the agency to meet targets for trade, FDI and international growth.

7.300 To identify priority export markets the Strategy references the use of analysis of sales to markets outside NI. Great Britain (GB), the Republic of Ireland (RoI) and selected European Union (EU) markets were noted to be *sensible and readily addressable starter markets for less experienced exporters*.¹⁷⁶ It acknowledges that opportunities will arise for more experienced exporters within Asia Pacific, China, India, Middle East, Africa and the wider Americas, however it notes these to be more *"complex and difficult"* to enter. USA and Canada were identified as an important focus for Invest NI's trade development activity. The Department for International Trade (DIT), NI Chamber of Commerce, local councils, the use of NI Connections, stakeholder and sector bodies¹⁷⁷ were identified as partners whom the agency would work with to align activity and leverage international markets. The USA, GB and the EU were identified as priority markets for a source of inward investment, targeting businesses seeking a UK or European headquarters. The rationale or selection for these markets is not clear from the Strategy.

¹⁷⁶ [Invest NI International Business Strategy 2017-2021 \(investni.com\)](https://investni.com)

¹⁷⁷ ADS (covering aerospace, defence and security), AHDB (covering agri-food), Digital Catapult, Catalyst Inc.



7.301 Regarding the wider strategic context, there are several relevant policies and strategies¹⁷⁸ to consider. Based on UK Government's New Decade New Approach (NDNA) agreement published in January 2020, the following commitment to strengthen the NI economy set out to "*Enhance the assistance from business-supporting UK Government departments in NI, including DIT, working in partnership with Northern Ireland agencies, including Invest NI. This will include supporting the delivery of the Northern Ireland International Trade plan, establishing a new Trade Advisory Board, appointment of Northern Ireland Trade Ambassadors, and developing a Trade Accelerator Plan and a "Made in NI" campaign.*"¹⁷⁹

7.302 A written parliamentary answer in April 2021 indicated that the commitments relating to the establishment of a Trade Advisory Board, the appointment of NI Trade Ambassadors and developing a Trade Accelerator Plan "*are important matters for the Executive to deliver.*"¹⁸⁰ Most recently, DfE's '*Trade and Investment for a 10X Economy*' published in June 2021¹⁸¹, highlights the need for a new approach to trade and investment to deliver the 10X Vision. It outlines five key ambitions to reach over the next decade:

- become a magnet for regionally balanced inward investment from high quality new FDI and follow-on expansions;
- increase the number of businesses of all sizes selling goods and services, outside of NI – to GB, RoI, rest of EU and rest of world customers – for the first time;
- increase the value of goods and services sold outside of NI – as exports to RoI, rest of EU and rest of world customers;
- strengthen NI's presence in established markets and diversify into new overseas markets with high growth potential, aligned with its areas of competitive strength; and
- maintain the level of goods market access with NI's main trading partner, GB, and increase external sales in that key market.

178 Export Matters Action Plan (2016); Trade Accelerator Plan (2016); Economy 2030 – Draft Industrial Strategy (2017); New Decade New Approach (2020); NI Economic Recovery Plan (2021); 10X Economy – Economic Vision for a Decade of Innovation.

179 [A New Decade a New Approach 2020 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

180 [Written answer 180644, 13 April 2021 \(Parliament.uk\)](https://www.parliament.uk)

181 [Trade and investment for a 10X Economy 2021 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)



7.303 The paper also highlights the need to work closely with Invest NI and the need to work with business in a planned and strategic way, *“That is why alongside its own internal analysis, the Department is working closely with Invest NI and external global FDI specialists to identify potential FDI implications (opportunities & challenges) of our new trading arrangements, including the potential attractiveness of GB & EU dual market access to investors. This involves detailed consideration of the impact of new arrangements at a sector-specific level and will inform a new international investment proposition for Northern Ireland. Where opportunities exist, we will seek to work with businesses and investors to exploit them in a planned, strategic way.”*¹⁸² Some findings of this research are discussed below.

7.304 However, we note that while the 10X Trade and Investment paper outlines ambitions and the desire to work closely with Invest NI, no associated action plan has been published outlining specifically how the strategy will be implemented. As yet, no new Trade Advisory Board or Trade Ambassadors have been appointed.

Invest NI Internal Structures

7.305 Invest NI’s International and Skills Group (formerly international Business Group¹⁸³), managed at Executive Director (Grade 3) level, has responsibility for activities overseas and in enhancing companies’ skills to maximise productivity and competitiveness. Table 28 sets out Invest NI’s International Business spend for the periods 2016/17 to 2020/21. In 2018/19 (pre-Covid-19) this made up 12% of Invest NI’s total budget compared to 6% in 2020-21.

182 [Trade and investment for a 10X Economy 2021 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)

183 During 2022 Invest NI completed a restructuring programme resulting in the creation of several new organisational groups

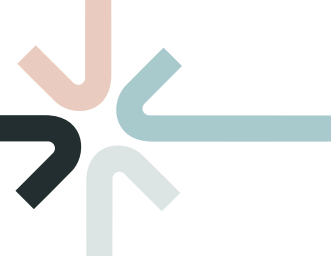


Table 28: Total Programme Spend by International Business 2016/17 to 2020/21

Total Programme Spend by International Business*	Financial Year (£'000)				
	2016/17	2017/18	2018/19	2019/20	2020/21
International Business	7,209	7,357	10,088	11,024	8,344
Trade	3,987	4,059	3,081	3,397	1,476
Connections	233	147	26	61	28
Total	11,428	11,563	13,195	14,483	9,848

Source: Invest NI

7.306 It is worth noting that 95% of the reduction in spend from 2019/20 to 2020/21 can be attributed to activities that would have been stopped or significantly curtailed in response to Covid-19 pandemic. This includes exhibitions, missions, market visits and Solex (assistance to eligible companies to exhibit independently at trade shows outside NI where Invest NI does not have a presence).

7.307 The Group's overseas activities include two main workstreams:

- Attracting inward investment to NI; and
- Supporting NI companies to access and sell to markets outside of NI.

7.308 It is resourced by a total of 162 Invest NI staff located in Belfast and internationally. It is the second highest staffed Group in the organisation with one in four Invest NI staff holding roles there.

7.309 Invest NI's Trade team offers support services and solutions for NI businesses at different stages of their export journey, including those currently exporting or planning to export. The key objectives of the Trade team are to increase the number of NI businesses exporting for the first time and developing new overseas markets for existing NI exporters. The Trade team delivers advice, guidance and export capability development programmes to help NI businesses to assess their export-readiness, devise export strategies, find new business opportunities and make the necessary preparations to explore and maximise opportunities in new overseas



markets. Furthermore, Invest NI offers a range of interventions to support early-stage business to become export ready and work with experienced exporters to enable them to achieve market penetration and expand into new markets. Table 29 provides a summary of Invest NI's programmes that support the development of overseas trade capability along with the associated costs over the period 2016/17 to 2020/21. Over that period, 'Exhibitions/Missions/Events' (54%) account for the largest share of programme spend followed by 'Trade and Advisory Service' (22%). The Covid-19 pandemic has significantly impacted on this activity.

Table 29: Invest NI's Programme Spend to Develop Overseas Trade Capability 2016/17 to 2020/21

Programmes to develop overseas trade capability	Financial Year (£'000)				
	2016/17	2017/18	2018/19	2019/20	2020/21
ACUMEN	-	50	-	-	-
Exhibitions/Missions/Events (including Invest NI Inward Buyer Missions)	2,245	1,810	1,725	1,708	379
Export Development Service – (including Grow Beyond (First Time exporters Programme) and Practical Export Skills Workshops)	157	118	87	131	192
G2E Grant	-	-	-	34	56
Market Visits – (including in market support - Overseas Marketing Introduction Service)	242	363	262	293	(7)
Solex	261	563	413	315	(0)
Trade Advisory Service	741	851	448	649	445
Translation Consultancy Service	7	17	4	2	12
Trade Accelerator Grant *	-	-	-	-	-
Total Cost	3,653	3,772	2,939	3,131	1,077

Source: Invest NI



- 7.310 Invest NI's Early Exporters & Capability Development team has five multi-sector International Trade Advisors (ITAs) that focus specifically on supporting NI businesses to export for the first time. Each of these ITAs typically works with a portfolio of some 30 NI companies per annum. GB and RoI are typical starter markets. However, the team also supports NI businesses seeking to break into export markets for the first time through capability development programmes such as the 'Going Dutch' and 'Grow Beyond' initiatives.
- 7.311 Invest NI's International Business Group was evaluated in August 2021 by SQW¹⁸⁴. The evaluation covered all trade and investment support provided by Invest NI between 2014/15 and 2019/20. It concluded that *"the trade and investment support delivered over the period covered by the evaluation has been effective and been improving over the past few years... While performance has been reasonably good, there is an opportunity, as the economy recovers, to raise the bar further."* In summarising its findings in relation to the policy and strategic context SQW stated that *"Across all these strategies... aimed to increase the level of external sales and exports, the number of NI exporters, and the value / quality of inward investment coming to NI. The strategies were consistent in terms of the priority sectors for increasing trade and investment... [and] despite the challenging economic context over the last 5-6 years, there has been good progress against most of the strategy targets set."* The findings on trade and investment have been discussed separately below together with NI's investment and trade performance. While the agency self-reports on performance there is no single source that measures the impact Invest NI trade and investment support has contributed to the local economy. While the SQW reports on the 'Economic Impact of Trade Support' it does not measure the economic impact of investment support.



Invest NI Performance Metrics

7.312 The three relevant metrics on trade and investment detailed in Invest NI's International Strategy 2017-2021 aims included the increase of sales outside NI, the increase of the number of businesses selling outside NI and increasing the level and quality of new inward investment. Tables 30 and 31 outline associated targets and respective outcomes (as provided by Invest NI). Invest NI has reported to meet all these targets except for that relating to the number of assisted jobs from companies investing in NI for the first time.

Table 30: KPI Based Targets 2017/21

	2017/21 Target	2017 Growth	2018 Growth	2019 Growth	2020 Growth	2017/21 Outturn
Increase Total Sales (£bn)	3.2 - 4.2	1.7	1.6	1.3	-0.4	4.1
Increase External Sales (£bn)	2.4 - 3.1	1.3	1.4	1.0	-0.4	3.2
Increase Export Sales (£bn)	0.8 - 1.2	0.8	0.8	0.4	-0.9	1.1

Source: Invest NI

Table 31: Offer Activity Targets 2017/21

	2017/21 Target	2017/18 Outturn	2018/19 Outturn	2019/20 Outturn	2020/21 Outturn	2017/21 Outturn
Support Companies to enter New Markets.	600 - 800	260	335	301	255	1,151
Support Companies to sell outside of Northern Ireland for the first time. <i>(This is a subset of the above target).</i>	300 - 400	107	176	133	119	535
Assist Jobs from Externally-Owned Companies.	7,200 - 10,600	1,690	2,600	2,450	1,714	8,454
Of which Assisted Jobs will be from Companies investing in NI for the First Time. <i>(This is a subset of the above target).</i>	5,340 - 7,700	843	1,122	1,280	1,213	4,458

Source: Invest NI



7.313 While there are clearly defined metrics that demonstrate Invest NI's activity in supporting trade and investment, they are largely input driven and focused on jobs. There appears to be no clear metric to demonstrate how the agency will increase the quality of new inward investment (or indeed how quality could be measured). It is our view that there needs to be greater recognition of the different target markets and customers between overseas trade promotion and attracting inward investment. In addition, the profound distinction between indigenous support and inward investment support needs to be reflected.

Northern Ireland's Recent Investment & Trade Performance

7.314 International trade and attracting inward investment play a critical part in supporting NI to grow as a small open economy. Recent events such as the Covid-19 pandemic and EU Exit has created uncertainty for investors and traders. The Covid-19 pandemic triggered a dramatic fall in global FDI flows in 2020 (-42%)¹⁸⁵. As we have moved into recovery from Covid-19 this has prompted inward investors to think differently about future delivery models and the whole concept of globalisation, in addition to considering the already strong influences of deindustrialisation, digitisation and the emergence of Industry 4.0 in any decision around international investment. EU Exit has also proven challenging for UK trade and exports. Specifically on the NI Protocol, a report published by House of Commons Northern Ireland Affairs Committee in November 2022¹⁸⁶ states that *“The Northern Ireland Protocol has introduced a distinct set of challenges, and opportunities, to Northern Ireland. NI’s unique position, with one foot in the EU Single Market for Goods, and another in the UK Internal Market is attractive to some investors, and confusing to others. The Government need to clarify how it plans to manage regulatory divergence between NI and GB, including the current dual subsidy control regime. Owing to the Protocol, Northern Ireland may also not benefit from all aspects of new free trade agreements in the same way as the rest of the UK. The Government should include the effect of the Protocol in detailed economic impact assessments of those deals and set out for businesses where the Protocol will take precedence over provisions in those agreements.”*

185 [Global Investment Trend Monitor Number 38 2021 \(unctad.org\)](#)

186 [NI Affairs Committee: Investment in Northern Ireland 2022 \(parliament.uk\)](#)



7.315 SQW's International Business Group Evaluation notes a 'mixed picture' in terms of NI's trade and investment performance over 2014/15 to 2019/20. It also highlights that the different sources available (e.g., NISRA and HMRC) offer different reporting methodologies, making it difficult to draw clear conclusions on performance. Some aspects of Invest NI's reporting as noted above also makes it difficult to report with clarity on trade and investment performance, an obvious gap that Invest NI should work to address. Below outlines headline trade and investment performance statistics used by SQW and other additional sources captured through this Review to demonstrate recent trade and investment performance for NI.

Trade Performance

7.316 NISRA's Broad Economy Sales and Export Statistics reported¹⁸⁷ a trade surplus in 2020 of goods and services with exports (£10.3bn) greater than imports (£7.1bn). Looking to external sales (this includes the addition of GB sales to exports), NISRA reports a 6% decline between 2019 and 2020, not unexpected considering the Covid-19 pandemic. In the preceding years, external sales were at a record high in 2016 (£23.8bn) but declined (-8%) between 2016 and 2017 following the UK's decision to leave the EU. Marginal growth performance followed in 2018 and 2019. Between 2016 and 2019, sales to GB fell sharply (-23%) but sales to RoI surged (+36%) and international sales also increased (+15%). Despite growth in value, the share of sales made outside NI (external sales) as a proportion of total sales has remained largely unchanged, at 31.8% in 2020 compared to 33.3% in 2011. Exports represented 15.3% of sales in NI in 2020 compared to 14.8% in 2011. This evidence suggests very little progress in making exports a larger part of the trade performance of businesses in the region.

7.317 Regional Trade Statistics from HMRC (which measures only trade in goods) reported a decline in exports (-1%) and an increase in imports (13%) between 2020 and 2021. NI was the only UK region to report a decline. These latest trade statistics suggest that NI runs a trade deficit with imports marginally higher than exports (£24m). It reported that NI ran a trade surplus between 2015 and 2020 since its last reported deficit in 2014.

187 [Northern Ireland Broad Economy Sales and Exports Statistics: Trade in Goods and Services Results 2020 \(nisra.gov.uk\)](https://www.nisra.gov.uk/nisra/broad-economy-sales-and-exports-statistics-trade-in-goods-and-services-results-2020)



7.318 While these two sources present methodological differences and cannot be directly compared it is important to consider both.

7.319 UUEPC notes that while NI's exporting performance has improved markedly from the 2008 recession it remains weak in comparison to global competitors.¹⁸⁸

Investment Performance

7.320 GB investment into NI is not captured in the EY or DIT reports¹⁸⁹. Data provided by the SQW report reflects 56 projects with £150m investment between 2014/15 to 2019/20, generating 2,676 jobs.¹⁹⁰ Based on EY Attractiveness Survey and population statistics SQW found that the NI was ranked third (behind London and Scotland) amongst UK regions and sixth out of all European countries with 1.48 FDI projects per 100,000 people in 2019. Statistics from DIT suggest that, in 2021-22 there were 32 FDI projects in NI, down from a high of 40 in 2019-20. Despite the fall of investment in 2021/2022, the average number of jobs per investment remained the highest over the period 2016-2022. Based on ONS statistics, the Productivity Institute reported that NI had the *second lowest level of total inward foreign direct investment amongst the UK's twelve regions in 2019, at £18,041 per job*. This is calculated as total inward FDI position divided by the total number of jobs in the local economy. The report further notes "*Despite being a focus of policymakers, Northern Ireland's relatively low level of FDI is disappointing. Continued political uncertainty and government policy, alongside legislation and regulation, continue to affect the running of local businesses*".¹⁹¹ Another source, FDI Markets, reported a 4% decline in the value of FDI in NI (from \$3,815 to \$3,671) between the periods of 2012-2016 to 2017-2021. Over this same time period it also reported a 37% decline of NI jobs resulting from FDI (from 16,412 to 10,318), while the number of projects reportedly increased by 3% (from 171 to 176). This data has been sourced from a report published by The Northern Powerhouse Partnership (September 2022), which uses FDI Markets data to analyse time series FDI indicators (\$ value, number of

188 [Addressing Northern Ireland's Competitiveness Challenges 2021 \(ulster.ac.uk\)](https://www.ulster.ac.uk)

189 [Evaluation of Invest NI International Business Group 2021 \(investni.com\)](https://investni.com)

190 [Evaluation of Invest NI International Business Group 2021 \(investni.com\)](https://investni.com)

191 [Northern Ireland's Productivity Challenge Exploring the Issues 2021 \(productivity.ac.uk\)](https://productivity.ac.uk)



projects and jobs resulting from FDI). Turning to the Northern Powerhouse¹⁹² with its aim to make the North (England and Wales) a more attractive location for investors its figures tell a much different story from NI's. The value of FDI in the Northern Powerhouse increased by 72% in comparison to NI's contraction of 4%, while the number of FDI projects increased by 28% in comparison to a marginal increase in NI of 3%. This may be an indicator of the quality of FDI that the Northern Powerhouse has attracted.

- 7.321 In summary, sources report a mixed picture in terms of trade and investment performance due to different sources and reporting methodologies. Invest NI needs to offer an authoritative and regular view on how it understands NI's true performance to ensure future strategic targeting and focus on the wider impacts.
- 7.322 To reflect on the 'quality of FDI', DfE's commissioned research (Wavteq 2022)¹⁹³ highlights NI's success in attracting quality FDI. Based on data from FDI Markets, NI is ranked 4th among regions in Europe in terms of its high concentration of high tech FDI, and particularly software and IT and business services. It also notes a high degree of specialisation in sectors such as life sciences, industrial equipment and aerospace and a comparative advantage in not only software and IT and business services but also renewable energy, aerospace, metals, engines & turbines and paper, print and packaging.
- 7.323 Wavteq produced a Strategic Framework to analyse the impact of the UK - EU Trade and Cooperation Agreement and NI Protocol on FDI, looking at eight major strategic impact areas likely to effect FDI and domestic direct investment in the UK and NI. These include: Rules of Origin; non-tariff barriers; customs regulations; subsidies; mutual recognition of professional qualifications; equivalence in financial services; business travel; and recruitment. While there are likely to be some winners and losers, the research does not draw a firm conclusion on the net impact of the new trading relationships. Instead, it points to the complex decisions that individual investors will need to make about how and where to invest in the current context.

192 The Northern Powerhouse geography covers all 11 Northern Local Enterprise Partnerships (LEP) areas as well as North Wales. The 11 Northern LEPs are: Cheshire and Warrington, Cumbria, Greater Manchester, Humber, Lancashire, Leeds City Region, Liverpool City Region, North East, Sheffield City Region, Tees Valley, York, North Yorkshire and East Riding. North Wales is defined as covering: Wrexham, Rhyl, Colwyn Bay, Llandudno and Bangor. It has an estimated population of 15 million.

193 [Attracting foreign direct investment to Northern Ireland in the context of our post EU exit trading relationships 2022 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)



Invest NI Inward Investment Support and Performance

7.324 Invest NI's approach from its International Strategy to deliver its aim of increasing the level and quality of new inward investment is as follows:

- Working as a Trusted Business Partner with existing international investors to encourage expansion, further development and add new functions to investors operations in NI; and
- Attracting new first-time investors to NI. Although it was not clear from the Strategy, supplementary narrative from an SQW evaluation states that this will be achieved: *“through participation in key lead generation events in target markets, direct sales prospecting, focused market and sector visits and organising inward visits to NI for prospective investors.”*¹⁹⁴

7.325 Analysis based on spreadsheets provided by Invest NI indicates inward investors (GB and FDI) have availed of over 60 different programmes associated with 1,015 inward investment offers made by the organisation over the period January 2017 to August 2022. The main supports were provided through Trade Events, Export Market Visits, Selective Financial Assistance (SFA) and Grants for R&D.

7.326 Further analysis of data provided by Invest NI over the same period indicated that:

- Just over 1,000 offers were made to inward investors in comparison to almost 14,000 offers to non-inward investors over 2017-2022;
- On average Invest NI assistance totalled £158,000 per offer for inward investors compared to £29,000 per offer for non-inward investors;
- Almost half (46%) of Invest NI assistance (£160 million) has gone to ten companies over the 5-year period;
- There was also evidence of repeat funding within these top ten companies recorded as receiving a total of 53 separate offers during that time; and
- In 2021/22, a total of 102 companies received inward investment support from Invest NI with 79% of assistance being taken up by the top 10 investors.



- 7.327 Our analysis shows that monetary value of Invest NI support to inward investors was on average significantly higher compared to non-inward investors. Almost 50% of Invest NI support to inward investors went to 10 companies with further evidence of repeat funding amongst this group of beneficiaries.
- 7.328 Analysis from Technopolis found that a total of 397 companies (10% of Invest NI's total client base) emerged from inward investment (mostly business development) but received more than a quarter of the total support budget (£155 million, 27.8%). Technopolis undertook more detailed econometric analysis to provide an understanding of the performance of externally owned (GB and foreign owned) against locally owned (NI) firms on a sample of Invest NI assisted firms. Their findings suggest that externally owned businesses do not appear to demonstrate significantly higher growth than locally owned firms receiving investment and that the productivity growth of externally owned businesses and domestic businesses could not be proven to be significantly different.
- 7.329 Additional analysis of a sample of overseas inward investments (i.e., excluding inward investments from GB, which represents about one third of total inward investments) compared with domestic businesses indicates that external firms have created less jobs than domestic firms. There was no difference in terms of turnover growth between the two groups. In productivity terms, overseas inward investors performed better (with a reasonable level of significance) than domestic businesses. Technopolis findings also suggest that GB inward investment firms are actually less productive compared to overseas inward investors, but they tend to create more jobs. GB owned firms in Invest NI's portfolio are larger in turnover and employment terms than inward investors. The Technopolis analysis therefore suggests that while GB investments bring jobs, the productivity gains from assisting GB owned firms are questionable. They tend to support focussed efforts to attract genuine FDI on the basis that these firms tend to be more productive.
- 7.330 These are important findings and, while qualifying that they are based on a sample of the client base, they suggest that it is important to undertake more rigorous performance-based assessment and follow up to understand in more depth the value and impact of GB and overseas inward investment into NI.



- 7.331 SQW's evaluation of Invest NI International Business Group (August 2021) found that over the past six years NI has been successful in attracting inward investment, although it is interesting to note that there was limited reporting of actual Invest NI contribution to performance. Feedback from the businesses Invest NI supported was very positive, with indications that investors would not be trading in NI without Invest NI support. The support had delivered benefits with for example 70% of those consulted (based on a sample of 36 businesses) noting a major or moderate impact on turnover and productivity. The quality of Invest NI support to new investors was highly rated. The additionality of inward investment support was considered strong however this differed between those investors expanding and those making their first investment. There was a view however that the success of inward investment/ FDI has raised concerns that these investments had increased competition for skilled jobs and driven up wages in locally based companies. Other issues identified included the need to embed investments more firmly in NI through development of supply chains and maximising spill over benefits, application of new technologies, and ensuring positive transition from the investment team to local sector team. SQW put forward a total of six recommendations that covered areas such as handover process, strengthening links with trade, one voice and flexible smart support.
- 7.332 Our own engagements with stakeholders acknowledged Invest NI's record of attracting inward investment, although revealed perceptions that the agency was too focused on FDI and concerns that its success has come at a cost to existing NI business. There was also a view that there was unequal regional distribution of FDI. Concerns were raised that Invest NI may be selling NI as a "*good low-cost skills proposition*", which has impacted the supply of skills in the region, leading to wage inflation. It was reported that a number of indigenous businesses were going overseas to source staff with the required skills and some businesses were re-considering their NI base as a result. There was a sense that Invest NI did not sufficiently recognise the implications of its investment focus on local skills although this does run contrary to the success of the Assured Skills programme in providing a real time response to new and existing Invest NI client companies to upskill people from a range of backgrounds to access new jobs.



7.333 There were also concerns raised that propositions developed by councils in partnership with Invest NI regional and overseas teams had not been promoted. The section of Invest NI's website that promotes NI¹⁹⁵, was provided as an example that required review.

Invest Northern Ireland Trade Support and Performance

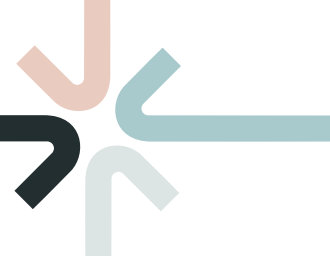
7.334 To increase the overall level of sales outside NI, Invest NI aims to assist firms in their transition to becoming a first-time exporter and work on a one-to-one basis with selected high growth customers to design a tailored export development plan to grow their export sales. In addition, a three-stage approach to deliver its aim of increasing the total number of businesses selling outside NI is detailed below:

- Building awareness through a campaign to highlight the benefits of exporting;
- Assist companies in becoming export ready through, for example, expanding trade and export workshops to include a range of practical and export orientated topics; and
- Support of new exporters e.g., by increasing the resources and capability of first-time exporters through a new Graduate into Exports programme.

7.335 Technopolis research¹⁹⁶, reported a total of 14 active Invest NI programmes and sub-programmes to 'grow external sales'. Assessment of impact and successes of Invest NI's interventions on the trade and exports market largely relies on findings from SQW's evaluation of Invest NI's International Business Group. It found that trade support was effective in delivering new customers and external sales for the majority of businesses receiving support. Based on consultations, SQW found a common view that trade support was improving but needed to be tighter, more strategic, and more proactive than reactive in driving new trade opportunities. Stakeholders felt they could be missing out on support of which they were not aware. The newly introduced Trade Accelerator Grants was referenced as a means to offer greater strategic direction.

195 [Why Northern Ireland? accessed December 2022 \(investni.com\)](https://www.investni.com)

196 Technopolis, Invest NI Performance Review (December 2022)



- 7.336 Through our own engagements, a number of stakeholders raised the need for trade support to be much more proactive in working with companies to identify opportunities and maximise Invest NI's extensive networks. We also heard of the need for better use of partnerships (particularly existing partnerships such as DIT who have a significant presence internationally) and the persistent issue that the wide range of trade programmes/interventions available makes Invest NI assistance difficult to navigate.
- 7.337 The Northern Ireland Affairs Committee House of Commons report on Investment in Northern Ireland¹⁹⁷ also acknowledged the establishment of NI's DIT trade hub to complement the work of Invest NI but also raised the need for Government to publish up to date information on next steps in trade development plans. In this regard it noted, *"We are pleased with the Government's decision to set up a new DIT hub in Belfast and we acknowledge the economic benefits this could bring to Northern Ireland. However, we urge the Government to publish up to date information on the delivery of the Northern Ireland International Trade plan, the establishment of a new Trade Advisory Board, the appointment of Northern Ireland Trade Ambassadors, the development of a Trade Accelerator Plan and a "Made in NI" campaign."*

Invest NI Overseas Presence

- 7.338 Invest NI's overseas teams are responsible for supporting NI companies to identify, develop and grow business overseas, increasing export sales and developing collaborations. They are also responsible for selling NI as an inward investment location and connecting with diaspora through Invest NI's Northern Irish Connections initiative. Invest NI's international network works with a wide range of partners and stakeholders to attract opportunities for NI.
- 7.339 Invest NI has 25 overseas offices across four global areas, namely Americas, Asia Pacific, Great Britain and Europe and IMEA (India, Middle East and Africa). The location of the current offices are shown in table 32.

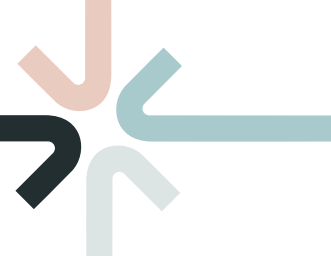
197 [Northern Ireland Affairs Committee: Investment in Northern Ireland 2022 \(parliament.uk\)](https://www.parliament.uk/northern-ireland-affairs-committee/investment-in-northern-ireland-2022)



Table 32: Invest NI Overseas offices

Americas	Europe	IMEA	Asia Pacific
Boston Office (US) Rented Trade & Investment	London Office (England) Rented Trade & Investment	Dubai Office (Dubai) Rented Trade	Beijing Office (China) Shared Trade
Toronto Office (Canada) Shared Trade & Investment	Manchester Office (England) (Home Working) Trade	Doha Office (Qatar) Shared Trade	Shanghai Office (China) Shared Trade
New York Office (US) Rented Trade & Investment	Dublin Office (Rep. of Ireland) Rented Investment	Jeddah Office (Saudi Arabia) Shared Trade	Guangzhou Office (China) Shared Trade & Investment
Santiago Office (Chile) Shared Trade	Brussels Office (Belgium) Rented//Shared Trade & Investment	Johannesburg Office (South Africa) Shared Trade	Hong Kong Office (Hong Kong & Macau) Shared Trade & Investment
Chicago Office (US) Shared Investment	Madrid Office (Spain) Shared Trade	Cairo* (Saudi KSA) Shared Trade	Singapore Office (Southeast Asia) Shared Trade
San Francisco Office (US) Rented/Shared Investment	Dusseldorf Office (Germany) Rented/Shared Trade		Tokyo Office (Northeast Asia) Shared Trade & Investment
			Sydney Office (Australia and New Zealand) Shared Trade & Investment
			Seoul Office (South Korea) Shared Trade

7.340 The majority of Invest NI's overseas offices are shared or rented. Brussels is the only office shared with another NI agency (Office of the NI Executive). Boston has the highest annual operating cost. Manchester presents the only location that is a home office. There is spare physical capacity in most of the largest overseas offices, which is important to understand in the context of any potential further expansion.



7.341 At the time of writing a further seven offices are planned to open before January 2023. These are intended to be in Mexico City, The Hague, Milan, Copenhagen, Munich, Paris and Mumbai. The funding of this expansion along with two of Invest NI's existing offices (Cairo and Seoul) is being supported by the Northern Ireland Office (NIO) under the UK Government (UKG) 'New Deal for Northern Ireland'. The £8 million¹⁹⁸ package over three financial years (2021/22 to 2023/24) was approved following a successful Invest NI proposal with the support of DfE.

7.342 Over the five-year period from 2016/17 to 2020/21, the cost of the overseas offices has ranged from £7.5m (2019/20) to £6.4m in 2020/21, reflecting lower staff costs, promotion and marketing and direct capital investment in that year. Staff costs account for the largest share of overseas office costs over that period, at 66% of total spend over the period. Table 33 provides a breakdown of overseas office and staff related costs as provided by Invest NI for the period 2016/17 to 2020/21.

Table 33: Overseas office costs 2016/17 to 2020/21

	Financial Year (£'000)				
	2016/17	2017/18	2018/19	2019/20	2020/21
Overseas Office Costs	884	901	1,502	1,504	1,560
Overseas Staff & Related Costs	4,657	4,882	5,427	6,002	4,826
Total Overseas and Staff Related Costs	5,541	5,783	6,929	7,506	6,386

198 UKG approved on 31 March 2021; Funding will be drawn down over a 3-year period from financial year 2021-22 to 2023-24

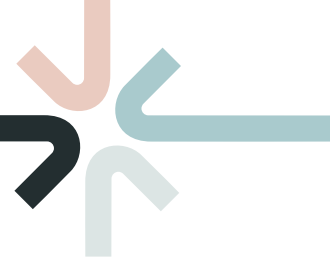


- 7.343 Invest NI has a shortlist selection process for opening new overseas offices that includes factors such as global, national and local trade data, forecasts of growth sectors and markets, export value gap analysis and FDI flows. We understand that the locations of the seven new overseas offices were determined by an internal exercise to identify opportunities to drive exports (and to a lesser extent FDI) from recent NI sectors of strength. However, overall, we found that the rationale for the location of some overseas offices is not well understood. The process of adding new overseas offices did not appear to take adequate consideration of need and long-term resourcing. As far as we are aware, the offer of support from the NIO under NDNA is short term with no plan for future funding once this support ends. We recommend that there is a clearer strategy setting out how existing and potentially new overseas offices align with the future focus of expanding trade opportunities for local businesses and targeting inward investment/FDI support for NI. This should involve clear prioritisation, planning and delivery objectives for each overseas office, ensuring that they are adequately resourced.
- 7.344 DfE has a Trade and Investment Facilitation branch, which is working to define strategic priorities based on the '10X Vision'. As part of this process, it is intended that bespoke trade and investment plans will be developed that align with areas of technological strength to exploit commercial opportunities. It is also intended that this will provide a clear set of priorities around which Invest NI's overseas presence will be assessed.
- 7.345 Based on findings from the Technopolis research¹⁹⁹ and additional desktop research, Invest NI's current overseas offices footprint is lower than RoI (50)²⁰⁰ and Scotland, but higher than Wales (21). With current expansion plans to add another seven offices this will bring Invest NI's total footprint to 32. The Mapping of Investment Promotion Agencies on OECD Countries notes that the average Investment Promotion Agencies (IPA) had 34 offices abroad²⁰¹, although these were focused more on countries than regions.

199 Technopolis, Invest NI Benchmarking and Best Practice Review (December 2022)

200 ROI is promoted by both Enterprise Ireland (30) and IDA Ireland (20), who engage in joint trade missions

201 Based on a survey of 32 OECD countries [Mapping of Investment Promotion Agencies in OECD countries 2018 \(oecd.org\)](https://www.oecd.org/)



- 7.346 During our engagements we heard positive reports from stakeholders on the role played by Invest NI's overseas offices. One representative from a cyber business told us that the international offices provided good assistance with getting access to overseas markets and have always been very responsive. A council member stated that he felt the overseas teams are very professional. Another business representative told us specifically that the remote teams in UAE and China had been extremely helpful when developing and supporting relationships in these areas.
- 7.347 Furthermore, the SQW evaluation of the Invest NI International Business Group highlighted the importance to local businesses of the presence of Invest NI in international countries and markets. It stated that, *"throughout the consultations and in the business feedback, the importance of building and using Invest NI's networks in market was a central theme. This was incorporated in views about more "boots on the ground", importance of local networks, support for fulfilment in market, building knowledge of international opportunities, providing leads to partners. This is certainly one of the biggest challenges for active exporters, and there was a great deal of support for this."* SQW also reflected that the biggest message from export businesses was the *"importance of Invest NI's networks overseas and how these are used to identify and create opportunities"*.
- 7.348 However, a number of stakeholders also raised with us their view that Invest NI needs to be much more proactive in working with companies to identify opportunities and maximise its extensive networks. We also heard of the need for better use of partnerships (particularly existing partnerships such as DIT who have a significant presence internationally).
- 7.349 There also appears to be an issue around communication of the role performed by Invest NI overseas offices. A number of respondents felt that the existence of Invest NI overseas offices was not known widely in the business community. It is not clear in our view that locally based Invest NI staff have a full understanding of their functions and the overseas teams themselves feel that the depth and breadth of their work is not fully comprehended or appreciated within the organisation. We believe that there should be a greater focus on making sure that locally based Invest NI teams working with companies have a direct link into overseas offices to understand when and how to make best use of that resource.



- 7.350 A lack of connectedness between the Trade and FDI teams and wider Invest NI support teams was specifically noted in our own research and in evaluation materials. It is also our conclusion that there needs to be a much more strategic approach in the delivery of these two key areas of support to build on a growing international network. We recommend that Trade, FDI and wider Invest NI support teams work more effectively together to ensure that international trade supports are more closely understood and embedded in the client journey. That journey should be seen as offering access to a team of international experts and draw on Invest NI's networks and experience to support greater internationalisation of local firms.
- 7.351 Technopolis's research on ecosystems notes that: *"In the local development system, development agencies can have many tasks and functions – but there is no blueprint for success"*. The research references that the six comparator agencies it assessed demonstrate links and roles as facilitators in many areas. This is further evidenced by the Mapping of Investment Promotion Agencies (IPAs) in OECD Countries, which notes that IPAs are associated with different mandates due to their institutional establishment (e.g., trade, investment, innovation and tourism) and as such the overseas offices perform different functions. Linked to this, the OECD report also acknowledged the importance of co-operation and co-ordination between the IPA headquarters and the representatives abroad. It notes that effective co-operation will ensure consistent country brand messaging and the establishment of clear communication to enable follow-up of project leads. The type of office settings was also said to be an important factor in ensuring effective co-ordination between the IPA headquarters and the abroad representatives. This reinforces our belief that there needs to be more co-ordination between the relevant trade, FDI and client facing teams within Invest NI. The OECD report also acknowledges that *"one size does not fit all"* and even in similar economic contexts different activities, approaches and strategies are suitable for different countries.



Invest NI UK Based Teams

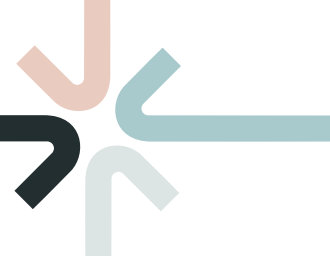
7.352 Invest NI also has two offices based in GB, in London and Manchester. The Manchester office is a home-based satellite location and cost circa £80k to operate in the 2020/21 financial year. There are 11 full time posts in the London office, and this cost approximately £860k to operate in 2020/21. The London office has overarching responsibility for the UK and European promotion and marketing of NI as a first-choice inward investment location for FDI projects and also has significant responsibility for generating trade sales in the UK and continental Europe for NI companies in the Construction, Aerospace and Renewables sectors. The Invest NI London office opened in 2019 and is available to all Invest NI customers, government departments and agencies, stakeholders and partners to utilise. The NDNA agreement contained a commitment to increase an NI presence in London, in addition to the Invest NI Office. It committed to *“Scope the establishment of a Northern Ireland hub in London - complementing the Invest Northern Ireland London Hub - to provide an increased opportunity for Northern Ireland stakeholder engagement in London.”* SQW noted that the London office has, *“performed well in securing new investment projects, promoting NI to professional, financial and business services firms looking to relocate cost centres.”* SQW also reported that EU Exit has influenced the work of the London office, saying that, *“There was also a slowdown in new projects from London due to the Brexit related uncertainty in the financial services sector. Feedback from some of the other overseas offices also indicated the challenges of securing new investment after the Brexit vote in 2016, although another considered the global coverage of Brexit to have raised the profile of Northern Ireland.”*

Conclusions and Recommendations

7.353 Being more outwardly focused, whether through inward investment and/or internationalisation, is a key means to support and drive sustainable regional growth and improved productivity for NI. The Invest NI 2017-21 International Strategy outlines Invest NI’s ambition, approach and actions relevant to trade and investment. The Strategy sets out three aims which include: increasing sales outside NI; increasing the number of businesses selling outside NI; and increasing the level and quality of new inward investment.



- 7.354 This remit falls within Invest NI's International and Skills Group (formerly international Business Group), which was evaluated in August 2021. This evaluation concluded that the trade and investment support delivered over the period evaluated (2014/15 to 2019/20) has been effective and been improving over the past few years but there is the opportunity to improve further as the economy recovers. Indeed, the targets relating to the Strategy's aims have mostly been met and exceeded but it is our view that the metrics do not go deep enough in terms of setting out the two distinct roles of trade promotion and attracting inward investment and how Invest NI achieves that growth.
- 7.355 While there was perception and concern that Invest NI is too focused on attracting inward investment/FDI, data from our Technopolis research indicates that inward investment companies account for less than one third of Invest NI funding over the last five years (2017-2021). However, our analysis shows that the monetary value of Invest NI support to inward investors was on average significantly higher compared non-inward investors. In addition, almost 50% of Invest NI support to inward investors went to ten companies with further evidence of repeat funding amongst this group of beneficiaries, an important consideration in understanding the focus and dynamism of this group of client companies.
- 7.356 NI has performed relatively well in terms of attracting FDI in recent decades and attracting and supporting FDI and inward investment is widely recognised as playing a key role in Invest NI's portfolio of support. Indeed, many stakeholders reflected that the agency had performed this role well, which has led to significant job creation and many benefits to the NI economy. There was a view however that the agency's success in attracting inward investment/FDI has raised concerns that these investments had increased competition for skilled jobs and driven up wages in locally based companies. Evidence on impact is also mixed, suggesting that while a productivity premium does exist among assisted overseas inward investors, GB investments (while adding jobs) may not boost productivity. It is not clear that there is a strong enough understanding of the impacts of inward investment and particularly the difference between investment from GB owned and overseas inward investors. It is important that Invest NI undertakes much more rigorous performance-based assessment and follow up to understand in more depth the value and impact of GB and overseas inward investors into NI. This should include data on wider impacts of FDI on for example technology transfer, supply chains and cluster growth.



- 7.357 More recent evidence regarding the extent of new FDI is also mixed which would suggest that there are some key strategic decisions about the role and nature of inward investment to be made.
- 7.358 Indeed, the agency has already been moving in the direction of a more targeted approach to inward investment that aligns to the aspirations of DfE's 'Trade and Investment for a 10X Economy', particularly with its ambition to focus on emerging sectors and we believe it should continue on this path, building on the aspirations of its own International Strategy in taking a much more targeted and focused approach. However, it needs to be much more explicit in what the target sectors/clusters will be and note that while Green Growth is an aspiration in the International Strategy it is not clear how that has been targeted and what has been achieved. This should more fully involve a wide range of stakeholders including the Department, DAERA, companies, universities and other stakeholders in defining future priorities.
- 7.359 While there were also positive opinions around trade supports there was also a view that these needed to be more closely understood and embedded in the client journey. That journey should be seen as offering access to a team of international experts and draw on Invest NI's networks and experience to support greater internationalisation of local firms. Greater connectedness between the Trade and FDI teams and wider Invest NI support teams is key.
- 7.360 Invest NI's overseas teams are responsible for supporting NI companies to identify, develop and grow business overseas, increasing export sales and developing collaborations. They are also responsible for selling NI as an inward investment location and connecting with diaspora through Invest NI's Northern Irish Connections initiative. Stakeholders were largely positive on the quality and value of market intelligence and services provided by Invest NI overseas offices, although their role is not well enough understood and articulated inside and outside the organisation. There is a need to constantly review the role of these offices and particularly their longer-term funding and sustainability.



7.361 Looking to the future, the Wavteq research suggests that FDI into NI is expected to grow over the next few years, particularly in software and IT. Although noting NI's unique position post EU Exit, it does not draw any firm conclusions on the complex decisions that investors will make to choose an investment location. It does suggest that policy should be sharpened to focus on target markets, priority clusters and technologies and that a strengthened presence in established markets and diversification into overseas markets will also be important going forward.

Recommendation 11a: Invest NI's approach to inward investment should be driven by what type of inward investment NI should seek to attract and what supports are needed to secure their location in NI. This should build on 10X and its supporting strategies on trade, investment and skills and more fully involve a wide range of stakeholders including existing companies and universities in defining future priorities.

Recommendation 11b: Trade, FDI and wider Invest NI support teams need to work more effectively together to ensure that trade and investment supports are visible, targeted and flexible to maximise impact.

Recommendation 11c: There should be a clearer strategy setting out how existing and potentially new overseas offices align with the future focus of expanding trade opportunities for local businesses and targeting inward investment/FDI support for NI. This should involve clear prioritisation, planning and delivery objectives for each overseas office ensuring that they are adequately resourced. Invest NI should secure sustainable funding for all new offices.

Recommendation 11d: Clearer KPIs should be set and stronger monitoring, evaluation and reporting on Inward Investment/FDI projects is required to demonstrate impact and added value.



Financial and Human Resources

Finding 12a: Invest NI is well resourced compared to similar organisations although it has a larger remit. Despite advances in technology since the previous IREP review, there remains an imbalance between back office / support resources and business facing staff within the organisation.

Finding 12b: The loss of EU funding has required Invest NI to consider significant budget re-prioritisation. However, the extent to which DfE and DoF have resolved the immediate loss of ERDF funding is also unclear.

Finding 12c: Single year budget allocations seriously undermine Invest NI's ability to strategically plan interventions and supports.

Finding 12d: Invest NI's current organisational structure does not align with Invest NI's strategic priorities and main function as a delivery body. This structure can be confusing for external stakeholders and staff to navigate and limits efficient and effective use of resource.

Finding 12e: There are significant concerns regarding the value and the timing of Invest NI's Evolve programme.

Finding 12f: Invest NI appears to have a top-heavy workforce. There is also likely to be a large number of retirees within Invest NI over the next ten years and there is currently no resource succession plan in place.

Background

7.362 Taking into consideration its resource allocation, its relationships with local colleges and universities and its legislative vires, DfE represents the primary organisation with responsibility for economic policy in NI. Between 2017/18 – 2021/22, the Department's average final budget allocation was approximately £1.6bn. Invest NI's average final budget allocation, at circa £143m, therefore represents approximately 9% of DfE's final budget allocation over the same period.



7.363 Our assessment, based on our independent external research, is that Invest NI is well resourced in comparison to most other similar organisations. The Technopolis benchmarking research highlights that Invest NI does have a high staff to business ratio relative to other agencies. However, the agency appears to undertake more direct delivery activity, across a broader remit, when compared to other economic development agencies. We believe that consideration should be given to a future review of staffing within the organisation that considers the operational impact of the roll out of the recommendations of this Review, as well as any indirect implications arising from increased digitisation and streamlining of internal processes.

7.364 Evidence from DfE also suggests that Invest NI has historically been insulated from challenging funding situations. We heard evidence that, at one point in time, there was an ‘industrial concordat’ in place that provided a commitment that good projects would not be lost to NI due to a lack of funding. In practice, this meant that funding bids from Invest NI had priority and therefore had a high success rate.

7.365 Given the likely challenging budgetary landscape moving forward, it is critically important that Invest NI effectively controls and directs its resources effectively, ensuring agility, and prioritising resources, both financial and human, at those activities that will have the greatest economic impact.

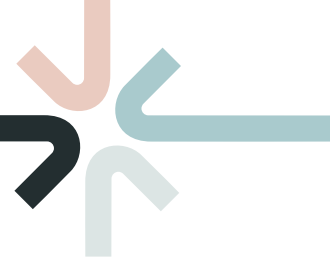
Budget Structure

7.366 Invest NI is required, in line with DfE, to manage financial expenditure in accordance with guidance set out in Managing Public Money NI.²⁰²

7.367 Invest NI’s budget structure follows standard public financial management rules and is primarily comprised of the following categories:

- **Resource Departmental Expenditure Limit (RDEL):** Reflects the ongoing cost of providing services;
- **Capital Departmental Expenditure Limit (CDEL):** Encompasses capital grants and reflects investment in assets that will underpin services in the longer term;

202 [Managing Public Money Northern Ireland 2008 \(finance-ni.gov.uk\)](https://finance-ni.gov.uk)



- **Financial Transactions Capital (FTC):** Capital that can only be used to provide loans to, or equity investment in, the private sector. FTC is provided by HM Treasury and is ring-fenced for this purpose;
- **Depreciation / Impairment:** Depreciation is the decline in the value of assets due to wear and tear, aging, and use. Impairment refers to the permanent reduction in the value of an asset; and
- **Annually Managed Expenditure (AME):** A spending aggregate that covers programmes for which multi-year limits are not appropriate or possible, but which are taken into account in public expenditure planning. AME typically consists of programmes that are large, volatile, and demand-led, and which therefore cannot reasonably be subject to firm multi-year limits.

7.368 It is also worth noting that Invest NI budgets are set on an annual basis and there is no option for carry over. In addition, at a high level, there is no scope for virement between the budget categories outlined above.

Financial Resources

7.369 The ToR required us to, “*Consider whether Invest NI’s level and use of resource (financial and human) is sufficient to deliver its current objectives.*” We therefore begin by summarising the funding position in the organisation over the last five years for which figures are available.

7.370 Invest NI is resourced via a mixture of government funding from the NI Executive, allocated from DoF to DfE, and from the European Commission, via European Structural and Investment Funds, including the European Regional Development Fund (ERDF) and the Local Economic Development (LED) fund. Between 2016/17 and 2020/21, Invest NI’s average annual opening budget allocation²⁰³ was approximately £173m. The average final allocation for the same period was approximately £143m. Table 34 illustrates Invest NI’s final outturn between 2017/18 and 2021/22.

203 Excludes funding for ERAP, NI Protocol and NIO New Deal funding.



Table 34: Invest NI Final Outturn 2017/18 – 2021/22

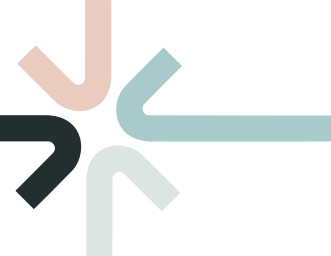
Final Outturn 2017/18 – 2021/22 ²⁰⁴					
£'000					
	2017/18	2018/19	2019/20	2020/21	2021/22
Non-Covid	127,563	99,911	120,328	111,262	94,343
Covid	-	-	220,000	297,263	28,309
Total	127,563	99,911	340,238	408,525	122,652

- 7.371 Resource DEL makes up the largest budget allocation, accounting on average for 61% of Invest NI's opening allocation between 2016/17 and 2020/21²⁰⁵. The remainder of the agency's budget allocation is comprised primarily of CDEL, FTC, and AME.
- 7.372 Invest NI was also allocated additional funding of circa £220m in 2019/20, £292m in 2020/21 and £29m in 2021/22, specifically in response to the Covid-19 pandemic. The agency utilised this exceptional funding to deliver a variety of interventions to support businesses throughout the duration of the pandemic. In addition, Invest NI was allocated circa £41m specifically to deliver actions emanating from DfE's Economic Recovery Action Plan (ERAP)²⁰⁶.
- 7.373 Evidence from Invest NI suggests that its opening budget commitments (excluding staff salaries) is historically high, with circa 65% - 75% of the organisation's resource programme budget pre-committed annually. Between 2017/18 and 2021/22 this equates to an opening commitment level of on average circa £45m - £52m. Conversely, the quantum of uncommitted funding has been in the range of circa 25% - 35%, on average circa £17m - £24m.

204 Invest NI Budget Allocations (provided by DfE)

205 Calculation includes RDEL funding for EU Exit.

206 [Department for the Economy: Economic Recovery Action Plan 2021 \(economy-ni.gov.uk\)](https://www.economy-ni.gov.uk)



7.374 The agency also suggested that its forecasting of opening commitments tends to be accurate as it is based on historic drawdown profiles, rather than legally committed offer values. Invest NI advised that these profiles are constantly monitored and updated to ensure that reporting on commitments remains as accurate as possible. Other anecdotal evidence indicates that, for budgetary purposes, there is an assumption that 80% of funds offered will be drawn down. Invest NI's final drawdown profile between 2017/18 and 2021/22 is provided in Table 35.

Table 35: Drawdown of Final Budget Allocation²⁰⁷

2017/18	2018/19	2019/20	2020/21	2021/22
99.0%	98.2%	99.6%	99.5%	99.3%

7.375 Whilst we recognise that enabling multi-year drawdown provides greater certainty to companies in receipt of Invest NI funding, high levels of opening commitments, coupled with a high level of commitment in relation to salaries and other operating costs, as explored later, means the agency has a limited amount of budget available at the start of each year to direct to new economic development activities.

7.376 10X will require a greater level of agility and it is vital therefore that the agency's overhead costs are managed down to give maximum flexibility to respond to emerging economic priorities. It is our view that the level of opening commitment places significant constraints on the agency's ability to respond and a necessary period of transition will be required as the exact requirements of 10X materialise.

7.377 Evidence from DfE, outlined in table 36, also indicates that Invest NI has a history of significant in-year budget movements, primarily relating to its RDEL and CDEL allocations. However, these reduced requirements appear to have been managed within tolerances set by DfE.

207 Evidence from Invest NI (2022). Excludes DfE administered Covid schemes in 2019/20



Table 36: Invest NI Budget Movements 2016/17 – 2021/22

Year	Budget Movement ²⁰⁸	Over/Underspend
2016/17	£4.5m RDEL reduction	£5.425m reduced requirement
2017/18	£6.5m RDEL reduction	-
	£4m CDEL increase	-
2018/19	£9.8m RDEL reduction	-
	£15m CDEL reduction	-
2019/20	£3.5m RDEL reduction	-
	£9.5m CDEL reduction	-
2020/21	£6.3m RDEL increase	-
	£3.6m CDEL increase	-
2021/22	£18.2m RDEL reduction	£-1m underspend
		£-1.7m easement
	£19.8m CDEL reduction	-
	£14.5m FTC reduction	-

7.378 Whilst these movements are within agreed tolerances and have been agreed with DfE, from an economic development perspective, it is perhaps surprising that Invest NI have not been able to find a use for these funds in-year.

7.379 Going forward, the Board should consider how the full budget allocation can be more effectively utilised to maximum effect in the economy, particularly in the context of 10X. It is our view that the Board should establish a Strategic Resources Committee to take this forward. The remit of this Committee should also include explicit ongoing consideration of how the organisation can minimise overheads and ensure that maximum resource is aimed towards direct economic development activity.



European Union Funding

7.380 Significantly, almost 25% (circa £35m) of Invest NI's average final budget allocation is derived from the ERDF, which is a constituent programme within the EU's Structural and Investment Funds (ESIF). Under existing European Social Fund (ESF) and ERDF programmes, DfE had potential additional spending power of circa £65 million per annum (£195 million over three years). Table 37 details Invest NI's specific ERDF funding allocations between 2017/18 and 2021/22.

Table 37: ERDF Allocations 2017/18 – 2021/22

	ERDF ²⁰⁹				Financial Year (£'000)					
	2017/18		2018/19		2019/20		2020/21		2021/22	
	Opening Allocation	Final Allocation	Opening Allocation	Final Allocation	Opening Allocation	Final Allocation	Opening Allocation	Final Allocation	Opening Allocation	Final Allocation
ERDF (RDEL)	20,047	19,113	20,456	20,923	20,456	29,845	20,458	5,128	20,458	16,775
ERDF (CDEL)	10,633	10,905	21,049	16,437	20,000	15,591	19,050	13,655	11,620	9,165
ERDF (Recycled receipts CDEL)	-	787	-	467	-	5,100	4,571	4,571	5,593	5,593

7.381 Following the UK's withdrawal from the EU, ERDF funding will no longer be available to Invest NI beyond 31 December 2023. The loss of ERDF, coupled with uncertainty around the operation of UKSPF, has consistently been flagged as a key budgetary constraint and risk for Invest NI. During the Comprehensive Spending Review exercise in late 2021, Invest NI made three-year bids totalling £49m to address the loss of ERDF; £7m, £21m and £21m in 2022/23, 2023/24 and 2024/25 respectively. On the assumption that ERDF would not be replaced, Invest NI estimated that a flat baseline budget could result in a reduced ability to invest (estimated at £430m - £584m) and a subsequent reduction in jobs supported (4,000 – 6,000).



- 7.382 However, evidence suggests that Invest NI and DfE appear to have recently resolved, to some extent, the potential ERDF shortfall by reclassifying from resource to capital the categorisation of funding for Invest NI's R&D / Innovation grants and securing assurances from DoF that these re-categorised pressures will be prioritised with "... some level..." of replacement funding from 2023. The precise level of funding that will be allocated by DoF to replace ERDF remains unconfirmed and it is therefore unclear whether this re-categorisation represents a permanent solution to the issue. In this context, we consider that DoF and DfE should articulate an agreed position on the mechanisms and the extent to which Invest NI's historic ERDF allocation will be replaced.
- 7.383 Whilst this apparent resolution is to be welcomed, we do feel that both Invest NI and DfE could have been better prepared for the loss of this important source of funding. Following the result of the EU referendum, it is not unreasonable to have expected that scenario planning, including alternative funding models, would have been prepared to replace such a substantial loss of funding.
- 7.384 Indeed, in a review of *'Access to finance for small and medium-sized enterprises (SMEs) in Northern Ireland'*²¹⁰ in September 2017, the NIAO recommended that "... Invest NI should identify the extent of the funding shortfall which is likely to arise following the future loss of EU funding and quantify the level of additional baseline expenditure which will be required to deliver its planned operations".
- 7.385 Whilst we have not been made aware of the specific response to this recommendation, had effective contingency planning been undertaken, it might be possible that DfE's "budget pause" (discussed in further detail later) would not have had such a significant impact on Invest NI's operations in the early part of 2022. However, we also acknowledge that there was an understanding that the Shared Prosperity Fund was consistently proposed by the UKG as a successor to some EU Structural Funds, specifically, the European Regional Development (ERDF) and European Social Fund (ESF).²¹¹

210 [Access to finance for small and medium-sized enterprises \(SMEs\) in Northern Ireland 2017 \(niauditoffice.gov.uk\)](https://niauditoffice.gov.uk)

211 [UK Shared Prosperity Fund allocations: methodology note 2022 \(www.gov.uk\)](https://www.gov.uk)

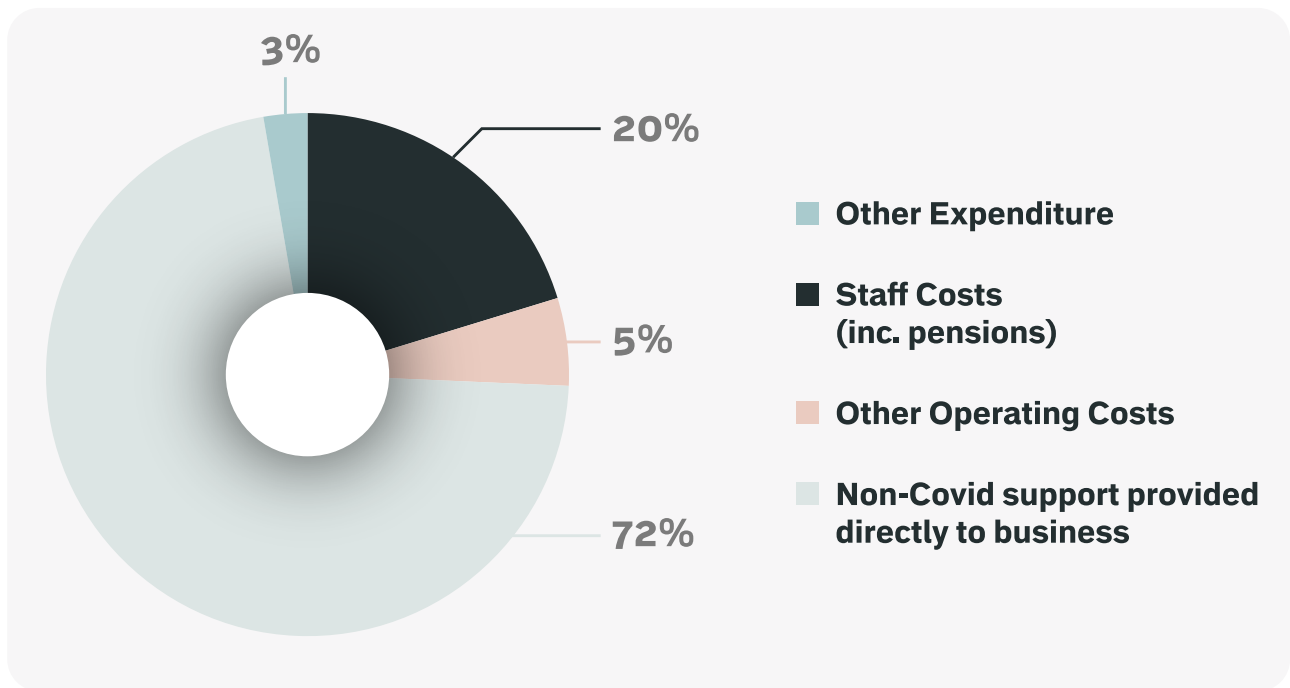


Budget Utilisation Between 2017/18 – 2021/22

7.386 Invest NI’s average annual opening budget allocation is typically in the region of £173m. However, as referenced earlier, in recent years the agency’s budget allocation has been significantly inflated by exceptional additional funding in response to the Covid-19 pandemic (£220m in 2019/20, £292m in 2020/21 and £29m in 2021/22).

7.387 Figure 38 illustrates the agency’s pattern of spend by staff expenditure (including pension costs), other operating costs, support provided to business (excluding exceptional Covid-19 support) and other expenditure between 2017/18 and 2021/22.

Figure 38: Invest NI Expenditure (excluding covid) 2017/18 to 2021/22



7.388 From 2017/18 to 2021/22, Invest NI's average staff costs totalled circa £152m, which represents 20% of the agency's expenditure over the period. During our engagements several stakeholders, including former senior members of the NICS, questioned the size of Invest NI's budget and the number of staff employed by the agency. Whilst it is difficult to provide a direct comparison of staffing costs for other economic development agencies, it is worth noting that Scottish Enterprise records staff costs as 25% of total expenditure, while the Rol's IDA and EI record staff costs of 15.7% and 13% respectively²¹². We consider that Invest NI's staff costs, accounting for 20% of its budget between 2017/18 and 2021/22, are not insignificant and we would encourage the organisation to capitalise on opportunities such as digitisation and utilisation of partners to drive efficiencies and maximise the funds available for economic development.

Programme Spend

7.389 Table 39 illustrates Invest NI's programme spend by support area. These support areas have been classified by the agency in terms of what it considers to be the purpose of its programmes. 'Investing in Research and Development', 'Creating Jobs' and 'Access to Finance' represent the key areas in which Invest NI's budget has been historically spent. We were surprised to note the limited investment in the developing overseas trade capability.

212 Staff costs for Scottish Enterprise, Industrial Development Agency and Enterprise Ireland taken from each organisation's latest annual accounts.

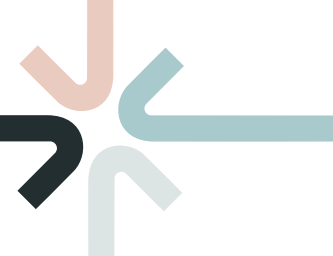


Table 39: Programme Spend by Support Area

Total Programme Spend by Support Area ²¹³	Financial Year (£'000)				
	2016/17	2017/18	2018/19	2019/20	2020/21
Investing in R&D	29,202	31,882	34,992	42,921	37,259
Creating Jobs	37,852	40,891	25,338	23,531	28,736
Access to Finance	26,621	20,849	25,798	28,225	16,847
Developing Skills	7,625	6,781	5,712	6,371	6,234
Developing Innovation & Technology	6,034	6,560	4,469	5,803	4,867
Developing Overseas Trade Capability	3,653	3,772	2,939	3,131	1,077
Other Programme Spend	28,499	25,684	25,656	26,486	34,719
Other Assistance	2,664	1,695	4,801	4,807	5,307
Covid 19 Recovery Programmes	-	-	-	-	8,781
Grand Total	142,150	138,113	129,704	141,275	143,827

7.390 Over the five-year period, a total of circa £160m has been spent on what Invest NI categorises as 'Other Programme Spend' and 'Other Assistance'. We are concerned that such a significant amount of expenditure was allocated to interventions that do not, seemingly, fall within Invest NI's 'core' support areas of R&D Investment, Job Creation and Access to Finance. Examples of activities included within 'Other Programme Spend' / 'Other Assistance' include:

- Propel Programme (£1.26m);
- Business Improvement Services (£0.14m);
- Property Assistance Scheme (3.69m);
- NI Screen Capital Fund (£8.50m);
- Loans (£5.25m);
- Expected Credit Loss / Write Off (£15.38m);
- Other Programme Spend (£4.48m);
- Promotion & Marketing (£25.20m); and
- Regional Start Initiative (£0.70m).



7.391 The largest areas of spend in the list above include Promotion and Marketing, Expected Credit Loss / Write Off and NI Screen Capital Fund.

7.392 Table 40 illustrates the level of programme spend across Invest NI's various organisational groups²¹⁴. The agency's Business Solutions Group (BSG), which focusses on driving innovation, providing access to finance / property, developing skills and selling into new markets, consistently utilises at least half of the agency's programme allocation.

Table 40: Programme Spend by Organisational Group

Total Programme Spend by Group/Division ²¹⁵	Financial Year (£'000)				
	2016/17	2017/18	2018/19	2019/20	2020/21
Business Solutions	73,452	71,080	77,246	88,902	74,230
Business & Sector Development Group	39,298	40,903	22,267	22,839	26,215
International Business	11,428	11,563	13,195	14,483	9,848
Regional Business	8,580	6,692	6,973	6,439	7,079
Human Resources	4,862	4,893	5,027	5,201	5,008
Communications	4,095	4,086	3,570	3,530	5,582
Finance & Operations	3,710	2,274	4,502	3,527	19,045
Strategy	242	197	570	341	457
Board & CEO	232	201	28	25	3
Bedford Street Developments Limited (BSDL)	(3,750)	(3,776)	(3,674)	(4,012)	(3,640)
Grand Total	142,150	138,113	129,704	141,275	143,827

7.393 Conversely, the agency's Regional Business Group (RBG), which works with stakeholders and local partners to develop local economic development initiatives to encourage sub-regional growth, utilised the lowest level of spend across the agency's core programme delivery groups.

214 During 2022 Invest NI completed a restructuring programme resulting in the creation of several new organisational groups. However, for the purposes of this review, we considered that programme spend within the previous organisational structure, between 2016/17 – 2020/21, is relevant.

215 Organisation and Budget information provided by Invest NI 2022



7.394 RBG's total programme spend from 2016 to 2021 (circa £36m) was significantly lower than BSG (circa £385m), and the Business Sector and Development Group (BSDG) (circa £152m), and, in relative terms, marginally higher than the total budget spent on Human Resources (circa £25m) and Communications (circa £21m) in the same period. However, it is worth noting that expenditure from within the various groups of the organisation can sometimes cut across different drivers and regions.

Finance and Funding – Recent Issues

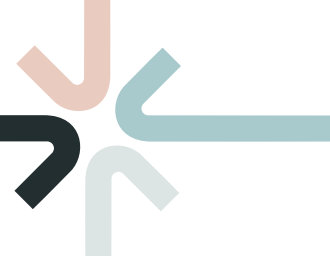
7.395 In November 2021, the Finance Minister presented a draft budget for 2022-2025 to the NI Executive. DfE's assessment of the draft budget was that it did not meet the Department's requirements, or even allow it to maintain existing expenditure provisions. In response, DfE recorded inescapable Resource DEL pressures of £78m in 2022/23, £109m in 2023/24 and £125m in 2024/25. The Capital DEL position in years two and three of the draft budget was also significantly reduced, further constraining the Department's ability to make long term financial commitments.

7.396 As a result of the draft budget and its consequent inability to meet existing commitments, DfE's Permanent Secretary introduced a moratorium prohibiting the Department, and any of its ALBs (including Invest NI), from entering into any agreement that created a new financial commitment, in either Resource or Capital DEL, until the Department was able to assess the full impact of the allocations.

7.397 Invest NI's initial response to this "budget pause" was to highlight the likely implications in terms of the possible loss of investor confidence, which could potentially jeopardise projects at the final negotiation stage, and the perception that NI was 'closed for business'. More significantly, Invest NI also utilised the opportunity of the "budget pause" to develop and implement a new 'prioritisation' model. This new model aimed to extract the greatest impact from the agency's constrained financial resources by shifting the focus from individual projects and programmes towards comparative analysis and selectivity, the alignment of investment decisions with priorities within the 10X Vision and, more broadly, the delivery of interventions that returned the greatest economic impact.



- 7.398 The agency's move towards greater and more effective prioritisation and selectivity of its interventions and supports, whilst an exceptional occurrence, is to be welcomed. However, the fact that prioritisation of funding has not, historically, been a central tenet of the agency's operating model, signals a significant frailty in its management of public funds.
- 7.399 We were also concerned to note that within the context of this prioritisation exercise, some programmes that had received positive evaluations, were strongly supported by DfE, and which stakeholders described as effective and valuable, such as Ignite, the Propel Pre-Accelerator and HBAN (Halo Angel Business Network), were deprioritised or withdrawn entirely, further weakening the agency's support for start-up and early-stage companies.
- 7.400 In these cases, Invest NI has acknowledged that the decision to terminate these contracts, in response to budgetary pressures, was mainly based on the ability to take advantage of the flexibility of a break in contract and on the view that there were some other programmes in this space available in the market. Invest NI also acknowledged that whilst Ignite and the Propel Accelerator had a low return on investment to date, the evaluations indicated that there were significant returns on existing investment that had not yet accrued. It is our view that this decision was short-sighted, in particular given that Invest NI has since surrendered just over £10m back to the Department in this financial year.
- 7.401 Invest NI has also not historically been required, or actively chosen to find, supplementary sources of funding to augment the funding provided by DfE. However, it is our view that the future funding landscape is likely to become much more complex and the agency must therefore become more energetic in finding alternative funding sources and more effective at securing that funding. This is discussed further in the next section of the report.
- 7.402 During our Review we also heard evidence on the issue of single year budget allocations. While we recognise that budget planning is a challenge across the public sector in NI, it is our assessment that anything other than a multi-year budget allocation seriously undermines Invest NI's ability to strategically plan its interventions and supports. We therefore consider that greater funding certainty for Invest NI, aligned to a more collegiate and strategic approach to broader economic development, should be a priority for DfE and the NI Executive.



Human Resources

7.403 In addition to assessing Invest NI's use of its financial resources we also looked closely at the composition and profile of its human resources. The agency's total headcount as of 31 March 2022 was 647, comprised of 594 individuals working from the agency's offices in the UK and RoI and 53 overseas staff. Despite encountering some deficiencies in terms of the accuracy and reliability of the data that we received, our assessment is that Invest NI has a top-heavy and aging workforce. Whilst age, length of service and seniority may speak to the experience of a workforce, it may also represent the root of limited agility.

7.404 Table 41 highlights the spread and role of Invest NI's staff (average FTE) across client facing, business support and back-office functions.

Table 41: Invest NI Staff Profile

Group	Client Facing Staff	Business Support Staff	Back Office Staff	Total
Business Growth	154.67	N/A	N/A	154.67
Finance	18.50	48.50	22.61	89.61
People and Culture	N/A	N/A	20.33	20.33
Transformation	57.13	N/A	53.75	110.88
Strategy and Partnerships	34.22	26.43	N/A	60.65
International and Skills	163.66	N/A	N/A	163.66
Marketing and Communications	N/A	30.74	N/A	30.74
Total	428.18	105.67	96.69	630.54

7.405 The evidence indicates that approximately 68% of Invest NI staff work in client facing roles, 17% work in business support roles and 15% provide back-office functions. This issue was previously examined within IREP where their analysis suggested that 65.6% of Invest NI staff in 2008 were considered to be client facing. The IREP report commented on this issue, stating that Invest NI has a "*relatively larger proportion of its staff employed in corporate services*"²¹⁶ compared to other agencies. We also heard opinion from respondents that areas within the agency, for

216 <https://www.economy-ni.gov.uk/sites/default/files/publications/deti/irep-report.pdf> (2009)



example the Human Resources Division, were over-resourced.

- 7.406 We were surprised that, given the significant increases in digitisation and changes in technology in the 14 years since this analysis was conducted, it does not appear that efficiencies have been sufficiently driven into the agency's operations. One might have expected to see the proportions of staff assigned to back office and business support areas to have significantly reduced had the agency taken sufficient advantage of technological developments.
- 7.407 We also noted that the organisation's staff absence rate (2.18% in 2020/21 and 3.58% for 2021/22) compares favourably to NICS absence rates (4.4% in 2020/21 and 5.6% 2021/22). We consider that this is a sign of a loyal and committed workforce. There is also no material difference in the religious composition of overall Invest NI's workforce. In March 2022, there were 283 Protestant and 278 Roman Catholic staff, 22 'Not Determined' and 11 'Not Stated'. However, at Grade 5 and above, there were 14 Protestant and 6 Roman Catholic Staff, with 6 recorded as 'Not Determined'.
- 7.408 In terms of gender balance, as of March 2022, 54% of workers were female and 46% male. Whilst this compares favourably to the overall NICS figures²¹⁷, (49.9% vs 50.1%), the gender balance at Grade 5 and above was 26% female vs 74% male. This compares less favourably to the NICS where, as of January 2022, 41.6% of NICS staff at Grade 5 and above were female.
- 7.409 We were also concerned to note accelerating levels of staff attrition in recent years (17 leavers in 2019, 22 in 2020 and 44 in 2021). We also heard that some staff moved into the core NICS due to job security and a wider range of promotion opportunities. Indeed, some Invest NI staff responding directly to the Review suggested that this increasing attrition rate was evidence of growing anxiety and concern within the agency.
- 7.410 Invest NI's workforce must have the capacity and expertise to deliver the agency's operational objectives, but it must also have the agility to quickly pivot in response to emerging issues and opportunities within the economy. The agency must therefore significantly increase the business acumen and commercial capability of its staff, through a programme of regular inward and outward secondments, to develop skill sets and enhance relevant experience. Activity to enhance the skills

217 [Employment in the NICS Q1 2022 \(nisra.gov.uk\)](https://www.nisra.gov.uk)



and capability of Invest NI's staff should be complemented by a robust and effective performance review system that prioritises continuing professional development. The older age profile of the agency's workforce also needs to be reduced, through urgent succession planning, to ensure that it has the mobility and dynamism to tackle new challenges. The agency is, fundamentally, a delivery organisation, and its resources must therefore be prioritised to support client facing activity and achieving specific outcomes.

- 7.411 Our recommendation for a recalibration of resourcing towards business facing roles should be considered alongside some of our other recommendations, including a review of the number of programmes, make-up of the regional offices and improvements in digitisation. It is critically important that the agency is able to respond to the emerging priorities in the economy. We can also see a case for drawing on expertise outside Invest NI itself more regularly, but first the organisation needs to fully understand and address the skills set of current staff.
- 7.412 We also recognise that through the development of its Evolve programme, Invest NI has attempted to take steps towards organisational change as a mechanism through which to address the staffing and delivery challenges that have been identified. Whilst we welcome the motivation behind Evolve, and many of its specific objectives, it is our view that the programme has become an unwelcome distraction and has created confusion in terms of the agency's current priorities and future trajectory. We therefore consider that the Evolve programme should be paused pending the appointment of a permanent Chief Executive with the necessary authority and focal length to lead effective restructuring, sustainable operation and culture change.

Organisation Structure

- 7.413 During our engagements we heard regular feedback, both internally and externally, about the challenges arising from the structure of the organisation.
- 7.414 Whilst it is acknowledged to an extent, and through our own commissioned research, that the broader organisational structure maps somewhat to the eight economic drivers in Invest NI's 2021/22 Business Plan, we heard feedback that stakeholders experienced difficulties in engaging with the organisation, commenting that it was complex and difficult to navigate. We also received evidence, through



our staff consultation, of silo working and a desire for more cross team working to achieve greater outcomes.

- 7.415 There was a recognition, in both the Board and ELT responses to the self-assessment questionnaire commissioned by this Review, that there was a need to reshape and refocus the organisation. However, there were some disparities between the responses of the Board and the ELT, with the ELT indicating that the themes within 10X already mapped to the existing structures within Invest NI. The Board went further, indicating the need to better reflect and deliver the policy priorities within DfE.
- 7.416 Whilst some restructuring has occurred following the appointment of the interim Chief Executive, we believe that further work must take place to ensure that the structure of the organisation is focussed on delivery and can be better understood, both internally and externally, to enable the organisation to maximise its impact on the economy.
- 7.417 During our Review we also noted the existence of a number of committees that assist Invest NI's Board to discharge its functions. However, we also noted that while issues relating to financial and human resources are considered at Board meetings, the Board has not established a committee specifically focussed on the strategic use of the agency's human and financial resources. Given that staff costs represent approximately 20% of the agency's overall expenditure and the challenges presented by an increasingly complex and uncertain funding environment, it is essential that the Board provides greater strategic oversight of the organisation's financial and human resources and that it is supported in this by a dedicated Strategic Resources Committee.



7.418 Whilst we do not wish to be prescriptive around the structure that is put in place, we believe that the current Executive roles appear to give an imbalanced representation to corporate functions rather than delivery of economic policy interventions. The organisation may wish to consider a way to corral the corporate functions, with commands across a reshaped ELT aligned and focussed on the delivery of strategic economic priorities. We also strongly believe that there should be clearer ownership and prominence given to supporting indigenous companies as well as Invest NI's green economy activity, a point also recognised by the Invest NI Board in its response to the self-assessment exercise, which should receive specific focus in terms of financial and staff resources to progress.

Conclusions and Recommendations

7.419 Our independent research indicates that Invest NI has a strong reputation for budget management. However, we also heard repeated concerns that the agency is not as transparent or collaborative as it needs to be. Evidence suggests that DfE's Leadership Team, amongst others, consider that Invest NI must demonstrate greater financial transparency and deliver more effective oversight and governance controls. Invest NI's operating model, which we consider to be opaque, may have contributed to the agency becoming too risk averse in terms of the programmes and interventions that it has historically chosen to support.

7.420 It is also very apparent that anything other than a multi-year budget allocation undermines Invest NI's ability to support businesses at a strategic level. The imposition of single year budget allocations also reduces innovation and creates disproportionate levels of financial management and internal oversight. We recognise that these are fundamental challenges that pertain across the public sector in NI. Irrespective of this, it is incumbent upon Invest NI's Board and its ELT to collaborate more closely and more effectively with DfE.



- 7.421 Invest NI does appear to be well resourced. It has a total headcount of 647, just over two-thirds of whom work in client facing roles, with the remainder split roughly equally between business support roles and back-office functions. This large staff complement needs to evolve to reflect the changing economic and policy landscape and we note that there is a particular issue with an older age profile, which raises issues around succession planning in the organisation. Issues were raised around expertise and it is important that as well as developing internal skills, external skills should be utilised as appropriate. From a funding perspective, the loss of European funding also brings a particular challenge for Invest NI and DfE and it is imperative that both organisations have the capability to successfully navigate new and additional funding opportunities. DfE and DoF should clarify the extent to which Invest NI's loss of ERDF funding has been resolved and the quantum of funding that will be provided to replace it. We have considered the issue of alternative funding streams in the next section of our report.
- 7.422 Fundamentally, we consider that Invest NI's financial and human resources must be utilised more effectively to deliver against the overarching policy objectives set by DfE. At a strategic level, the agency must embed effective prioritisation and selectivity principles and ensure that these principles guide its decision making in relation to interventions and support. In operational terms, Invest NI must continuously prioritise resources towards those programmes and interventions that have the greatest impact in terms of achieving specific policy outcomes and, more broadly, promoting wider economic development within NI.
- 7.423 We also conclude that, given the significant recommendations we are making to the operation of the organisation, consideration should be given to a future review of staffing within Invest NI, which considers the operational impact of the roll out of the recommendations of this review, as well as any indirect implications arising from increased digitisation and streamlining of internal processes. This should be taken forward in conjunction with the Department once any future transformation programme has concluded.



7.424 We would therefore recommend the following actions are taken forward:

Recommendation 12a: Invest NI should revise its organisational structure to align with strategic priorities and to be easier for both internal staff and external stakeholders to understand and navigate. When revising the structure consideration should be given to reducing the number of ELT posts. It should also take full account of the benefits of digitalisation.

Recommendation 12b: The Invest NI board should establish a Strategic Resources Committee, to strengthen financial monitoring and prioritisation and give greater oversight of personnel and skills issues.

Recommendation 12c: Invest NI should take urgent steps to review the shape and skills of its workforce in line with the organisational changes we propose. This should include:

- A rebalancing of the organisation's structure in favour of client facing activity;
- A stronger emphasis on performance review and continuing professional development of staff;
- The urgent acceleration of work on succession planning given the age profile of the organisation;
- A programme of regular inward and outward secondments to strengthen expertise and business experience within the organisation; and
- Suspension of the current Evolve Programme pending the appointment of a permanent Chief Executive.

Recommendation 12d: DfE and DoF should clarify the extent to which Invest NI's loss of ERDF funding has been resolved and the quantum of funding that will be provided to replace it.

Recommendation 12e: Invest NI should be confident in its future budget allocations. DfE, with support from DoF, should therefore consider the scope for Invest NI to be given three-year budget allocations to enable a more strategic and effective approach to interventions planning.



Alternative Funding Streams

Finding 13: The introduction of new schemes from the UK Government, following EU Exit, means there is now a range of funding streams potentially available for economic development activities.

7.425 Following on from our consideration of Invest NI's Finance and Human Resources in the previous section of this report, we discuss other potential funding sources in more detail below.

Background

7.426 Invest NI regularly collaborates with several funding delivery partners including: the DIT; The Foreign, Commonwealth and Development Office (FCDO); BEIS; UK Research and Innovation (UKRI); Innovate UK (part of UKRI); InterTradeIreland; Catalyst; Enterprise NI; Local Councils; British Business Bank (BBB); and venture capital funds. Signposted on its nibusinessinfo.co.uk Business Support Finder page where applicable, these crucial relationships assist firms to navigate the funding ecosystem in NI and throughout the UK, which is becoming more crowded and complex.

7.427 As referenced in the Finance and Human Resources section, an average of 25% of the budget allocated to Invest NI over the period 2017/18 – 2021/22 has been from EU Structural Funding. ERDF funds are available for Invest NI to spend until 31 December 2023, but expenditure cannot be incurred beyond this date. Alternative funding, when considered in the context of budgetary constraints, the absence of ring-fenced funding for economic development and the absence of multi-year budgets, is becoming increasingly relevant to the delivery of Invest NI's mission.

7.428 Business requirement for financial assistance is unlikely to dissipate. It is incumbent for Invest NI to exploit these sources of funding and futureproof the portfolio of supports it can offer clients, especially during the emergence of high priority sectors such as those funds that will promote a green economy and the achievement of Net Zero goals or pillars of City Deals. Therefore, to secure NI's economic growth, Invest NI must ensure it is alert and ready to respond to funding opportunities as they arise.



7.429 The following section explores this issue further and makes recommendations for Invest NI moving forward.

UK Government (UKG) Grant Funding

7.430 There are two categories of alternative grant funding available from UKG: grants awarded to departments and respective ALBs (including Invest NI) to deliver their own programmes and interventions; and grants where individual businesses apply to and receive funding from the UKG. NI departments and ALBs should still play an important part in lobbying the UKG on scheme designs and their relevance to NI businesses, even when assistance is awarded directly to individual companies/projects. Most UKG alternative funding streams identified are open to NI. Those that are not, tend to be in areas of devolved competence and for the most part, beyond the remit of DfE. Excepting specific funds noted in table 42, there is no set allocation for NI. Funding is competitive and assessed on a national UK wide basis.

Table 42: UKG Funds: NI Allocations

Provider	Name of Alternative Fund	Type of Fund	Total UK Fund Value (£m)	NI Specific allocation (£m)
Department for Levelling Up, Housing and Communities (DLUHC)	Shared Prosperity Fund	Grant	2,600	127
Department for Education (UKG)	Multiply Programme	Grant	559	22
DLUHC	Levelling Up Fund	Grant	4,800	*218
Department for Business, Energy and Industrial Strategy	Social Housing Decarbonisation Fund Demonstrator	Grant	61	2
DLUHC	Community Ownership Fund	Grant	150	4.3
Hong Kong and Shanghai Banking Corporation	SME Growth Fund	Debt	15,000	250

218 Exact figure not available. At least £800m will be set aside for Scotland, Wales and NI



- 7.431 The Levelling Up Agenda²¹⁹, jointly managed by HM Treasury, the Department for Levelling Up, Housing and Communities (DLUHC) and the Department for Transport (DfT) is worth a total of £4.8 billion. The Levelling Up White Paper provides a commitment to “... set out a plan for streamlining the funding landscape this year which will include a commitment to help local stakeholders navigate funding opportunities.” Levelling Up delivery is based on five mutually reinforcing pillars. Three of the medium-term missions set out in Pillar One of the White Paper align with the ambitions set out in DfE’s Vision for a ‘10X Economy’; namely Research and Development; Digital Connectivity; and Skills. To date there have been two calls to the Levelling Up Fund.
- 7.432 There were 11 successful bids from a range of applicants in NI in Call 1 totalling £49m²²⁰, which amounted to 2.9% of the total UK funds available. This low success rate was attributed to the poor quality of submitted applications.
- 7.433 The first and second round of the Levelling Up Fund set aside 3% of the total funds (capital) for NI, albeit this is contingent on suitable high-quality bids being put forward. Successful projects included £3.2m for an upgrade to the Electric Vehicle Charging network and £12m towards the redevelopment of the Dundonald International Ice Bowl centre.
- 7.434 A NI Area team (DLUHC) has been established to assist in delivery of the fund locally. Pillar 2 of the White Paper committed to deploying extra resources to local areas. The timeframe and cross-departmental nature of any suitable proposal precludes DfE or Invest NI from utilising the Levelling Up Fund at this time. However, it is unknown what Call 3 will entail but it will be essential that Invest NI is up to date on the criteria for any future opportunities and ready to encourage applications for additional funding if it becomes available.

219 [Levelling Up the United Kingdom White Paper 2022 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

220 [Levelling Up Fund Round 2: prospectus 2022 \(www.gov.uk\)](https://www.gov.uk)



- 7.435 As Invest NI is not eligible to apply for this Fund, the agency should seek to work collaboratively with other partners and groups of companies pursuing sectoral initiatives to signpost and assist them with their applications. During Call 2²²¹, two bids were sent to Invest NI for strategic review, but the outcome of these applications is currently unknown.
- 7.436 The 2019 Conservative Party Manifesto committed to “*replace the overly bureaucratic EU Structural Funds – and not only be better targeted at the UK’s specific needs, but at a minimum match the size of those funds in each nation*”²²² via the UK Shared Prosperity Fund (UKSPF), a cornerstone of the Levelling Up Agenda.
- 7.437 Prior to the announcement of the UKSPF, Invest NI submitted two bids totalling £850k²²³ to the UK Community Renewal Fund (a £220m fund to help places across the UK prepare for the introduction of the UKSPF). These bids were to supplement Innovation Voucher activity and to part-fund 12 new Grant for R&D projects. Invest NI believed that this assistance would have augmented the current budget available under each scheme and allowed it to provide additional support for innovation. However, the appraisal concluded that the bids would duplicate existing activity.
- 7.438 The UKSPF prospectus was published on 13 April 2022²²⁴ providing details on investment priorities and NI’s specific UKSPF allocation²²⁵. Whilst UKSPF is technically ‘new’ money, as a replacement for EU Funds, the quantum at approximately £127m over three years falls significantly short of full replacement as pledged by the UKG. Under existing ESF and ERDF Programmes, DfE alone had potential additional spending power of circa £65 million per annum (£195 million over three years). The UKG has also indicated that approximately £22 million (17%) of the NI allocation will be allocated to the Multiply Programme²²⁶, an adult numeracy scheme.

221 DLUHC has received 62 NI based bids seeking £455m in total funding. Bids are in the Regeneration, Transport and Culture sectors and sit largely outside DfE’s policy remit.

222 [Conservative Party Manifesto 2019 \(conservatives.com\)](https://www.conservatives.com/2019/04/conservative-party-manifesto-2019)

223 <https://committees.parliament.uk/writtenevidence/42254/html/>

224 [UK Shared Prosperity Fund Prospectus 2022 \(gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/108422/ukspfprospectus2022.pdf)

225 [UK Shared Prosperity Fund Allocations 2022 \(gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/108422/ukspfpallocations2022.pdf)

226 [Multiply: funding available to improve adult numeracy skills - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/multiply-funding-available-to-improve-adult-numeracy-skills)



7.439 The UKG retains oversight of the UKSPF allocation in NI and will work in partnership with stakeholders to design an investment plan. Thus, the role for the NI Executive remains unclear. There is no guarantee that the investments ultimately approved by DLUHC will be aligned with DfE priorities. As such, this could represent a further real and significant cut in DfE spending power, and by extension, that of Invest NI. The proposed UKSPF Investment Priorities cover a wide range of NI Executive activity, meaning there is the potential for a much wider pull on an already reduced resource. The majority of previous ESIF were managed by DfE policy areas, therefore DfE will feel the greatest budgetary impact from reduced resources and their wider spread. Any resultant funding gaps will need to be managed by redirection of NI Executive budgetary resources, or by cessation of funding for activity previously resourced from EU funds.

7.440 City and Growth Deals, with total investment estimated at £1.2bn²²⁷, form part of UKG's Levelling Up agenda. Acceleration of delivery of City and Growth Deals is a key priority for the Department and is captured within New Decade, New Approach and 10X. The UKG has allocated £617m across the four NI Deals and this funding must be used for investment in innovation and digital projects. DfE is the accountable department for the innovation, digital and tourism projects (circa £750m). Invest NI has a key role in supporting the Department ensure successful delivery of the City Deal Programme and is accountable for overseeing an estimated 20 innovation projects across the four Deals. Invest NI recently informed the Northern Ireland Affairs Committee²²⁸ "*while City Deals provide a great opportunity to stimulate economic growth in NI*", they have a "*significant deficiency in terms of resource funding to secure the necessary people to make many of the centres operate effectively*". Without supporting investment, Invest NI states there is a "*very significant risk that the centres will fail to realise their potential economic impact; indeed, it will materially increase the risk of individual project failure*"²²⁹.

227 [City and Growth Deals | Department for the Economy \(economy-ni.gov.uk\)](https://www.economy-ni.gov.uk)

228 [Northern Ireland Affairs Committee: Investment in Northern Ireland 2022 \(parliament.uk\)](https://www.parliament.uk)

229 [Written evidence submitted by the Northern Ireland, Department for the Economy \(Arm's length body – Invest NI\), relating to the Investment in Northern Ireland inquiry INI0017 2022 \(parliament.uk\)](https://www.parliament.uk)



Venture Capital Funds

- 7.441 The BBB has an explicit role in making finance markets work better for the UK's smaller businesses. It works closely with Invest NI and finance providers in NI to ensure that it is easier to understand and navigate through to the right support. Partnerships such as these provide a great opportunity to ensure that NI-based businesses have the opportunity to find the correct, accessible support for their individual needs.
- 7.442 Invest NI already works with venture capital funds to encourage support for small and emerging companies. Whilst it would be prudent to promote increased investment activity from local and UK funds, Invest NI must be sensitive to the dangers of displacing private activity. This was highlighted by the NIAO in its 'Access to finance for small and medium-sized enterprises (SMEs) in Northern Ireland' report (2017)²³⁰ who subsequently recommended DfE "should review the SME financing environment every three to five years to assess the extent of market failure and the need for public sector intervention."
- 7.443 Indeed, the BBB 2021 Equity Tracker²³¹ highlights the disproportionate importance that government funding makes to equity markets in the devolved nations stating, "Whilst 13% of all announced equity deals involved a government investor, it is disproportionately important for the devolved nations where 51% of all announced equity deals in Northern Ireland and 51% of all announced equity deals in Scotland in 2021 involved a government fund." This was reinforced by stakeholders who opined that there is limited privately funded activity in NI because state intervention is always the starting point. They suggested there is merit in asking how private sector activity could be stimulated as Invest NI's involvement reduces risk and would act as an incentive for private investors.

230 [Access to finance for small and medium-sized enterprises \(SMEs\) in Northern Ireland 2017 \(niauditoffice.gov.uk\)](https://niauditoffice.gov.uk)

231 [Small Business Equity Tracker 2022 \(british-business-bank.co.uk\)](https://british-business-bank.co.uk)



Innovate UK (UKRI)

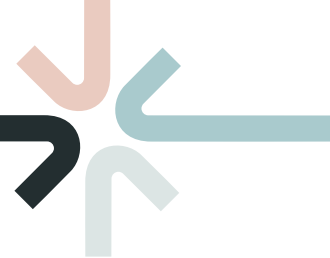
- 7.444 Innovate UK offers a range of competitive funding schemes that are open to businesses across the UK. There is no set NI allocation and bids are assessed on a national basis by expert and independent assessors²³². Over the last 14 years, Innovate UK grant recipients have created an estimated 100,000 jobs and brought an extra £22 billion to the UK economy²³³.
- 7.445 The UKRI “*Geographical Distribution of UKRI Spend*” report for 2019/20 and 2020/21²³⁴ discloses NI had the lowest total Innovate UK spend of all UK regions in both 2019/20 and 2020/21; and was among the lowest of all UK regions in both 2019/20 and 2020/21 in terms of Innovate UK spend (i) per local Business; (ii) per local R&D active business; (iii) as a proportion of local GVA; and (iv) by local population. However, despite the low NI spend, the award rate and value of UKRI funding allocations were relatively uniform across regions and nations (ranging between 23% and 31%) with NI sitting at a 23% success rate²³⁵.
- 7.446 The Innovate UK NI Manager is based in Invest NI Headquarters, within the Innovation, Research and Development Division. Invest NI has stated that this proximity has been invaluable for reciprocal information sharing and cognisance of Innovate UK support initiatives. Both parties have used the relationship to facilitate relevant networking opportunities and jointly deliver business events in areas of common interest to each organisation. We note that Innovate UK has also established relationships with other industry bodies and councils within NI.
- 7.447 Many stakeholders we engaged with have remarked that collaboration with Innovate UK is streamlined and efficient, comparing it favourably with Invest NI. For example, we heard that the recent “*Fast start: innovation*” competition took a total of eight weeks, from opening to selection process. Companies sign up to receive emails on competition notifications or the Innovate UK newsletter. Innovate UK funding and support is also promoted on nibusinessinfo.co.uk and investni.com.

232 [Building the future economy Plan for action for UK business innovation 2021-25 \(ukri.org\)](#)

233 [Building the future economy Plan for action for UK business innovation 2021-25 \(ukri.org\)](#)

234 [Geographical Distribution of UKRI Spend, FY2019-20 and FY2020-21 \(ukri.org\)](#)

235 [Geographical Distribution of UKRI Spend, FY2019-20 and FY2020-21 \(ukri.org\)](#)



- 7.448 Businesses do not have to be a certain size or an Invest NI or Innovate UK client to apply for funding. Innovate UK works with applicants to identify requirements before developing a bespoke action plan including signposting to its relevant funding competitions, which may be challenge led or open to all sectors and industries.
- 7.449 Research²³⁶ by QUB noted that availability of local support could contribute to lower levels of Innovate UK applications. It stated, *“grant support from Innovate UK to Northern Ireland firms is lower than that in almost any other UK region both when calculated on a per business basis and a per R&D active business basis. Indeed, total Innovate UK spend in Northern Ireland in 2018-19 was only £11m. This was around a fifth of the value of Invest NI support for R&D and innovation in Northern Ireland companies in 2018-19”*. The QUB paper also says *“Invest NI spend per R&D active company in NI in 2018-19 was around £33,650. This is a significantly higher level of public grant support than that available in any other UK region and added to the level of Innovate UK support (£7,023 per R&D active company) suggests total support per R&D active business of £40,670 in 2018/19. This is more than twice the level of support for R&D and innovation available to most firms in England.”* Despite only having a small pool of companies to evaluate, the research has found that UKRI R&D has a positive impact on fostering employment and turnover growth for participating businesses, especially those in high tech services.
- 7.450 Mindful of the current budgetary constraints Invest NI is operating within, these findings endorse the argument that Invest NI could make efficiencies by encouraging uptake of Innovate UK/UKRI funds. Stakeholders also agreed that Invest NI should be supporting and signposting companies to Innovate UK funding as well as locking onto areas where companies have narrowly missed out on their funding rounds but were deemed viable products.



Shared Island and Co-Funding of Programmes

- 7.451 In October 2020, the Irish Government announced the Shared Island Fund²³⁷ as part of its Budget 2021, with €500m in capital funding available between 2021 and 2025, ring-fenced for investment in collaborative North/South projects. One of the Fund’s key principles involves “*further developing the all-island economy, deepening North/South cooperation, and investing in the North West and border regions.*”
- 7.452 The initiative aims to work with other bodies including the NI Executive to “*create a more connected, sustainable and prosperous island for all communities and traditions*”²³⁸. On 29 September 2022, it was reported²³⁹ that more than €4.3m (£3.8m) in funding has been awarded to 25 projects so far²⁴⁰ across a range of sectors including business innovation and rural and urban regeneration.
- 7.453 In light of the objectives of the Shared Island Fund and the economic issues faced by SMEs in rural locations in both NI and the RoI, Invest NI may wish to give consideration to the design of a co-funded programme to address specific barriers to economic growth in conjunction with EI. While we note the impact of the loss of EU funding to the NI economy, we also suggest further exploration of the European Innovation Centre’s Accelerator Fund, in the context of a third country, partnered with one of more EU Member States.
- 7.454 Invest NI partnered with EI (and InterTradeIreland) to deliver the Halo Business Angel Network (HBAN)²⁴¹. HBAN is an all-island network, developing business angel networks and syndicates in support of entrepreneurs. HBAN has been helping start-ups access funding since 2007. Approximately 150 companies pitch to the HBAN network each year with one in three receiving funding. Since its creation, HBAN angels have invested more than €126m in start-ups.

237 [Shared Island Initiative 2020 \(www.gov.ie\)](http://www.gov.ie)

238 [Taoiseach marks one year of Shared Island Initiative 2021 \(MerrionStreet.ie\)](http://MerrionStreet.ie)

239 [Cross-border projects across Northern Ireland awarded £3.8m Shared Island funding 2022 \(BelfastTelegraph.co.uk\)](http://BelfastTelegraph.co.uk)

240 [25 Cross-Border Projects awarded funding under Shared Island Local Authority Development Funding Scheme 2022 \(www.gov.ie\)](http://www.gov.ie)

241 [Driving Angel Investment | Halo Business Angel Network Accessed December 2022 \(hban.org\)](http://hban.org)



- 7.455 As discussed in the finance section of this report, earlier this year Invest NI halted HBAN funding due to budgetary pressures. EI has stated that, due to its success, it will continue to fund the network and funding will be still available in NI, albeit at lower levels than before. Despite the decision not to fund HBAN, it is important that Invest NI continues to signpost potential clients to this successful programme.
- 7.456 This type of programme prioritisation and pause in funding may be a common feature of Invest NI's model going forward, unless a sitting NI Executive can agree to support existing funding commitments, and those which will arise from 10X and other strategic objectives.

Conclusions and Recommendations

- 7.457 We acknowledge that there is a more complex and challenging financial landscape, which has implications for Invest NI moving forward.
- 7.458 The loss of EU funding was explored by Technopolis who stated "*Considering uncertainty following the end of large European funding allocations in Northern Ireland, it will be important to ensure that all relevant parties in Northern Ireland and the broader UK government are able to agree a clear route forward. Finding certainty on multi-year funding will be important for continuity but will also in principle aid a future focus on delivering and measuring the more medium-to-long term effects required in the 10x Economic Vision.*"²⁴²
- 7.459 Referenced in the preceding Finance and Human Resources section, this was also emphasised in 2017, with the NIAO report recommending "*Invest NI should identify the extent of the funding shortfall which is likely to arise following the future loss of EU funding and quantify the level of additional baseline expenditure which will be required to deliver its operations*"²⁴³.
- 7.460 Although monies may be somewhat matched by new funding opportunities from UKG programmes (such as Levelling Up, Shared Prosperity Fund, City and Growth Deals and UKRI) it is unlikely that they will provide ongoing support for the agency's work, particularly as the UKG preference, as it currently stands, is for funding competitions and project funding.

242 Technopolis, Invest NI Performance Review (December 2022)

243 [Access to finance for small and medium-sized enterprises \(SMEs\) in Northern Ireland 2017 \(niauditoffice.gov.uk\)](https://niauditoffice.gov.uk)



- 7.461 We acknowledge that the competitive funding model does bring greater uncertainty of funding and risks additional costs for businesses, where companies may need to divert resource to completion of bid applications that are not guaranteed to be successful. The Innovate UK approach goes some way to mitigate against this with the development of tailored action plans and a reasonably short end to end process.
- 7.462 Unless the NI Executive can guarantee to support the current level of aggregate funding, Invest NI must plan for future funding reductions and the sharper prioritisation of projects/programmes that this will inevitably involve. We are aware that some work on prioritisation has been undertaken in the current year to respond to budget uncertainties although as discussed, in both the Programmes and Finance and Resources sections, there is a need to consider this within the context of strategic priorities, particularly with regard to delivery on 10X.
- 7.463 Invest NI will also need to consider working in partnership with other organisations, both those distributing funds and those seeking them. Current cooperation with Innovate UK and the council-led City and Growth deals are effective examples that can be augmented going forward.
- 7.464 Stakeholders have recognised a clear role for Invest NI in coordinating and signposting access to finance streams within the NI ecosystem. They have said that the system is crowded and Invest NI should lead on providing guidance to companies on the best funding routes. We were interested to note that of those consulted, not one had ever been approached by either Invest NI or DfE, to discuss this important matter collectively.
- 7.465 We are therefore of the view that it is crucial that Invest NI develops its role as a guide to alternative sources of finance and support, ensuring that it focuses on where it can add value by complementing or enhancing supports available through other bodies. This is likely to restrict its own loan/equity provision if the organisation is signposting companies elsewhere. Additionally, the Rol and other regions such as Wales²⁴⁴ offer a greater number of alternative sources of support, such as equity or repayable finance, and we believe that Invest NI should increase their offers in these fields.

244 [Finance locator | Business Wales accessed December 2022 \(gov.wales\)](#)



7.466 With this in mind, we conclude that Invest NI ensures that it has full understanding of all the available funding avenues and criteria, becoming a centre of information and guidance, so that it effectively and strategically collaborates with delivery partners to achieve the maximum impact on the NI economy. There is scope for Invest NI to become a centre of expert information and guidance on funding sources and their different criteria on behalf of the NI economy.

7.467 We would therefore recommend the following actions are taken forward:

Recommendation 13: In light of the changing funding arrangements, Invest NI must actively develop, and maintain, a detailed understanding of all sources of funding available for economic development in NI; share that understanding with NI businesses and other agencies and work closely with DfE, other Departments and relevant agencies to maximise the benefits for NI through a coordinated and strategic approach.



Intelligence and Digitisation

Finding 14a: There are weaknesses and inconsistencies in the way Invest NI records and uses data. This presents risk and limitations to efficient monitoring and evaluation and leads to a lack of confidence in any data held.

Finding 14b: Invest NI internal systems require digital transformation to improve efficiency and effectiveness, for internal reporting purposes and for external use to support an improved digital customer journey.

Finding 14c: Invest NI does not fully utilise learning from programme evaluations. Monitoring and evaluation are important steps in delivering value for money.

Finding 14d: Invest NI does not fully collect or share intelligence. This is a lost opportunity to inform policy and provide advice to DfE, other Departments and stakeholders.

Background

7.468 The ToR for this Review asked us to consider “*the appropriateness of Invest NI’s current performance metrics and current methods of data collection systems and reporting*”. The appropriateness of Invest NI’s performance metrics and how it reports these have been discussed separately in this chapter. This section provides insight on the systems used within the organisation and sets out our views and findings from evidence on intelligence gathering.

7.469 According to an OECD-IDB survey²⁴⁵, 94% of surveyed Investment Promotion Agencies use Customer Relationship Management (CRM) software. A CRM system is a commonly used data-driven software solution used by organisations to manage, track and store information related to current customers or potential customers. Invest NI use a CRM system based on Microsoft Dynamics M365. This records information on almost 130,000 customers including client companies and potential client companies, external delivery organisations, other stakeholders and strategic diaspora.

245 [Mapping of Investment Promotion Agencies in OECD Countries 2018 \(oecd.org\)](https://www.oecd.org/)



7.470 Other key customer facing systems used within the organisation include:

- OaCMS - this is a core system used by the organisation for managing and tracking offers of financial assistance to clients and processing grant claims against those offers. OaCMS is integrated with Invest NI's CRM system and other internal systems associated to payments and accounts (Oracle Financials), reporting (Cognos) and document and record management (Meridio).
- MyINI Customer Portal - this customer system is integrated with the organisation's CRM-OaCMS system, storing its information in a common CRM database. It is accessible by customers to enable them to apply for a number (approximately 40) of Invest NI's programmes. It allows the customer to apply online and track the status of their application. This customer information is then accessible by Invest NI through the CRM providing a digital end to end process and linked to OaCMS to enable offers to be issued.

7.471 In addition, business intelligence and analytics are available internally through:

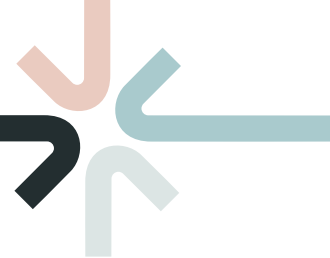
- An integrated data warehouse that draws data from key systems such as CRM-OaCMS and other internal reporting systems to provide an end-to-end view of Invest NI's activities.
- Graphical dashboards and report to provide a detailed business insight.

7.472 These systems are used to record, track and report on Invest NI associated offer, activity and KPI data. This includes information such as direct financial assistance offered to clients, other indirect funding that supports businesses, and activity through venture capital funds, jobs, sales, and external sales.



Invest NI Systems and Digitisation

- 7.473 While there is evidence of digitisation in some of Invest NI's current systems such as MyINI Customer Portal, at present this appears limited, and a consistent approach has not yet been achieved. It is reported that the portal holds a digital customer application and offer process for approximately 40 of Invest NI's programmes, which represents under half of the organisation's total programmes (estimated at 102 by Technopolis, including sub-programmes). The need to digitise processes was commonly raised during our engagements. Evidencing the need, Invest NI staff felt that there is a demand put on those in client facing roles to collate data from customers, which is a time intensive process. We also understand that customers are also frustrated by frequent repeat requests for information.
- 7.474 Invest NI staff indicated their concerns on the integrity of data within the organisation, with systems not joined up. It was reported to us that the internal data collection system was not used by some Invest NI staff and used inconsistently by other staff. It was felt that the current approach to data management has been in operation for around two decades and is outdated and inefficient. It was also claimed by staff that there are several different versions of spreadsheets in use across the organisation. There appears to be a lack of confidence in the data within the system. It was also claimed that data analytics is not being sufficiently used for decision making and lean principles were not being applied to Invest NI systems. A local council highlighted to us what they perceived as a limitation of Invest NI data reporting, stating that the organisation only collects data on client companies and is therefore not reflective of the whole economy. While there is no expectation that the organisation can collect intelligence to reflect that of the whole economy there is a lost opportunity to gather a wider intelligence picture of everyone who has engaged with the organisation.



7.475 The 'Evolve' transformation programme in Invest NI has been established "to drive change and modernise the organisation". This programme includes a digital workstream, 'Digital Transformation & Digital Customer Engagement'. Its vision is 'to become a fully digital end to end economic development agency'. As part of this workstream, internal systems are being reviewed and in some cases are being replaced. The key elements of Invest NI's Evolve Digital Technology Roadmap over the next three years are:

- a major refresh of CRM-OaCMS and MyINI Customer portal;
- new Electronic Document and Record Management system (replacing existing);
- new finance system (replacing existing);
- next phase of HR business improvements;
- major refresh of MS Office, new claims management solution;
- further digitisation of appraisal / casework process;
- enhancements to digital governance; and
- enhancements to information security along with normal operation equipment refreshes.

7.476 The three-year plan demonstrates the organisation's aim to drive change through digital transformation and engagement. ELT commented that digital transformation would be key to future delivery but reflected that its delivery has not progressed at the original pace expected. It is our view that its pace is too slow and the current approach appears to be fragmented. We have also recommended that the current Evolve programme is paused until a permanent Chief Executive is appointed to the organisation, but we also believe that this workstream should continue to be implemented. IDA Ireland has invested in a multi-year programme to provide end to end digitisation across all aspects of the business. The objective of the programme is to improve market intelligence, data analytics and the front-end client interface. It was also notable that IDA plays a proactive role in informing RoI's economic strategy and works across multiple policy departments that impact on economic policy delivery.



Record Management

- 7.477 As outlined in Invest NI's 2019 publicly available Records Management Policy Guidance, "*Staff of Invest NI and of External Delivery Organisations and contractors who deliver programmes on behalf of Invest NI, have a personal duty of care for creating, processing, retaining and managing record*". While it is clear there are policies in place, there is also evidence that these are not being followed or are being inconsistently followed by Invest NI. This has been anecdotally claimed through our engagements and evidenced through Internal Audit reports and commissioned Invest NI evaluations.
- 7.478 In 2020, an internal Audit Review of Selective Financial Assistance (SFA)²⁴⁶ found that there was no application form or business plan on file for 12 out of 56 (21%) cases sampled. A 2017 SFA review²⁴⁷ found that 12 out of 30 sampled cases (40%) did not have project monitoring details on the file. There was no consistent approach as some records were held on Meridio and others on the CRM. Additionally, in a review of Trade Programmes in July 2020 there was evidence that documents were not filed in the correct Meridio system folder.
- 7.479 Furthermore, SQW were commissioned by Invest NI to undertake three separate evaluations (SFA²⁴⁸, Grant for R&D²⁴⁹ and International Business Group²⁵⁰). Across the evaluations SQW found evidence on limitations in relation to internal reporting systems, inconsistencies in recording of data and deficiencies in contact details of beneficiaries. For example:
- SFA: Invest NI could not provide data on the number or proportion of actual jobs created or safeguarded at a business level for SFA beneficiaries. A consistent approach had not been applied to the collation of metrics through Invest NI monitoring systems;

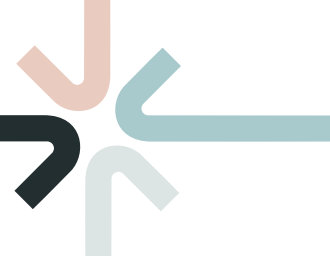
246 Invest Northern Ireland, Internal Audit of Selective Financial Assistance (Baseline), September 2020

247 Invest Northern Ireland, Internal Audit of Selective Financial Assistance (Baseline), September 2017

248 [Evaluation of Selective Financial Assistance 2021 \(investni.com\)](#)

249 [Interim Evaluation of Grant for R&D 2021 \(investni.com\)](#)

250 [Evaluation of Invest NI International Business Group 2021 \(investni.com\)](#)



- Grant for R&D: No single repository of relevant information in digital format was available for this evaluation. Other problems were raised around data collation and consistency issues. The level of administration was described to be ‘very significant’ e.g., claims processes limiting the potential of the Programme Team to engage in strategic value-adding activities with businesses. Post Project Evaluations (PPEs) are not currently being used consistently to promote programme improvement; and
- International Business Group: A large number of businesses were excluded from the survey because Invest NI were not able to make contact details available. A need for more effective approach to performance management was raised.

Some of the associated recommendations put forward are included in table 43.

Table 43: SQW Programme Evaluations Recommendations

Evaluation	Associated Recommendation
SFA	<ul style="list-style-type: none"> • Capture data on the number of actual jobs created at firm level. • Ensure evaluations have access to firm-level information and comprehensive data across support mechanisms; and • Collate data on the initial ‘ask’ and the subsequent offer.
Grant for R&D	<ul style="list-style-type: none"> • Invest NI should further improve consistency of monitoring and PPE data through automation that would seek to minimise manual input when data needs to be transferred; and • Invest NI should consider undertaking detailed project-level evaluations (separate to the PPE process) for large-scale Collaborative Awards, and relevant ‘strategic’ GRD Awards, reflecting the complex and extended routes and time-paths to impact, and multiple explanatory factors. We acknowledge that Invest NI has appointed independent consultants to carry out post-project evaluations of large awards. In our view, these evaluations could benefit from using a common but flexible evaluation framework that would allow to capture spillovers and wider benefits in a consistent way, making it possible to obtain a more accurate estimate of the programme’s impact.
International Business Group	<ul style="list-style-type: none"> • The terms and conditions of providing support should require businesses to participate in future evaluation work.



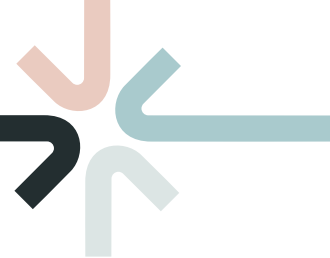
7.480 Benchmarking and best practice research undertaken by Technopolis²⁵¹ indicated that Invest NI compares poorly to other organisations in terms of tracking client firms engaged through its CRM system. Business Wales, for example, uses a single CRM system for all internal and external advisory functions that deliver business services to facilitate structured data collection and reporting. The research further highlighted that Invest NI does not formally record those businesses who it refers out of the organisation to other areas of the NI ecosystem. In contrast, North East Growth Hub uses this type of information as a measure to assess its own performance as an ecosystem actor. Similarly, EI sets its own performance as one of the five ambitions in its Strategy 2022-2024²⁵². The ambition outlined in full below recognises the importance of its global team but also technology as an enabler to deliver public service excellence and the ambitions of the strategy, *“Ambition 5: A world-leading enterprise development team: Developing our skilled, technology-enabled and future-ready global team, which is client-focused and committed to public service excellence, will underpin the achievement of the ambitions set out in this strategy.”*

Invest NI Monitoring and Evaluations

7.481 We heard of an inconsistent approach to monitoring and evaluation within the organisation, for example, Internal Audit found that PPEs have not been undertaken in some instances. SQW’s evaluation of Grant R&D found that lessons learned from PPEs are not currently being used consistently to promote programme improvement. Around half of Client/Technology Executives who responded to an SQW survey (22 of 45 respondents to the question) as part of the Grant R&D evaluation indicated that PPEs of projects were ‘never’ or ‘infrequently’ reviewed. Technopolis also found that return on investment data was incomplete for a large number of programmes. It was unknown if this was due to evaluations not yet undertaken or if the information was not recorded.

251 Technopolis, Invest NI Benchmarking and Best Practice Review (December 2022)

252 [Leading in a changing world. Strategy 2022–2024. \(enterprise-ireland.com\)](https://www.enterprise-ireland.com)



7.482 From recent evaluations there is some evidence to suggest that Invest NI currently does not fully utilise learnings from programme evaluations. This presents risk and inefficient use of both financial and human resources. However, there is a lack of transparency of how learnings from evaluations are used. It is important that the organisation not only reports on evaluation but also provides transparency on implementation action plans. To improve future evaluation efficiency, it is vital the organisation has in place robust systems to support the digital transformation of monitoring.

Invest NI role in Intelligence Collection and Sharing

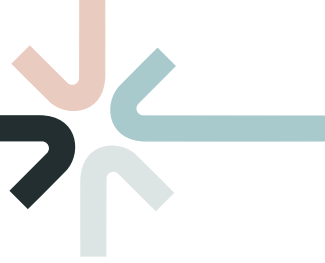
7.483 We heard of a sense of mistrust from our engagements as several councils claimed that intelligence from Invest NI was not shared. A need for greater understanding and joint working between the councils and Invest NI was advocated. Data sharing agreements or non-disclosure agreements were referenced as a means to develop a joined-up approach. In terms of the referral of businesses between organisations, greater intelligence would contribute positively to the business journey in accessing support and developing relationships. It was also felt that Invest NI held intelligence on potential investors, which is not shared with the councils, prohibiting their ability to be a considered location. There were calls for greater transparency on the publication of data with specific reference to those who potentially do not avail of support so that lessons could be learned. In our view Invest NI could play an important role informing economic development through sharing intelligence to relevant departments and stakeholders. This was also echoed from our engagements.

7.484 It is in our view vital that Invest NI follows a consistent approach in record management and uses all opportunities to collect intelligence. This is valuable to improving the future delivery of the organisation, but also the wider economy if shared with stakeholders such as DfE, other government departments, local government and other stakeholders. It is our view that Invest NI, as NI's economic development agency, needs to make greater efforts to collate and disseminate learning to fully utilise intelligence.



Conclusions and Recommendations

- 7.485 Overall, we found that current Invest NI information technology infrastructure is insufficient to meet the current and future needs of an agile economic development agency. Invest NI's current use of relevant technologies and digitisation is below the standard expected and needs to be modernised. Based on evidence from Invest NI evaluations, staff and client engagements, the current methods of data collection systems and reporting within Invest NI are inconsistent at best. Insights indicate that Invest NI does not make sufficient use of the intelligence that it gathers and its input to the CRM system is inconsistent, leading to a lack of confidence in the data held.
- 7.486 Current administrative processes associated to programmes has been reported by Invest NI staff as time-consuming. There is clear need for streamlining, digitisation and/or automation where applicable. Current practices present potential risks of the programme objectives or other important aspects of tracking beneficiaries to be overlooked. Despite intensive resources (both financial and human) used to evaluate Invest NI support and programmes there is an indication that this information is not being used appropriately. This is critical to improve or justify discontinuation of programmes. Monitoring data results using surveys to measure impact presents a less accurate picture. There is a reliance on beneficiaries to respond and self-report. This is leading to frustration from business for information requests and a time-intensive task put on Invest NI client facing roles to gather this information, distracting them from day-to-day delivery.
- 7.487 In addition, there are also guidance and sign-posting services carried out by the organisation that do not seem to be currently captured, for example, referring companies to other parts of the NI ecosystem, meaning the full impacts of what the agency delivers are not recognised. We also provide views on this in the communications section of this chapter. In our view, Invest NI has the scope to become a much more confident and influential voice on economic development matters with DfE, across other relevant government development departments and with other key stakeholders. To do so it needs to maximise the use of intelligence and data analytics.



7.488 We would therefore recommend the following actions are taken forward:

Recommendation 14a: Invest NI must urgently review its information technology infrastructure with a view to accelerating digitisation, improving the capture of information on all transactions, and thus enabling customer facing staff to focus on programme delivery. Ease of access to appropriate information should be improved for all Invest NI Staff and for existing and potential client companies.

Recommendation 14b: Invest NI needs to develop a strategy for the proactive sharing of economic and market intelligence to policy makers and key stakeholders in Northern Ireland.



Communications

Finding 15a: Invest NI does not have a strategic communications and engagement strategy that articulates the breadth of its activities or impact that these have.

Finding 15b: Invest NI provides a wide array of support and assistance over and above bringing Foreign Direct Investment into NI, but it does not appear to communicate its other achievements to the same degree, giving the perception to many that it is predominantly an Inward Investment and job promotion agency.

Finding 15c: We did not find substantive evidence that the Board's stated ambassadorial role, outlined in the Board Operating Framework, is fulfilled.

Finding 15d: We were informed that the Invest NI brand has strong recognition overseas, however, the name of the organisation undersells the range of activity undertaken with indigenous business.

Background

7.489 The ToR tasked us to consider any risks or issues that may compromise Invest NI's capacity to deliver the 10X Vision. To drive the change required within 10X, it is vital that Invest NI effectively communicates the breadth and depth of the impact it has on the NI economy, commands the confidence of key stakeholders (both in the business community and within government) and actively manages its many audiences. We found evidence throughout our work that there are weaknesses in how Invest NI communicates with partners and stakeholders, which has indirectly impacted the effectiveness of its approach and functions. If unresolved, this may undermine confidence in the agency moving forward.

7.490 A crucial starting point of any communications strategy is to understand the target audience. In Invest NI's case, the audience is considerable, internally focused on supporting staff understanding of what the organisation does, and externally focused on articulating these messages both locally, nationally and internationally.



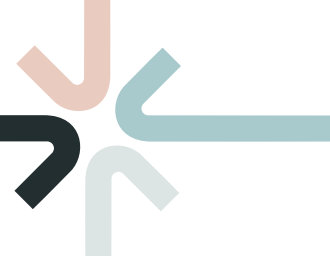
7.491 It is the responsibility of Invest NI itself to ensure that it clearly communicates its objectives, its current initiatives, and programmes of assistance and, perhaps most importantly, the outcomes it has delivered through the provision of public funds to the range of programmes and projects it supports. Indisputable evidence of the agency's impact on the ecosystem is not only essential to bolster economic development but is imperative to instil taxpayer confidence that organisational spend, as detailed in the Annual Report and Accounts publications, is justified. It is a complex task, calling for sensitivity to the policy context within which the agency operates but most of all, clear messaging tailored to its different audiences. This demands a strategic communications and engagement strategy that recognises, informs and responds effectively to:

- Clients and potential clients (as well as those that support them), explaining clearly what programmes of support are available and the criteria upon which they operate;
- The Policy community, including NI Executive departments and MLAs, explaining what actions it is taking to discharge its remit, its achievements (including impact and progress against KPIs) and the lessons it learns from its close contact with NI companies and other bodies engaged in the development of the NI economy;
- Partners and potential partners (including local councils and universities), explaining its objectives and current activities and acknowledging the support of active partners as well as indicating where it would welcome future cooperation;
- Employees, explaining the agency's current plans, progress against them and seeking to assist individual staff members to understand the context in which they make their individual contribution;
- The public at large, explaining objectives, progress made and seeking to enhance understanding of the impact of its activities as well as justifying the value achieved for the public monies involved; and
- The national and international investment community who need to simply and clearly understand the benefits of locating and investing in NI.

7.492 Sometimes this will require separate messages aimed at a specific audience but more regularly will call for recognition of all audiences in the design and execution of regular messaging.



- 7.493 We found evidence of good practice, such as the '2 Minute Update', an email newsletter disseminated weekly to approximately 21,000 Invest NI customers, business base contacts, stakeholders, and partners. This update has been opened 292,000 times since 1 April 2022 and there have been 88,000 clicks on its stories in that same period, directing 2,800 users and 6,010 sessions on Invest NI's website. While the '2 Minute Update' provides updates on a wide range of issues, it appears to have an emphasis on new job announcements, reinforcing the perception of Invest NI's role as a job promotion agency.
- 7.494 Between 2016/17 and 2020/21, Invest NI spend on Promotion and Marketing has totalled £25.2m. Invest NI also proactively promotes certain schemes via email, like the 'Going Dutch' programme that encourages exports to Europe. These email communications are delivered in conjunction with campaign advertising, press releases, events, webinars and tutorials, case studies, features/commentary/opinion pieces, sponsorship, trade missions and showcases, designed to advertise the varying degrees to which Invest NI can aid its clientele and prospective customers.
- 7.495 The organisation has seen continued year on year growth across its 22 separate social media channels, boasting an online community of around 215,000 followers and 6.25m viewed web pages in the past year. It monitors this type of engagement (clicks, likes, followers, subscribers, reach and impressions) on channels for InvestNI.com, NIBusinessInfo.co.uk and NIConnections.com and provides updates within the Communications Report to the Board.
- 7.496 Over the past couple of years Invest NI has prioritised activity to ensure that businesses are equipped to navigate their way through EU Exit and Covid-19. Through NIBusinessInfo.co.uk, Invest NI was a source of support, advice, and assistance during the UK's exit from the EU. Around 1,000 businesses used the online Brexit Diagnostic tool to help plan for challenges and 190 NI businesses received a total of £5.4m of grant support, leveraging £13.3m total investment. To further assist companies, Invest NI delivered 19 events, attracting 2,200 attendees and 9 Advice Clinics with 220 attendees.



- 7.497 As well as NIBusinessInfo.co.uk and the main organisational website (investni.com), Invest NI delivers innovateni.com, buynifood.com and niconnections.com with agency partners. The Invest NI logo features on each separate website along with narrative regarding its involvement within the 'About' sections. However, this relationship is not as prominently displayed as we might expect.
- 7.498 We also heard evidence of some frustration from Invest NI staff that, despite the organisation providing funding for equity and start up support through funds delivered by external delivery organisations, this was not always externally recognised and as such, recognition of Invest NIs broader impact was not always attributed.
- 7.499 This supports our finding that, despite communication efforts outlined, there appears to be a marked gap between messaging and awareness of offerings and by default, organisational impact as signalled during our stakeholder consultations.
- 7.500 For example, Invest NI analysis has shown that the '2 Minute Update' has, on average, a 37% open rate but only a 15% open to click through rate. It should be noted that we did not carry out benchmarking around a "good" open to click through rate and our internet searches are inconclusive. Although 15% may indeed be classified as good or even excellent in the realm of online marketing, it does appear low given individuals proactively sign up to receive this newsletter and can unsubscribe via links included with every email.
- 7.501 While this seemingly low open to click through rate is not something Invest NI can easily control, it could investigate the reasons why recipients are not fully engaging with this newsletter and other mediums in use, through facilitation of regular stakeholder feedback opportunities. Such an approach may help lead to more targeted messaging and customisation of content and should be considered as part of work to strengthen data collection systems and more intuitive use of intelligence gathered. The importance of intelligence and its digitisation has been separately in the previous section of this chapter.
- 7.502 As will be explored throughout this section, whilst we acknowledge Invest NI's extensive communications, we found that Invest NI does not have a strategic communications/stakeholder engagement strategy and does not clearly articulate the breadth of its activities, nor their subsequent impact.



7.503 This is in our view particularly important, especially for an agency working in different geographic locations, across multiple sectors, and properly involved in taking risks with public monies. Moving forward, Invest NI needs to be more outgoing, more transparent, and less reliant on the press release as the main instrument of external communication.

Stakeholder Perception

7.504 During our programme of stakeholder engagements, we heard from various sources who opined that Invest NI communications were not effective, nor reflective of the potential offerings available to businesses. A government official was unclear on the overall focus of communications, remarked at the lack of transparency in relaying what was delivered by Invest NI and was of the view that the organisation feels like a 'closed shop'.

7.505 This opinion was echoed by a Board member who felt that Invest NI should be doing more to let people know they are open for business, citing an example of a grant funding pause being lifted, which did not appear to be common knowledge. Another Board member observed that Invest NI does a lot of good work, but this is not being communicated externally.

7.506 Critique on communications recurred across numerous engagements with external stakeholders from politics, industry, and councils. One business support group remarked it is difficult to decipher what councils are responsible for and what Invest NI is responsible for. An industry body also emphasised this point by stating companies are not always clear on the provision of services, what support is available and how help is accessed. Overall, the message was that better communications and signposting would be welcomed.



- 7.507 Internally, a general lack of knowledge of overseas markets was raised. Like regional offices, the overseas teams felt that the depth and breadth of their work is not fully comprehended or appreciated. During our Call for Evidence and face to face engagements, the majority of external stakeholders did not refer to the overseas presence. This omission may be interpreted as evidence that the value of these teams, and their economic contribution, is not sufficiently advertised. It is our view that the organisation does not adequately promote the services provided by the trade promotion and overseas offices and more needs to be done to improve the communication internally and externally.
- 7.508 Invest NI has been reproached for being “*Belfast centric*” to the detriment of other areas of NI. During our regional engagements, some stakeholders were vociferous in airing a feeling that Belfast was “*cooked,*” they were not getting their “*fair share*”. These sentiments may be somewhat tempered when one considers that during 2020/21, out of over 3,000 Invest NI offers totalling £106m, 73%²⁵³ of these offers were to businesses outside Belfast. It is acknowledged that these figures refer only to offers, which may not have been fully realised.
- 7.509 A similarly prevailing (and linked) criticism was that Invest NI concentrates on FDI, which disadvantages local SMEs. Interestingly, stakeholders also commended the organisation for their FDI successes. Conversely, our commissioned research illustrates that there were 4,796 distinct beneficiary (treated) firms over the period 2017-2021, receiving a total of £559m assistance. Of these firms, 93% (4,474 firms) are SMEs, receiving almost two thirds (61%, £339m) of total Invest NI assistance over the period of examination.²⁵⁴
- 7.510 We are cognisant that these high-level examples do not address the various nuances of each separate issue, nor do we seek to claim they do. Nonetheless, they serve to underline that not all support is within Belfast and that SMEs do receive Invest NI assistance.

253 [Four-year business strategy ends with a year of significant change 2021 \(investni.com\)](https://investni.com)

254 Technopolis, Invest NI Performance Review (December 2022)



7.511 Invest NI provides an array of support and assistance over and above bringing FDI into the region, but it does not appear to celebrate its other achievements to the same degree, giving the impression that it is a FDI agency. This disconnect between public perception and reality is both serious and damaging and must be remedied through targeted and clear ongoing communications.

Invest NI Branding

7.512 We also heard from stakeholders and Invest NI staff on the strength of the Invest NI brand overseas. Whilst this strength of reputation is to be welcomed, the name of the organisation has the potential to undersell the breadth of activity that Invest NI undertakes with indigenous businesses and could be seen to unhelpfully fuel the argument that it has been too focussed on FDI activities or does not do enough to promote the role of indigenous businesses. It is also unclear within the current organisational structure where ownership and responsibility for this issue lies. Invest NI should consider the possible benefits of utilising a limited range of sub-brands to give equal prominence to its activities to support entrepreneurs and indigenous companies.

7.513 We are reticent to recommend the complete renaming of the agency without further reflection and consultation. We fear it could, at best, make only a modest contribution to the reinvigoration of the agency and could distract from more pressing issues. Nonetheless, it could be used to herald a new phase for the organisation and more effectively convey the breadth of work on economic development, especially with existing businesses. This is a subject on which the Panel had different views, so we have not provided a definitive conclusion and instead leave this issue for future consideration.

Marketing and Communications Group

7.514 The Marketing and Communications Group comprises four teams and is responsible for developing and implementing marketing and communications activities for Invest NI across local and international markets. The overall group comprises 27 staff. These promotional campaigns and initiatives are designed to:

- promote awareness, engagement and participation on Invest NI's portfolio of programmes and services;



- ensure customers and local businesses can grow by increasing productivity, skills and exports, and becoming more competitive in international markets;
- raise awareness of NI as an attractive high quality inward investment location and trading partner;
- stimulate a culture of innovation and enterprise; and
- ensure a clear understanding of the goals and objectives of the organisation by all staff, how progress against these is being delivered and supporting high levels of employee engagement.

7.515 The four teams cover functional areas that include: strategy and branding; corporate, local and international marketing; digital engagement; PR and media relations; stakeholder engagement; and internal communications. The Group also manages a number of specialist service contracts covering design, digital marketing, advertising, filming, international public relations, event management, market research, and photography.

7.516 Activity is managed and monitored through a range of “live” planners that are revised at minimum on a weekly basis. These planners record PR, overseas, campaign and promotional activities. Feedback/complaint mechanisms are in place and accessed through the Invest NI website, along with a Customer Charter that defines service standards Invest NI aim to adhere to.

7.517 We note that the last annual customer satisfaction survey was undertaken in 2017, following which survey focus shifted to customer views on KPIs and quarterly surveys²⁵⁵. Quarterly surveys were stopped following the onset of Covid-19 at the end of the 2019/20 financial year, so there is no Quarter 4 2019/20 report available.

7.518 A marketing and communications strategy over a defined period, supported by annual plans, including target delivery dates, is not a document created at the start of the year. Communications are instead described as dynamic, budget dependent and primarily aimed at supporting internal customers to meet Business Strategy and Operating Plan targets.

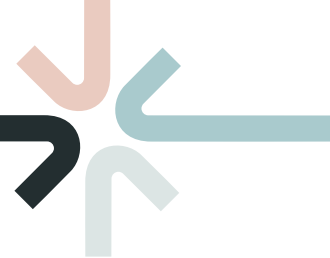
255 Respondents classified as Account Managed Customers, Regional Office Customers and Wider Business Base.



- 7.519 Invest NI has stated that, more recently, the Group has operated with 15 posts out of 38 (approximately 39%) either unfilled or filled by temporary promotions or agency staff. This instability has not been conducive to the development or implementation of a structured communications strategy and, in our view, impacts the Group's ability to deliver on objectives.
- 7.520 Beyond resourcing issues, Invest NI states that a number of external factors have had an adverse effect on communications generally. These include the absence of a PfG that has prevented more strategic focus; single year budgets; Covid-19; media focus on cost of living; energy and climate; and the impact of political instability. Nonetheless, we have found that despite the absence of a PfG or multiyear budget, Invest NI has established core priorities and there is an annual communications budget allocation that would permit the development of a structured communications and engagement strategy.
- 7.521 Failure to prioritise this crucial strategy is undermining the agency's economic contribution and potentially impeding prospective and current clients due to ambiguity over accessible services and supports.

Invest NI Board Responsibilities

- 7.522 We acknowledge a recent period of change faced by the Board with the induction of 12 new members since April 2020 and the challenges as a result of the Covid-19 pandemic. It is worth noting that the cohort of five Board members appointed in April 2020 did not have an in-person meeting with the full Board until September 2021.



- 7.523 The Board composition is designed to play an integral part in communicating Invest NI’s narrative, acting as a channel of communication between DfE, industry, academia and Invest NI.²⁵⁶ Furthermore, the Board Operating Framework explicitly highlights that amongst a number of specific responsibilities assigned to the Chair, they are appointed to act as “*a channel of communication with government for the business community in relation to current policies and issues which affect it.*”²⁵⁷ This Framework is underpinned by a stakeholder engagement objective to facilitate this ambassadorial role through the approval and bi-annual review of the Stakeholder Engagement Plan. The absence of a formal plan makes this stakeholder engagement objective impossible to achieve and should be considered in more detail by DfE.
- 7.524 Despite no formal plan, the Board receives regular²⁵⁸ stakeholder engagement updates via a Communications Report, outlining key activities across all communications channels. Sample reports covering 2017 to 2022 illustrate that updates cover progress made as well as on items such as PR and media relations, campaign advertising, events, digital engagement, multimedia assets and features and a short term forward look/upcoming event. The same samples show that, in the main, these reports are simply noted by the Board. While there appears to be a lot of activity in this space, it is not clear what difference this makes to the perception of the organisation by stakeholders.
- 7.525 We have heard from Invest NI that, pre-Covid, much of the organisation’s engagement with key stakeholders was led by the Chief Executive, with senior leadership and other staff occasionally being involved on specific issues through regular briefings, meetings and engagements with the Economy Minister and the Committee for the Economy.

256 [Invest NI Board Operating Framework 2022 \(investni.com\)](#)

257 [Invest NI Board Operating Framework 2022 \(investni.com\)](#)

258 As per the Annual Report and Accounts publications, the Board usually meets 10 times per year.



- 7.526 Invest NI highlighted there is also a significant level of operational engagement that takes place between the agency and elected representatives. Aside from the Chief Executive and senior leadership, many of these are led by the Regional Business Group (RBG), who also engage closely with local councils as a statutory partner in the Community Planning process and are supporting the development of the various City and Growth Deals. The RBG also engages regularly with its respective Local Enterprise Agencies and other stakeholder groups.
- 7.527 Although we recognise the engagement limitations resulting from the Covid-19 pandemic and expiration of terms of office, moving forward the Board should be actively seeking a more outward and active role in building intelligence on pertinent economic issues and communicating the impact of the organisation to key stakeholders. The need to curate more effective relationships with external stakeholders was raised during the recent Invest NI Board Effectiveness Review²⁵⁹, which also concluded that a Stakeholder Engagement Plan would be beneficial.
- 7.528 As part of our engagement programme, we met with a wide range of stakeholders including focussed sector groupings. One such group was the Access to Finance Group, comprising early-stage funders, individuals for the banking community and representatives from the venture capital industry. We noted that the industry grouping had not had the opportunity to engage with the Invest NI Board, senior leadership team or DfE, despite the need for Invest NI to signpost alternative funding sources. The present and projected future budgetary conditions render this a very peculiar oversight, and we have investigated the ramifications of this in more detail earlier in this chapter.
- 7.529 From the communications information provided by Invest NI, we discovered limited indication that the Board's stated ambassadorial role is fulfilled. In fact, it appears to have been taken on almost entirely by the Chief Executive and senior leadership. This negates the credibility and lobbying talent Board members possess, which should be captured in a formal communications and engagement plan for the organisation.

259 The Review was commissioned by DfE in June 2022 and undertaken by Business Consultancy Services, Department of Finance



Conclusions and Recommendations

- 7.530 In order for Invest NI to efficiently and effectively discharge its responsibility as the lead economic development agency for NI, it needs to inform and influence a wide range of stakeholders within a tactical and planned alignment to DfE and NI Executive priorities. Noting the centrality of the economy to all of society in NI, we found that there was no stratified communication and engagement plan.
- 7.531 The feedback from stakeholders regarding the lack of clarity around Invest NI's services, supports, remit and performance, when viewed in the context of marketing and communications documentation and statistics provided, appears to illustrate an issue with substance rather than the delivery channels used.
- 7.532 As identified in the independent research we commissioned²⁶⁰, more accurate articulation of the Invest NI offering is inextricably linked to performance metrics. As discussed earlier in this chapter, existing KPIs do not tell the full story of Invest NI's work as the outward-facing set of metrics appears too narrow to capture the broader picture. In our view, this is underselling the organisation, thus contributing to the confusion we have encountered during our Review consultations.
- 7.533 Invest NI staff have themselves conceded that the breadth of the Invest NI portfolio is perhaps not fully understood by the public and branding could be stronger, particularly in relation to overseas offices' role and scope. These conversations emphasise that communications are falling short internally as well as externally.
- 7.534 Throughout engagements we heard from stakeholders acknowledging the success of the organisation in attracting FDI; but ultimately the view was that it was too FDI focused. We also discovered conflict in external views relating to Invest NI's overseas presence. Observations ranged from praise of the overseas work to a total lack of awareness that overseas offices exist and are the driving force in securing FDI. This was coupled with the staff concession that the overseas functions are not fully appreciated. We agree that the messaging around these matters needs urgent revision.

- 7.535 Technopolis²⁶¹ notes that *“for a local development system to be effective, there must be an obvious leader or leadership body that sets guidance for the myriad other bodies in the local development system. While decisive leadership can take many forms –from multi-stakeholder boards to influential economic development departments –there is no universally ‘right’ body that should take up this role. The crucial thing is that this leadership body is visible, able to provide guidance, and has the ability to accelerate processes that would otherwise stall.”* Invest NI, as the regional economic development agency, is arguably the most obvious NI ecosystem leader.
- 7.536 The emergence of a regional ecosystem leader and development of a communications and engagement strategy articulating this is inextricably linked to Invest NI’s approach to intelligence gathering. Using their own intelligence to inform this strategy would be a unique selling point, increasing credibility and confidence in the agency which should facilitate its elevation to the ecosystem leader position.
- 7.537 As is discussed in more detail within the Intelligence and Digitisation section, pivoting focus to strengthen data collection systems and reporting within Invest NI will ultimately underpin more effective interaction with all stakeholders.
- 7.538 Invest NI needs to be more outgoing and collaborate more effectively with other agencies to ensure relevant responsibilities are, in the first instance, collectively understood, and consistently advertised.
- 7.539 The organisation needs to more fully utilise the skills and experience of the Invest NI Board to communicate to different stakeholders what it is doing with its significant resource allocation to build universal confidence that it is an open organisation working for every part of NI. This should include more proactive engagement with departments and Ministers where there are cross cutting policy priorities such as skills and infrastructure.
- 7.540 Enhanced and structured Board member visibility will reaffirm that Invest NI is willing to consider all proposals on their individual merits from across the region and that they are truly in touch with, and can pivot towards, contemporaneous business needs.

261 Technopolis, Successful Local Economic Development Ecosystems Review (August 2022)



7.541 Whilst we welcome the recent appointment of a dedicated Stakeholder Engagement Manager, it is imperative that the development of a comprehensive strategic communications and engagement strategy, complete with an evaluation and feedback mechanism, is immediately prioritised to align with best practice and improve the content of messages and audience understanding of them.

7.542 We would therefore recommend the following actions are taken forward:

Recommendation 15a: Invest NI needs to develop a comprehensive strategic communications and engagement strategy recognising the needs of different audiences. The Invest NI Board needs to take a more active role in delivering this strategy by making full use of its ambassadorial role.

Recommendation 15b: Invest NI should monitor and communicate the impact and value of the overseas offices more clearly and regularly as part of a wider strategic communications and engagement plan.



Chapter 8. Risk and Control

Finding 16a: There are some areas of strength in the control environment but clear areas of weakness in the overall framework. Further improvements are required to the current risk and control structure to improve the efficiency and effectiveness of the organisation.

Finding 16b: Incomplete or inaccurate information has been provided to casework approval committees. There have been instances where documentation was either not available or could not be located; controls and procedures were not adhered to; and prior conditions were either overlooked or not met.

Finding 16c: The creation of the Governance and Compliance Council (GOCC), was in response to investment in a failed project and does not easily integrate to the current structures. As a result, responsibilities and reporting lines between the Audit and Risk Committee (ARC), GOCC and Internal Audit Committee (IAC) are unclear. Board governance responsibilities cannot be replaced by executive arrangements.

Finding 16d: The current arrangements for Post Project Evaluations are not satisfactory, with project owners carrying out evaluations in some areas.

Background

- 8.1 As part of the ToR we were asked, *“To provide an independent assessment of Invest NI’s efficiency and effectiveness and, looking forward, its capacity to strategically align with and operationally deliver the 10X Economic Vision”*.
- 8.2 This chapter considers the operation of the risk and control framework in Invest NI as it relates to efficiency and effectiveness. Details of how the current risk and control arrangements operate, as well as a number of control weaknesses are considered within this section.



8.3 Evidence is drawn from a range of sources, including the MFSM; Operating Framework; Invest NI Risk Management Strategy and Policy; a review of Audit and Risk Committee Minutes; Governance and Control Council Minutes; Board Minutes; Internal Audit Reports; NIAO reports; Invest NI Performance Review (Technopolis, December 2022); Invest NI Benchmarking and Best Practice Review (Technopolis, December 2022); Invest NI SFA Evaluation (SQW 2021), responses from Invest NI Board; ELT; staff; stakeholders' replies to the Panel's 'Call for Evidence'; views received from a wide range of in-person and virtual meetings; and the work of Business Consultancy Services (BCS), who have shared with us a near final version of the Invest NI Board Effectiveness Review.

Risk and Control Arrangements

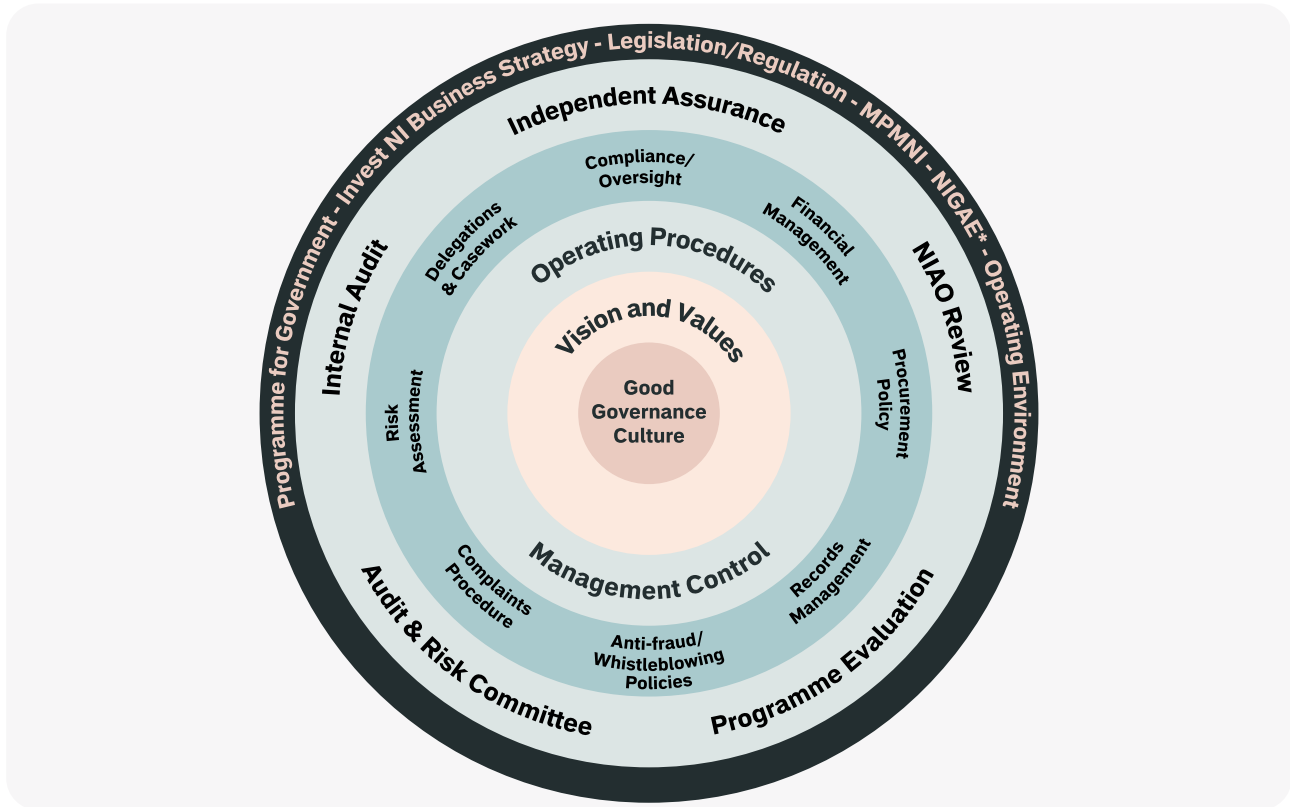
8.4 The role and function of Invest NI means that it operates in an inherently risky environment. In most instances, it is considering applications for assistance from privately owned companies from a diverse range of sectors, operating in multiple markets, and being buffeted by external uncontrollable factors. The principles underpinning Invest NI's approach to risk and control are drawn from the requirements detailed in Managing Public Money Northern Ireland, guidance from DoF, DfE, NIAO and its own MSFM and Operating Framework.

8.5 To address both existing and potential risks, Invest NI has a clear Risk Management Strategy and Policy that sets out the responsibilities of the Board, management and staff, including a dedicated Risk and Assurance Team and Performance Compliance and Co-ordination Team. It also has a comprehensive Risk Register that outlines the risk causes, controls available, control owner, and RAG²⁶² status on the effectiveness of control. Figure 44, from Invest NI's Risk Strategy and Policy document, provides an overview of the control environment operating within Invest NI, setting out the layers involved, both internally and externally.

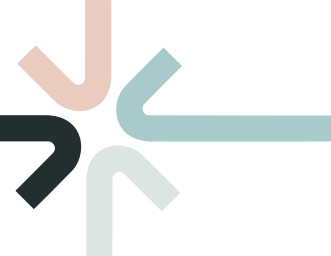
262 RAG: Red, Amber, Green



Figure 44: Overview of the Control Environment operating within Invest NI



8.6 Within this framework the Accounting Officer (the Chief Executive) retains ultimate responsibility for the organisation's system of internal control. The Chief Executive is required to provide clear direction to staff and report to the Board and Audit Committee. The Board has responsibility to establish and oversee risk management procedures, endorse risk management strategies and policies and provide challenge to the executive team to ensure all key risks have been identified and are adequately managed. The Board regularly reviews risk and compliance and is supported in this role by the Audit and Risk Committee (ARC), comprising members of the Board, which is required to regularly review the control environment and provide oversight and in-depth review of management strategy and policies. The Audit Committee has responsibility to report to the Board on the effectiveness of internal control and highlight significant or strategic risks, including any instances where risks have not been adequately managed. The Chief Executive, Board, ARC and management are supported by the Risk and Assurance Team, risk owners and internal audit. The Risk Management Strategy and Policy notes that while particular roles have specific responsibilities in the management of risk across the organisation, it is stressed that everyone is responsible and accountable for ensuring risks are recognised, recorded, and mitigated adequately.



Risk Identification and Management

8.7 Invest NI also has a comprehensive Risk Register that outlines the risk causes, controls available, control owner, and RAG status on the effectiveness of control. The latest Annual Report, published in July 2022, provides a succinct overview of the most significant risks and issues that Invest NI identified as having had potential to impact on the business going forward.

Table 45: Overview of Risks and Issues

Risk	Residual Risk Rating
Invest NI cannot fund all of the projects it has assessed to be capable of providing economic benefit to NI.	Very High
Implications from Invest NI ownership of land in Belfast following a road abandonment order.	Very High
Significant decline in progress towards objectives for Invest NI funded client project delivery.	High
Unauthorised release, loss or disclosure of corporate or confidential information stored electronically.	High
Invest NI strategy and business plan not being aligned to PfG targets and DfE 10X ambitions.	High
A governance incident occurs in relation to the implementation of new programmes on behalf of DfE.	High
Invest NI does not deliver on its strategic change ambitions, including through the Evolve change programme.	High
Potential for an Invest NI subsidiary to no longer be sustainable.	High

8.8 In September 2021, the organisation commenced an exercise to review its risk management arrangements, to ensure that it was observing best practice in this area and to facilitate a move of the Corporate Risk Register to a new software platform. Invest NI has advised us that, as a result, the principal risks have now been re-articulated to better define the uncertainty, to provide a better understanding of the causes and consequences of those risks, and to detail the controls that are in place to mitigate against their impact.



- 8.9 During our review of risk management, we were provided with extracts from the Decision Time system that holds the Invest NI Corporate Risk Register. This system extract, which spanned over 100 pages, contained data to be presented at the strategic level. Within this extract, we found evidence of sections of the register that contained significant duplication of narrative, a number of controls with no additional detail held and no recorded control effectiveness ratings. This suggests that in some areas of the organisation there is greater attention required to the monitoring and management of risk and the consideration of effective controls.
- 8.10 Given the significant volume of information held within the Corporate Risk System, it is unclear how this information can be effectively utilised and interrogated at a strategic level by the Board and the ELT.
- 8.11 It is vitally important that the Board and ELT are provided with insightful and easy to manage data on the principal risks and the respective controls in place to make informed decisions on the effectiveness of their application and management.

Internal Audit

- 8.12 Invest NI's internal audit function is provided by DfE's central Internal Audit Service (IAS). This arrangement has been in place since the establishment of the organisation in 2002 (the team also provided services to the predecessor organisations, LEDU and IDB). An annual internal audit plan is agreed with the ARC based on assessment of programmes, which in the past has been largely influenced by the reporting requirements of ERDF funding. Internal audit reports are presented to ARC on a quarterly basis. These reports include Management's response to findings, agreed recommendations, detail owner and timeframe for completion. We have received confirmation that there has been rotation of Internal Audit staff on a regular basis over the last 20 years and note it is a matter for ARC to satisfy itself that Internal Audit has the appropriate level of skills and independence, as well as access to subject matter experts as and when required.



- 8.13 Internal Audit also carries out a follow-up on implementation of IAS recommendations and this is reported to ARC annually. The June 2020 follow-up of IAS recommendations noted 65% (11) had been fully implemented, 24% (4) partially implemented and 6% (1) not implemented. The April 2022 follow-up on implementation reported 85% (11) to be fully implemented and 15% (2) no longer applicable.
- 8.14 We reviewed 49 internal audit reports for the period 2017-2022 and found that all audits were deemed satisfactory. The definition of each rating is based on guidelines developed by the Department of Finance and Personnel (DFP), now DoF.
- 8.15 While our review found that management and the Board take a serious view of risk as reflected in the internal audit reports, there were a number of recurrent themes identified from an overview of these reports in a five-year period:
- In a review of SFA in September 2020, IA found that there was no application form or business plan on file for 12 out of 56 (21%) of cases sampled;
 - In a review of SFA in 2017, 12 (40%) did not have project monitoring details on the file. There was no uniform approach, with some records held on Meridio and others on the CRM;
 - In a review of Trade Programmes in July 2020 it was noted that there was evidence that documents were not filed in the correct Meridio (system) folder;
 - In a number of instances e.g., Trade Report July 2020, Energy & Resource Efficiency July 2019, and Skills Growth Programme and Skills Advancement Grant, IA noted that PPEs had not been completed. This is an issue that has also been identified by both the ARC and GOCC;
 - In July 2020 it was noted that the Trade team vouched expenditure rather than the claims team. The same finding related to the Leadership and Enterprise team, September 2020; and
 - In the Information Security Management Systems (ISMS) internal audit (August 2021), it was noted that there is no central control of policies. IAS recommended that a 6 monthly reminder is issued to policy owners, as was also proposed in a 2018 internal audit.



- 8.16 The issues identified in the overview of internal audit suggest an over reliance on manual systems that could be addressed by having a fully digitised system. This issue was also recognised within the recent Board Effectiveness Review that was commissioned by DfE (although this was not finalised at the time of writing), which flagged both non-compliance and reliance on manual systems as a weakness. Our review of findings also suggests a lack of compliance by some staff members, and this should be addressed by the ‘3 lines of defence’ model the organisation operates i.e., day to day operations management, risk management and compliance functions and internal audit.
- 8.17 Going forward there is scope for the Board and ARC to consider a greater emphasis on risk, end to end process, and value for money based internal audits to ensure the efficiency and effectiveness of the organisation.

Delegations and Casework

- 8.18 Invest NI operates a clearly defined delegation and casework process scheme (last updated in April 2022). This document notes that selective financial assistance is provided in line with the aims and objectives of the organisation and needs to adhere to agreed decision making and governance procedure. The delegation scheme operates in parallel with the ‘Guidance and Principles for Invest NI Support’, which is held in the Operating Manual Section of Invest NI’s intranet alongside a detailed Financial Intervention Process.
- 8.19 When an application for financial support is received, an appraisal of the business proposition is conducted. Based on the quantum of support applied for, the majority of business appraisals are completed by the Project Owners.



Table 46: Internal Delegated Limits

	Line Manager	Manager	Executive	Senior Exec	Board
Total Assistance	< £50k	≥ £50k, but < £100k	≥ £100k, but < £500k	≥ £500k, but < £1m	≥ £1m
Tourism Assistance Grant, Loan, Interest Relief Grant or Acquisition of shares	< £50k	≥ £50k, but < £100k	≥ £100k, but < £500k	≥ £500k, but < £750k	≥ £750k ³

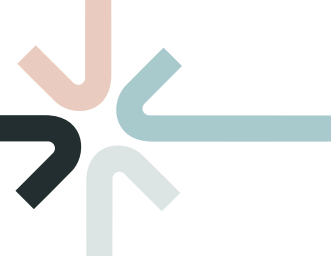
8.20 The delegated limits for Invest NI Board approval are specified in Annex A of the MSFM. Projects and programmes in excess of the delegated limits for Invest NI Board approval are subject to consideration by the Invest NI - DfE Casework Committee. Where the proposed level of financial assistance exceeds the delegated limits, formal DoF approval is sought following consideration of the case by the Casework Committee.

8.21 Table 47 outlines the volume of approvals at each delegation level over the last 5 years. As can be seen from the table, 92.4% of cases are approved at Line Manager level (less than £50k) while the Board approves 0.8% of cases, and 0.2% of cases are subsequently approved by DfE/DoF.



Table 47: Volume of approvals at each delegation level

Delegation Level / Theme	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Grand Total	%
DfE / DoF (> £3m SFA / > £6m Other)	3	11	8	5	4	3	34	0.2%
Access to Finance	0	3	1	1	0	1	6	0.0%
Employment Related / Capital Investment	0	3	5	2	3	1	14	0.1%
Innovation, R&D	2	3	2	2	1	1	11	0.1%
Skills Development	1	2	0	0	0	0	3	0.0%
Trade – External Sales	0	0	0	0	0	0	0	0.0%
Board (>= £1m)	17	30	18	30	15	11	121	0.8%
Access to Finance	3	5	1	7	2	1	19	0.1%
Employment Related / Capital Investment	9	14	10	10	7	5	55	0.4%
Innovation, R&D	4	7	7	12	6	3	39	0.3%
Skills Development	1	3	0	1	0	2	7	0.0%
Trade – External Sales	0	1	0	0	0	0	1	0.0%
Senior Executive Casework Committee (>= £500k)	41	52	58	53	28	17	249	1.7%
Access to Finance	3	5	2	13	2	1	26	0.2%
Employment Related / Capital Investment	20	27	35	25	12	11	130	0.9%
Innovation, R&D	16	11	13	14	14	2	70	0.5%
Skills Development	2	8	7	1	0	3	21	0.1%
Trade – External Sales	0	1	1	0	0	0	2	0.0%
Executive (>= £100k to <£500k)	57	73	62	65	32	28	317	2.1%
Access to Finance	1	0	0	0	0	0	1	0.0%
Employment Related / Capital Investment	26	39	32	23	16	12	148	1.0%
Innovation, R&D	20	18	17	27	9	9	100	0.7%
Skills Development	10	16	13	15	7	7	68	0.5%
Trade – External Sales	0	0	0	0	0	0	0	0.0%
Manager (>= £50k to <£100k)	81	66	90	86	54	25	402	2.7%



Delegation Level / Theme	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Grand Total	%
Access to Finance	0	0	0	0	0	0	0	0.0%
Employment Related / Capital Investment	52	47	61	58	39	16	273	1.8%
Innovation, R&D	20	14	11	18	12	4	79	0.5%
Skills Development	9	5	18	10	3	5	50	0.3%
Trade – External Sales	0	0	0	0	0	0	0	0.0%
Line Manager (<£50K)	2,982	2,708	2,574	2,624	2,301	490	13,679	92.4%
Access to Finance	153	148	103	197	69	0	670	4.5%
Employment Related / Capital Investment	358	416	469	508	300	79	2,130	14.4%
Innovation, R&D	1,028	952	868	1,294	1,507	332	5,981	40.4%
Skills Development	213	229	195	163	82	75	957	6.5%
Trade – External Sales	1,230	963	939	462	343	4	3,941	26.6%
Grand Total	3,181	2,940	2,810	2,863	2,434	574	14,802	100.0%

Source: Invest NI

8.22 In recent months, due to both budgetary pressures and a desire to assist projects that align with the ambition of 10X, casework approved in excess of £50k, with the exception of FDI projects, is required to go through a prioritisation process. This additional process sits outside the current scheme of delegation and introduces an additional approval layer. The prioritisation assessment is carried out by an Executive Committee chaired by the interim Chief Executive. The scheduling of prioritisation events happens on a regular basis, however, we have been informed there is no set timetable.

8.23 We heard evidence from several groups of staff about the implications of the prioritisation process, meaning that once approval has been made at the appropriate delegated authority level, a further process of ranking takes place. This inevitably adds an additional period to the approval process. Only proposals that meet a scoring mechanism are then approved. We noted that in a recent prioritisation event, 46 out of 50 projects were approved.

Post hoc evaluations of Economic Appraisals and Post Project Evaluations

8.24 On a bi-annual basis DfE seeks a record of all Economic Appraisals (EAs), EA Addendums and PPEs undertaken and approved in any year. This is a quality assurance 'Test Drilling' exercise to ensure that the information held on record by Invest NI is accurate and compliant with the relevant policies. As part of Invest NI internal controls the Performance, Compliance and Co-ordination (PCC) Division will undertake its own internal test drilling exercise for quality assurance and compliance purposes.

Invest NI Statistics

8.25 PCC identified some corrective actions were required on 26 out of 50 cases between July 2021 and July 2022. A summary of the issues identified is broken down as follows:

- Lessons learned section not completed – 21;
- Case papers not filed in Meridio – 2;
- Casework paper not endorsed – 1;
- PPE not filed – 1; and
- PPE not completed – 1.

8.26 Between July 2020 and July 2021, 8 cases (out of 40 caseworks and 40 PPEs) were found to be non-compliant. The issues were as follows:

- Case papers not filed in Meridio – 6;
- PPE not completed – 1; and
- Casework paper not signed by delegated authority – 1.

8.27 The above figures illustrate a level of non-compliance that could potentially be assisted by a centralised policy control system and the use of technology to ensure that all data entry requirements are completed as necessary. We understand that the need for such a system has also been recognised in the course of the recent Board Effectiveness Review.



8.28 In addition, we noted findings in the SQW Evaluation of Invest NI International Business Group (August 2021) that made a number of suggestions relating to improving future monitoring and evaluation:

- a. *'Ensuring that the CRM system and contacts are kept up to date. A large number of businesses were excluded from the survey because Invest NI were not able to make contact details available'; also*
- b. *'The terms and conditions of providing support should be changed to require businesses to participate in future evaluation work'.*

8.29 We note that Invest NI has accepted these suggestions and is of the view that organisations in receipt of public funding should be required to participate in the evaluation of such assistance, either by the awarding body or those with whom it contracts to carry out such work.

Committees Oversight

8.30 The Board of Invest NI has established a number of Committees and Working Groups to assist in the oversight of the organisation's governance and control environment. These include:

- Audit and Risk Committee;
- Remuneration Committee;
- Access to Finance Working Group;
- Regions Working Group; and
- Casework Committee (This Committee is formed on a need basis to consider proposals in line with the delegation scheme).

8.31 Membership of Committees is dependent on the skills and experience each Board member. Our review found that there were clear ToR for each Committee and established practices for work plans, agendas, papers, and minutes. We reviewed the ToR for both the ARC and the Remuneration Committee (Remco), examined in the following paragraphs in the context of the overall governance and control environment.



8.32 We noted the ToR for Remco were issued on 30 September 2022 and recorded as “First Publication”. Members of the Committee are appointed by the Chair rather than the Board; the Chair is a member of the Committee; and the quorum is not less than two Board members, plus the Chair. We note that the overall purpose of the committee is limited to:

- co-ordinate the appointment of the Chief Executive, on behalf of the organisation;
- draft, on an annual basis, for agreement by the Board, those targets/ performance indicators against which the performance of the Chief Executive will be assessed;
- make a recommendation on the Chief Executive’s annual pay award; and
- review and recommend to Board relevant people-related strategies and practices to support the organisation’s long-term strategy aligned to company purpose, culture and values.

8.33 We note that the Chair, rather than the Board, appoints members and that meetings can only take place when the Chair is present. While the Committee has a remit to recommend relevant people related strategies and practices to the Board, there may be merit in specifying a role in scrutinising the performance framework for the ELT. We suggest consideration should be given to this. We further note the Committee’s role in co-ordinating the appointment of the Chief Executive.

8.34 In addition to the Board Committees details above, the ELT has recently created two new executive committees, namely the Governance and Oversight Council (GOCC) and Credit Committee. The Governance and Oversight Council was created as a result of significant control weakness and recommendations identified in Internal Audit’s review of the Sustainable Use of Poultry Litter (SUPL) scheme, which will be considered later in this section. The GOCC is a committee comprising senior Invest NI staff and has no Board or external membership.



- 8.35 We compared the ToR for the ARC and the GOCC, which suggests considerable areas of potential overlap and duplication. These primarily relate to risk management, audit, governance, and internal control themes. We were also informed that the GOCC was established to deal with issues arising from appraisal and management failures in several cases, rather than to address the overall risk framework, to create a preventative risk and control model.
- 8.36 We further note that Invest NI also has an Executive Internal Audit Committee (IAC). The ToR note “*The Internal Audit Committee will assist Invest NI’s ARC, Chief Executive and leadership team to fulfil their responsibilities in monitoring risk management, control and governance frameworks*” Invest NI’s Annual Report and Accounts noted that the IAC met 3 times during 2021-2022 and is chaired by the Executive Director for Finance. Issues discussed included: audit strategy and annual plan; assurance provided by other bodies; and updates on current fraud investigations. We were surprised to find such considerable overlap in the IAC, GOCC and ARC ToR and note the potential risks of blurring of responsibility and inefficient use of resources between the three committees. It is essential that the Board is not inhibited in discharging its oversight responsibilities.
- 8.37 In April 2022 Invest NI revised the existing casework approval process to include the introduction of a Credit Committee to provide advice on projects that involve Invest NI providing debt and/or equity instruments (loans and shares). The Committee was established because of the weakness identified in loan and share management in several cases.
- 8.38 Due to the important role the ARC plays in governance of the control environment, we examined the ARC minutes and formed the opinion that the Committee operates in line with its delegated responsibilities and advises the Board effectively. We noted that the Committee Chair provides regular updates to the Board, arranged for risk assessment training for all Board members and the Committee carries out an annual committee self-assessment. We observe that the Committee has sufficient expertise and is well supported by Invest NI staff.



8.39 We also reviewed correspondence from the Audit and Risk Committee that highlighted significant concerns regarding serious weaknesses in the control environment in Invest NI. Extracts from this correspondence dated 23 December 2021 are included below:

- a. *‘Specifically, our experience of a number of caseworks is that recurring issues are evident, such as the structure of proposed support not in keeping with the risk profile of the project and, at times, Invest NI’s commercial position not appropriately considered or structured in a manner that is designed to derive the optimal outcome from the support provided. We are also concerned by the quality of some of the legal agreements and the continuity through the entire process from initial engagement to delivery.’*
- b. *‘The sense that we have is that the casework approval process is seen as a hurdle to client executives as opposed to an objective assessment of the commercial challenges, risks and intervention strategies to drive the best outcome from the use of public funds.’*
- c. *‘We are keen to see concise and well-articulated arguments for support with full disclosure of all pertinent issues that inform the decisions reached by panels. We recognise that our views are informed by a small number of caseworks that we have challenged and acknowledge that others have been more than acceptable. We wish to see all casework submissions reach the high standard achieved by some.’*
- d. *‘Reviews have been ongoing throughout the period on both [[Company A]] and [[Company B]] and we wish to see the specific issues from the approval and oversight of [[Company A]] and [[Company B]] to be better understood, quickly implemented and firmly embedded across the organisation. To this end the work of the Governance Council is seen as critically important and we ask that you consider the adequacy of resources and support in this area. In particular, we expect that the agreed actions arising from the IAS review of [[Company A]] and that the agreed Governance Council action plan should both be completed by the end of September 2022’.*
- e. *‘The ARC is of the opinion that it will be critical to address Culture and Competence across the organisation as all governance depends on the underlying culture of the organisation and competence of the staff in their roles’.*



- 8.40 The concerns expressed by the ARC anticipate our findings. While we note that progress is being made in a number of areas, there is concern surrounding the objective assessment of projects and a focus on what has been described to us by some within the organisation as ‘chasing the numbers’. The issues identified by ARC also highlight the need for: additional training on project evaluations; structuring of financial support packages to maximise benefits to the NI economy; clarity on risk assessment in casework submissions; attaching conditionality to support; training of staff; and a need to address culture and competence.
- 8.41 While reviews by IAS and test drilling by DfE indicate that most projects are assessed and managed well, during the course of the review we were made aware of a number of instances where the system for appraising, approving and monitoring projects failed to adequately meet the ‘Guidance and Principles for Invest NI Support’. As a result of the failures in one particular project, the Board and ELT commissioned IAS to carry out a lessons learned review regarding the Sustainable Use of Poultry Litter (SUPL) scheme, within Invest NI. IAS issued a management letter to Invest NI in March 2021 setting out its findings and recommendations.
- 8.42 The purpose of the review was to provide an independent professional opinion on the adequacy and effectiveness of risk management, control, and governance over the project as well as highlighting any areas for improvement to existing controls. IAS also provided advice on any lessons learned that could inform the delivery of future schemes.



Extracts from IAS Lessons learned review ²⁶³ of the Sustainable Use of Poultry Litter (SUPL) scheme, - March 2021

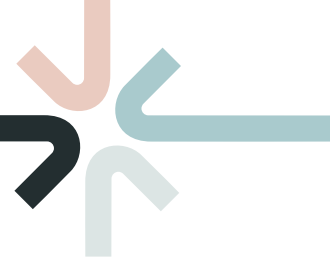
'Following a formal request by DETI and DARD, Invest NI developed and implemented the SUPL Loan scheme with input and support from DETI, DARD and Strategic Investment Board (SIB). It was designed to meet the strategic objective of delivering a solution to the sustainable treatment of NI poultry litter, and a reduction in phosphorous surpluses arising as a result of application of this litter to land.

The SUPL scheme sought to achieve the above by providing loans of up to 40% of the capital cost of construction of demonstrator scale plants treating a minimum of 20k tonnes p.a. of the poultry litter.

The project was approved by the Minister in September 2015 as part of the SUPL scheme and relates to an Anaerobic Digestion (AD) plant. The total cost of this project was detailed as £24.3m, with £1m of this funded through equity injection. Of the remaining £23.3m funding requirement £13.98m (60%) was provided by a private sector funder and INI provided the remaining 40%, £9.35m using Financial Transaction Capital funding on a pari passu basis.'

The IAS report notes that the project was problematic from the outset, but the focus of Invest NI appeared to be to continue to try and make the project operational, as this was the only way in which Invest NI could recover its loan.

263 [Internal Audit Report - Sustainable Use of Poultry Litter, Glenmore Project 2022 \(investni.com\)](#)



A summary of the issues identified by IAS in this case include the following.

- *Operational guidance specific to loan funding was not developed nor implemented, therefore staff had no detailed guidance regarding loan project management, risk assessment and management, decision logging escalation requirements etc.*
- *Additional information on the financial liabilities of the promoter were not provided to the Board for re-approval despite the material change to the information previously provided.*
- *Whilst the project was deemed as 'high risk', specific risk management structures were not implemented to allow the project to be managed accordingly, for example, a risk register was not developed, maintained and managed for this project in respect of INI funding.*
- *The casework papers submitted to Senior Executive Casework Committee (SECC) and the Board in 2015 and 2017 were not always completely accurate, evidence based or explicit in highlighting risks or significant issues to those providing approval.*
- *Updated papers were not always provided to the SECC or Board for re-approval as requested, when project details changed, or when repayments failed to commence.*
- *Separate due diligence could have been commissioned by INI on the viability of the decision to invest in the project.*
- *A consulting firm completed a technical due diligence report at the outset of this project on behalf of funders and provided a letter of reliance to Invest NI. However, a technical expert was not engaged throughout the project despite the team not having experience in the area of AD. Instead, a significant amount of reliance was placed on [an external company] and their experience in this field.*
- *Documentary evidence was not retained regarding INI 'satisfaction' of both pre and subsequent conditions within the loan funding agreements.*
- *An independent review was not commissioned following the failure of a company in 2018.*
- *A 'Credit' type committee was not established or available to advise staff or the Board on decisions taken regarding the loan funding provided.*
- *At present an 'escalation/crisis' committee or Governance and Oversight Committee has not been established within INI, which could meet to discuss current and emerging issues within high-risk projects, review the effectiveness of the actions being taken to address these issues, and ensure that progress is being made.*
- *A specific Working Group was not established for this project which may have provided more detailed oversight and challenge.*



- 8.43 We note that Invest NI has taken steps to address the issues identified in the IAS report, however, our view is that this report identifies multiple points of systemic failure in a mature organisation that might be reasonably expected to have sound systems of control in place. It is particularly concerning that information provided to the Senior Executive Casework Committee and Board Casework Committee was not always accurate, evidence based, or explicit in highlighting the significant risks in the project. Combined with the finding that documentary evidence was not retained to confirm pre and subsequent conditions, this suggests a lax attitude to the management of public money and significant internal control failings. During the course of our Review, we have been informed by staff and leadership within Invest NI that there is a continued reliance on manual systems and insufficient investment in digital end to end systems that would help drive efficiency and improve control functions in the organisation. We note that the Evolve Programme is reviewing systems, but it is unclear if this involves the overall systems architecture.
- 8.44 While the establishment of the GOCC might be welcomed, we have some concerns about potential areas of overlap and duplication with IAC and ARC that have been given insufficient attention. We also welcome the creation of the Credit Committee, discussed further in this section. Given the multiple points of control failure identified in this case and in the concerns identified by the ARC, we recommend the creation of a centralised key compliance and business assurance team to help strengthen the second line of defence in risk management and control at an operational level. All second line of defence functions should be identified with clear mandates on the scope and responsibilities of each function, including how the function is independent from the first line of defence.
- 8.45 We also recommend that Invest NI should consider the value of commissioning an Enterprise Risk Management Framework Review to identify potential weaknesses in the control environment.



Corporate Governance Statement – Annual Report and Accounts

- 8.46 Invest NI complies with the Corporate Governance Code, Code of Good Practice NI. The organisation publishes a Corporate Governance Statement as an integral part of its Annual Report and Accounts. This includes details of responsibilities of the Board and Chair, Board Succession Management and Board Committees. We noted the section detailing Board performance and effectiveness provided details of the number of meetings held, Board Strategy Day and induction but no commentary on assessment of effectiveness.
- 8.47 The Corporate Governance Statement also notes any issues of irregularity identified. This has included issues relating to the DfE estimated fraud and error rate of 2.08% in Covid-19 schemes administered by Invest NI totalling £144.5m, with £14.7m recognised in the 2021/22 accounts and £129.8m in the 2020/21 accounts. The 2021/22 statement also noted the irregularity of the credit loss and interest income associated with a loan to a company.
- 8.48 Details of Bribery, Public Interest Disclosure and Fraud Prevention issues are also noted in this section of the Annual Report and Accounts as well as compliance with its Data Security obligations and GDPR requirements.
- 8.49 From desk research carried out by the Panel it was noted that in the last 5 years the Chief Executive concluded that Invest NI had a satisfactory governance and risk management system with effective plans to ensure continuous improvement.

Policies and Procedures

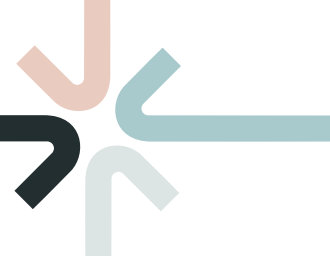
- 8.50 Invest NI has both a Raising Concerns Policy and Fraud reporting policy. Both follow guidance issued by DfE. We requested details of fraud and raising concerns (whistleblowing) cases in the last five years. Invest NI confirmed the number of each type of case notified to DfE during this period as follows:



Table 48: Details of Fraud and Raising Concerns

Type	2017/18	2018/19	2019/20	2020/21	2021/22
Fraud	3	6	3	3	3
Raising Concerns (Whistleblowing)	0	3	0	1	0

- 8.51 Whilst we did not have the specific remit to explore individual complaints, in the course of our work two specific cases were brought to the attention of the Panel that, in our view, were of such significant concern that we escalated these directly to DfE's Raising Concerns unit.
- 8.52 It would not be appropriate, nor within our remit to comment on the merits or validity of the concerns raised however, we were provided with sufficient information to form a view on the effectiveness of Invest NI's initial handling of one of these cases.
- 8.53 In this the complainant in question asserted that they had raised their concern directly with both the Chief Executive and Chair of Invest NI in November 2021. Worryingly, we understand, from information provided by the DfE Raising Concerns unit, that a formal investigation only commenced in September 2022 following our escalation of this issue to the Department. Of particular concern to us in this instance is the fact that such a delay appears to have occurred when issues were escalated to the most senior levels in the organisation. The leadership of the organisation should be seen as exemplars and beacons of best practice, and we are disappointed with the apparent lack of action by the Invest NI Board and management. This issue is a demonstration of our wider perception about weaknesses in the compliance culture within the organisation.
- 8.54 We also heard evidence that some staff within the organisation feel that the culture and operating environment discourages individuals from raising concerns for fear of the potential consequences or a view that action will not be taken. We therefore recommend that a review of the implementation of Invest NI's raising concerns policy is undertaken in conjunction with DfE, with a view to strengthening the requirement for timely investigation of any concerns raised, improving information sharing with the Department and encouraging those staff who have identified issues for concern to actively raise these.



Conflict of Interests

8.55 Invest NI operates a Conflict-of-Interest Policy and Register of Interests. Board members are required to update interests on a regular basis and as and when there is a change. We noted that the recording of conflicts of interests is a Board agenda item and that conflicts are regularly reported.

8.56 However, some concern about the management of conflicts of interests has been brought to our attention. These concerns relate to the management of conflicts where a Board member has been involved with the development of a programme and subsequently been involved in the casework approval panel. We also noted evidence of a Board member declaring a conflict, making supportive comments about a particular proposal, and then leaving the meeting. Lastly, we noted concern about the extent of some conflicts and the practicality of how these can be managed.

Gifts and Hospitality

8.57 Invest NI's Anti-Bribery Compliance Policy and Guidance Manual includes guidance on gifts and hospitality. The guidance sets out criteria to test if gifts, hospitality or re-imbursed expenses comply with the anti-bribery policy and include a range of tests including: made for the right reason; no obligation; reasonable value; infrequent; and reported.

8.58 In compliance with this guidance Invest NI publishes a Gifts and Hospitality Register for staff above Grade 6 on the Invest NI website annually. We reviewed details published and did not identify any issues. In addition, an internal audit was carried out on compliance with the Gifts and Hospitality guidance and only a number of minor issues were identified.

Use of social media

8.59 Social media is a key part of the communication toolkit of any organisation. Invest NI's use of communications is discussed in greater detail in chapter seven, however, it is important that there are appropriate controls and procedures put in place to manage any risk associated with the use of these platforms.



- 8.60 The latest version of Invest NI's Social Media policy was issued in May 2020 (past review date May 2021). The policy sets out how staff should use social media channels in a professional capacity on behalf of Invest NI.
- 8.61 During the course of the Review, we noted a number of endorsements or likes on Invest NI's social media accounts that could potentially be identified as conflicting with the principles of impartiality. In particular, we noticed Invest NI's endorsement of a number of posts from companies involved in providing professional support and assistance to other companies to access funding from Invest NI and other providers.
- 8.62 The policy states that *“users should not post content that is sensitive, confidential, inappropriate, or political - something that compromises, or might be seen to compromise our impartial service to the Northern Ireland Assembly, wider business base or overseas offices.”*
- 8.63 Invest NI should take care to ensure that any posts or endorsements/likes on its platforms are strictly in line with its social media policy and avoid the creation of a conflict, perceived or otherwise.

Conclusions and Recommendations

- 8.64 We believe that the Board has a genuine interest in improving the governance environment. There are some areas of strength in the control environment but clear areas of weakness in the overall framework. There are a number of strong areas of risk and control management within Invest NI. There is a clear Risk Management Strategy and Policy that sets out the responsibilities of the Board, management, and staff. The organisation has also recently refreshed its approach to risk identification and management and has a dedicated Risk and Assurance Team.



- 8.65 However, we found evidence of weaknesses in the compliance culture and insufficient oversight of controls within the organisation. We note that further improvements are required to the current risk and control structure to improve the efficiency and effectiveness of the organisation. We noted evidence that incomplete or inaccurate information has been provided to casework approval committees, instances where documentation was either not available or could not be located, controls and procedures were not adhered to, and prior conditions were either overlooked or not met. We were provided with evidence that showed when there were material changes to the risk profile of a project, the approving authority was not always informed and necessary remedial or escalation action was not put in place, resulting in risk and in some cases, loss to public funds.
- 8.66 We note that Invest NI has an independent Appraisal Team that undertakes commercial and economic appraisals of all new first time FDI (over £100k) and any investment with a value of support greater of £250k or more. Evidence provided by Invest NI indicates that the Appraisal Team undertakes approximately 5% of casework appraisals which account for approximately 55% to 65% of total Invest NI spend in year. The remaining 35% to 45% of cases are appraised and approved under approved delegation levels. We suggest Invest NI should consider how oversight mechanisms for the large number of lower value projects, not assessed by the Invest NI Appraisal Team, can be reviewed and monitored to ensure delivery against objectives and value for money. This is particularly important in the context of the ambition of 10X and limited financial resources. It is also our view that independent vouching and approval of claims against all letters of offer is carried out by an independent team to ensure separation of duties.
- 8.67 The creation of the GOCC, while welcome, was in response to the investment in a failed project and does not easily integrate to the current structures. As a result, the reporting lines and responsibilities between ARC, GOCC and IAC are unclear.
- 8.68 We also noted that the current arrangements for PPEs are not satisfactory, with project owners carrying out evaluations in some areas. It was further noted there was no centralised team for policy management and control.

8.69 We would therefore recommend the following actions are taken forward:

Recommendation 16a: The creation of a centralised key compliance and business assurance team which will help strengthen the second line of defence in risk management and control at an operational level.

Recommendation 16b: Invest NI should consider commissioning an Enterprise Risk Management Framework Review to identify potential weaknesses in the control environment including systems.

Recommendation 16c: Invest NI should consider how oversight mechanisms for the large number of lower value projects, not assessed by the Invest NI Appraisal Team, can be strengthened to ensure delivery against objectives and value for money.

Recommendation 16d: A review of the implementation of Invest NI's raising concerns policy should be undertaken in conjunction with DfE, with a view to strengthening the requirement for timely investigation of any concerns raised, improving information sharing with the Department and encouraging those staff who have identified issues for concern to actively raise these.



Chapter 9. Invest NI and a New Economic Vision

Overview

Finding 17a: 10X has been positively received as an ambitious vision but clear endorsement from the NI Executive and inclusion in a future Programme for Government would strengthen its status and further encourage cross-departmental work.

Finding 17b: Slow progress in developing detailed implementation plans is having a direct impact on Invest NI's own ability to plan for the long term.

Finding 17c: 'A 10X Economy' was not publicly consulted upon and we found limited evidence of it being co-designed with Invest NI. It has also been suggested that DfE did not fully use the agency's expertise in the development of the 10X Vision.

Finding 17d: Invest NI is key to the delivery of 10X, its current priorities and programmes broadly align with the Vision, but the organisation will have to be more flexible to deliver on the Vision as it is developed.

- 9.1 Phase two of the Review's ToR asked the Panel to assess Invest NI's capacity to strategically align with and operationally deliver DfE's *Vision for a 10X Economy*.
- 9.2 Although there are many references to 10X in other chapters of this report where the Vision is applicable to our other findings and recommendations, this chapter focuses on 10X and the feedback we have received on the Vision itself.
- 9.3 Our concern from the outset was to ensure that 10X is a firm foundation against which to consider the future economic development strategy for NI and, more narrowly, the focus of Invest NI's future activities. It was also our view that significant work would be required to translate the ambition of 10X into something that would be deliverable and, most significantly, something that could be converted into tangible actions and confidently taken forward by partners and delivery organisations such as Invest NI.



- 9.4 We welcome progression on 10X since the outset of the Review. However, we believe there are still several issues where additional specific detail and clarification is required, which constrains our ability to fully and effectively comment on the distinct aspects of our ToR related to Invest NI's ability to deliver on 10X.
- 9.5 That said, we have sufficient clarity from DfE, coupled with research and feedback from key stakeholders, to give an overall perspective of how well Invest NI might be placed to respond to 10X.
- 9.6 This chapter draws on several evidence sources, the details of which have already been already outlined in this report, including the Invest NI Performance Review (Technopolis, December 2022); Invest NI Benchmarking and Best Practice Review (Technopolis, December 2022); engagement with DfE; responses from numerous stakeholders to our 'Call for Evidence'; and evidence received from a wide range of in person and virtual meetings.

Background

- 9.7 In the absence of any agreed PfG, in May 2021 DfE published its latest economic strategy document, entitled, "A 10X Economy – Northern Ireland's Decade of Innovation". The aim outlined for NI is to become one of the more elite, advanced small economies in the world. The document states that this ambition will be realised by, *"focusing on innovation in areas where we have real strengths and making sure these gains mean something to all businesses, people and places in Northern Ireland."*
- 9.8 It is intended that 10X will provide the strategic framework for DfE's activities over the next decade. The Vision states that the Department's policies and interventions will be focused on delivering an economy that is innovative, inclusive and sustainable, as follows:
- More Innovative – with more businesses, people and institutions seeing innovation as more than technology, and using this perspective to put new ideas into practice;



- More Inclusive – economic growth that is distributed fairly across society and creates opportunities for all. This means ensuring that there are fewer people who are excluded from the labour market and that the gains from participation are more equally distributed; and
- More Sustainable – a greener and more sustainable economy that will bring into scope the wider economy’s transition to net zero.

9.9 The document also argues that international experience indicates that a small number of highly innovative technologies/clusters within small, advanced economies can significantly boost economic performance. DfE has, therefore, identified priority clusters and technologies in which NI can become a global leader. These include: Digital, ICT and Creative Industries; Fintech/Financial Services; Life and Health Sciences; Agri-Tech; and Advanced Manufacturing and Engineering.

9.10 It is DfE’s intention that every area of the Department is integrated into the 10X work. Currently, the strategies that have been published or are in development that have the strongest link to 10X are:

- Skills Strategy for 10X Economy²⁶⁴;
- Energy Strategy²⁶⁵;
- Trade and Investment for a 10X Economy²⁶⁶;
- Entrepreneurship Strategy; and
- City Deals.

9.11 Most recently, on 27 October, the Economy Minister published next steps and objectives for the implementation of the Vision²⁶⁷. Reflecting the responses received through consultation, the Department will focus on the following as three pillars to deliver 10X:

- Triple bottom line - delivering on 10X will require clarity of focus on the three core priorities of innovation, inclusion and sustainability;

264 [Skills Strategy for Northern Ireland 2022 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)

265 [Energy Strategy - Path to Net Zero Energy 2021 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)

266 [Trade and investment for a 10X Economy 2021 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)

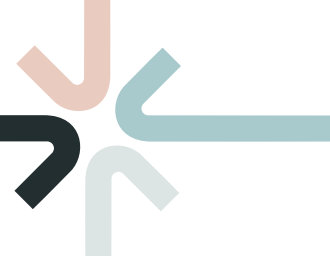
267 [A 10X Vision - Next Steps for Implementation 2022 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)



- Focus – delivery of 10X requires focus of resources on maximising areas of competitive advantage and using resources best effect to deliver on the ‘triple bottom line’; and
- Scale – transformation of the economy will require delivery on a scale never achieved before.

10X Progress

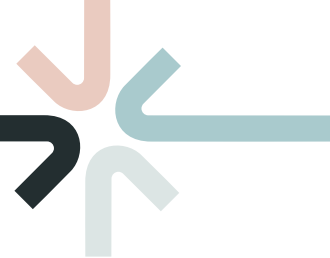
- 9.12 Although the 10X document states the intention of bringing forward “a more detailed plan for the development and implementation of the necessary policies and interventions to achieve these steps”, this plan has not yet been published. The document concedes that, “the next stage in the journey will be to build upon and implement the framework for a future work programme... which will guide the next steps over the next year and beyond.” While the Economy Minister’s 27 October 2022 publication of next steps for the implementation of the Vision is welcome, this still falls short of a “more detailed plan” in our view.
- 9.13 DfE accepts that not as much progress has been made as it would have liked. For example, the workstreams have not progressed at the same speed. In some cases, supporting strategies are well defined, such as the Energy and Skills Strategies. In other cases, supporting strategies still need to be developed in close collaboration with workstreams. We understand that DfE’s objective is that all workstreams will have concluded policy work to allow ALBs to reflect Departmental policy in the development of 2023/24 business plans.
- 9.14 We recognise that this is a major transition for DfE, Invest NI and other stakeholders, which has substantial implications for the organisations in question and requires a significant period of time for change. This will also require priority funding over many years, which will require sustained commitment on the part of DfE and indeed the NI Executive.



- 9.15 Throughout our engagements, there was a widespread welcome for the ambition set out in 10X. However, there was consensus that, at this stage, 10X was a vision that lacked action, implementation and delivery plans, encompassed by a view from a government department that *“10X is the right diagnosis, but it doesn’t have the prescription yet”*. One businessperson commented that in their view it would be better to implement 80% of an existing strategy than have a new strategy with 0% implementation.
- 9.16 We acknowledge that the lack of implementation is not unique to the 10X Vision. During our engagements, we heard widespread concern that NI has had many strategies in the past, but it has not given enough attention or sustained effort to their implementation. The 10X Vision has the opportunity to address these views as it progresses its work and indeed many stakeholders suggested the need for a very focussed ‘action plan’ for delivery.
- 9.17 There was also a common feeling of a need for a greater degree of ‘joined up thinking’ between all key stakeholders including DfE, Invest NI and industry in relation to policy direction and the strategies and targets to achieve the 10X Vision.
- 9.18 Similarly, in response to our Call for Evidence there were multiple references to the need for the roles of organisations to be further defined so that it was completely clear who was responsible for delivering the various elements of 10X. Stakeholders also noted more attention should be given to the need to upskill the labour force to meet the needs of current companies in the context of the aspirations of 10X. It was also felt there was a lack of thinking around how skills within universities and colleges would be harnessed to assist delivery of the 10X Vision. One response concluded that this is an area that needs significant future investment to bridge the existing and emerging skills gap across many sectors and that it is their opinion that a stronger emphasis on skills is the only way to collectively achieve the 10X Vision.
- 9.19 Concerns were also relayed to us that the Vision is not endorsed by the Executive and is seen by some as a DfE-only document. The range of endorsements for the launch document suggests wide support across government and the business community of NI and that was reflected to us by key stakeholders.



- 9.20 DfE recognises that the change towards a 10X Economy requires engagement and collaboration across Departments. While the Vision has not been agreed by the Executive it is the intention of the Department to integrate 10X into wider Executive and Departmental strategies for the next mandate, and the inclusion of 10X within the [Investment Strategy for Northern Ireland \(ISNI\)](#) and early discussions on potential future 'NI Missions' demonstrate this direction of travel.
- 9.21 DfE further recognises that the lack of NI Executive approval limits the scope to put in place formal interdepartmental structures to deliver 10X. This approach is grounded in an awareness that, without an Executive, cross-departmental work that requires policy change can be difficult to initiate against the background of recent court judgements concerning the limits on departmental operation in the absence of a functioning Executive. The Department argues that policy development to date has been done in close contact with other Departments and DfE has reflected the policy priorities and strategies of other Departments in its work. We are of the view that 10X must be a shared strategy across the relevant NI Executive departments. Our discussions have revealed interest, but also some hesitation, from other departments. We believe there is more to be done in building cross-departmental agreement and momentum in taking 10X forward.
- 9.22 Furthermore, we believe that it is important that, going forward, the 10X Vision and subsequent action plans are firmly embedded in the PfG and any future NI Executive-wide strategies.
- 9.23 It is essential in our view that the NI Executive has access to independent economic advice to support the delivery of the 10X objectives and the PfG. Following an IREP recommendation, the Executive previously established a Sub-Committee on the Economy to oversee the development and implementation of an economic strategy and building on the findings of the IREP. The Committee was re-established following the May 2011 Assembly elections and met on several occasions to develop the new NI Economic Strategy. It appears in recent years however that this Committee has been disbanded.



9.24 We are clear that there is an ongoing need for external input and support from the wider business community to discussions on the economy at NI Executive level. We are aware that DfE established and subsequently paused the activity of its Economic Advisory Group, however, as part of the development of a new PfG, the Executive should consider re-establishing a mechanism for the provision of economic and business advice from a wide range of sectors to inform its policy development moving forward.

Policy Direction, Co-Design and Consultation

9.25 We discussed earlier in this chapter that strategy, policy and guidance from DfE is not clear enough in general. It is evident to us that the lack of clarity in the case of 10X specifically is providing a major hurdle to Invest NI's ability to plan for the medium to long-term.

9.26 Our Call for Evidence asked for views on the role that Invest NI should play in the future delivery of economic development support in NI and specifically in the delivery of 10X and its related strategies. We received a variety of responses, symbolic of lack of clarity on the strategic direction to date. In particular, we found that respondents were unclear as to who should play what roles in the development of 10X, although most acknowledged a pivotal role for Invest NI in collaboration with DfE. The Call for Evidence also highlighted the need for the roles of organisations to be further defined. Specifically, there was reference to the need for a reduction in the scale of Invest NI's current remit to ensure focus, with one written response stating, *"The understanding/interpretation of 10X needs to be clarified, to enable Invest NI to align with 10X"*.

9.27 In our survey of Invest NI staff, confusion was expressed on what 10X actually entails, with responses such as, *"In recent years it feels as if there is a lack of clear direction, especially around 10X, when the expectation is that DfE sets the strategy and Invest NI is the delivery agent"* and *"We have spent 18 months trying to align our interventions/ activities to the 10X Vision which is a loose concept document"*. This is evidently destabilising and goes hand-in-hand with perceived pressure on the timescale within which Invest NI staff feel they will have to deliver upon: *"Invest NI will be made to respond quickly in a fraction of the time the department has had to develop the policy."*



- 9.28 In their response to the self-assessment exercise we commissioned, both the Invest NI Board and its ELT identified the need for clarity and direction on 10X. The ELT stated, *“At this time, there is no body of work or evidence to substantiate the 10X Vision and achievability of the ambition laid out. 10X currently lacks detail around ‘how’ to achieve the ambition.”*
- 9.29 This has potentially led to Invest NI taking matters into their own hands with the expression that the *“tail is wagging the dog”* noted in one response to our survey of Invest NI staff, suggesting that Invest NI was coming up with the delivery of the 10X model in the absence of policy direction from DfE. It was further expressed that 10X is causing a *“vacuum”* that has had a negative impact on Invest NI, particularly those in client facing roles.
- 9.30 The lack of strategic direction was also acknowledged in the DfE Sponsorship Review (June 2022). On this issue, feedback was that, *“Many Sponsored Bodies cited a historical lack of clear priorities and long-term objectives from DfE as a significant operational challenge for them with regards to planning, resourcing and delivery... Sponsor teams are generally sympathetic to the views of Sponsored Bodies in this regard, noting that in some cases, Sponsored Bodies and in particular Invest NI are being asked to make programme decisions in a perceived strategic vacuum, in turn causing inefficiencies and the potential for tension in the system. Sponsor teams are also seeking progress in the progress of 10X and believe this will give them more direction and authority to prioritise and challenge Sponsored Bodies on their programme portfolios.”*
- 9.31 Concerns were also raised from our engagements that the 10X Vision did not benefit from co-design or consultation. Opinions were shared that the process appeared rushed to allow it to be announced by a previous Economy Minister. DfE has made it clear to us that it sees co-design is a vital part of 10X, with the rationale that the ambition of its Vision will need bolder policy and delivery. A more open and collaborative approach is required for this.



9.32 We understand that there has been a process of informal consultation and engagement over the last year with a variety of stakeholders, including other government departments, industry experts and academics. Furthermore, we acknowledge the public consultation launched by DfE on the performance management framework for 10X on 12th October 2022 and the subsequent publication of the of next steps for the implementation of the Vision on 27th October 2022.

10X Reflections

9.33 Although it is clear that there is a lack of tangible actions arising from 10X at this stage, opinions were provided on the Vision as it currently stands, and suggestions given on how to move this forward.

9.34 From our engagements with key stakeholders, we found that the clusters listed in the document were viewed to be too selective. Some sectors felt that they had not been represented in 10X (Construction and Food and Drink for example) while others felt they had not been best understood. Other stakeholders suggested that further work was needed to refine the clusters that had been selected as they were too broad. More engagement and collaboration was suggested in this area. Similarly, in response to our self-assessment exercise, the Invest NI Board were of the view that, *“There is more work required in creating clarity around the deliverables and implementation plans associated with 10X. This must be done through engagement with those tasked to deliver so that understanding, commitment and ownership are achieved.”*

9.35 This was one of the key areas of concern for us, i.e., that Invest NI support would only be available for 10X sectors. We relayed this concern to DfE who clarified that, in terms of Invest NI support or support from other bodies, its expectation is not that certain sectors are necessarily ‘in’ and others ‘out’. Indeed, as outlined in its next steps for implementation document, DfE outlines that, *“Reflecting feedback from consultation, this [cluster policy] will be relative rather than an absolute priority. The overall focus of policy will be in targeting measures that will impact the triple bottom line. All sectors have a role to play in achieving these objectives. For example, in order to improve our performance on productivity, we need to see improvement across every sector in NI.”*



- 9.36 We understand that Invest NI will have the flexibility to consider individual projects on their merits. DfE anticipates that this approach would lead to projects in the sectors and technologies identified in 10X being prioritised, but support would not be confined to these areas. This underlines the key message that DfE supports the conclusion that it wants to identify and support the best projects for the NI economy but also encourages a strong focus on sectors expected to play a key part in NI's future prospects for economic growth.
- 9.37 A view was also raised that 10X lacked reference to dual market access, tourism, agri-businesses. As we have suggested above, Invest NI could miss other opportunities if it was restricted solely to the technologies and clusters set out in 10X. However, we acknowledge views relayed to us that the Vision cannot deliver for all, i.e., it cannot possibly cover every business sector. The most important points are that no sectors are automatically excluded from the process, each project is assessed on an individual basis according to its merits and there should be an increased emphasis on the evaluation of their impact to enable lessons to be learned and actioned.
- 9.38 The suggestions below have been put forward by stakeholders on how to shape 10X going forward:
- **Strategy & Implementation:** a clear strategy and implementation plan needs to be developed;
 - **Collaboration & Partnerships:** In both development and delivery of 10X collaboration is needed between Invest NI, DfE, other Executive departments, councils, academia, industry and other key stakeholders. One respondent felt that the only way for Invest NI to align with 10X was through “*close collaboration between DfE and Invest NI*”;
 - **Risk:** A step change in attitudes to risk would be required to deliver the ambitions; and
 - **Type of support:** Activities that promote R&D, Innovation, Entrepreneurship, Productivity and SME growth.



- 9.39 Part of the remit for the research undertaken by Technopolis²⁶⁸ was to provide an independent assessment of Invest NI's capacity to strategically align with, and operationally deliver, the 10X Economic Vision. Some of its findings on this issue are included in other sections of the report but for completeness, are repeated in this chapter where they relate to 10X.
- 9.40 Technopolis stated that the Invest NI's current programme offerings required further clarity on how the portfolio will serve 10X Vision, specifically with respect to innovation, skills and fostering inclusive growth. Additionally, it was found that a relatively small proportion of the Invest NI budget goes towards the promotion and support for greater entrepreneurial and commercialisation activity, with this being developed through the 'Go For it' programme by the 11 local district councils. On the alignment of programmes with the 10X Vision, Technopolis further commented that, *"The 10X Economic Vision view of inclusive growth will require a commitment to supporting the diffusion of effects and benefits resulting from innovation activities, and the definition of skills as framed in the 10X document may be broader than the current portfolio of Invest NI programmes serves. The 10X Economic Vision document positions the aspiration for skills as increases in education attainment across the working age population (as a proportion),²⁶⁹ while the Invest NI portfolio in this area largely focuses on leadership, business mentoring, and human resource aspects."*
- 9.41 In relation to 10X clusters, Technopolis note that, *"While there appears to be alignment across sectors that correspond to priority strategic clusters, the structural shift predicated by the 10X Economic Vision means that there is value in ensuring that the individual programmes are conducive to the goals of developing clusters and also to fostering inclusive growth"*.
- 9.42 While we have reflected upon the organisation's KPIs in more detail elsewhere in this report, it is important to highlight Technopolis' view that *"any review of KPIs should also keep in mind how to better demonstrate and communicate the purpose, role, and full breadth of Invest NI's contribution to delivering the 10X Economic Vision..."*. Similarly, in response to the self-assessment exercise we developed, the Invest NI Board recognise the need to adapt KPIs *"towards a more economic growth/regional competitiveness drive to embrace the 10X Vision."*

268 Technopolis, Invest NI Performance Review (December 2022)

269 [Skills Strategy for Northern Ireland 2022 \(economy-ni.gov.uk\)](https://economy-ni.gov.uk)



- 9.43 In summary, while Invest NI's activities broadly align with the high level aims and objectives of 10X and the sectors it focuses on largely correspond to priority strategic clusters, more clarity is required on how the organisation might best serve the Vision and how this alignment will inform DfE's approach going forward. We concur with Technopolis' assessment that further work is required to review how Invest NI will address the inclusive growth focus of 10X (particularly in areas of diffusion of innovation across the economy) and how the organisation might deliver on the challenge of developing clusters and building on existing strengths. Stronger emphasis on problems and opportunities at sub regional level is certainly part of the answer.
- 9.44 For the Department and its ALBs, in the view of DfE, 10X represents a new approach to thinking about economic policy and requires economic, social and environmental public policy outcomes to be considered throughout the policy cycle. For example, traditional interventions to support exports, FDI and jobs must now also impact on its 'triple bottom line' of innovation, inclusivity and sustainability. In addition, this approach suggests the need to move away from a business-centred model into one that has the flexibility to engage with a wider range of people and places in the economy. This will be challenging for Invest NI to achieve across all its interventions and must be carefully reflected upon by the Department and the organisation to ensure that Invest NI's impact is maximised.
- 9.45 We are aware that DfE will require Invest NI to play a central role in delivering many of the policy outcomes in 10X and it will be essential that both DfE and Invest NI are fully committed to working in partnership on its delivery. This will require continued close co-operation between DfE and Invest NI, with the Department acting as the policy lead for 10X and Invest NI delivering on Departmental policies and priorities. We note concerns relayed to us by DfE of past reluctance by Invest NI to engage with or deliver on policy from the Department and a culture of competitive relationships between Invest NI and some organisations at times that may signal a future difficulty in Invest NI's ability to build the collaborative relationships required to progress the 10X Vision. In conjunction with this, as we have discussed earlier in this chapter, it is also imperative that the quality of strategic directions being provided by DfE becomes clearer and more concise.



Conclusions and Recommendations

- 9.46 While we acknowledge the progress made by DfE on 10X, especially in recent months, the slower progress on work required to translate its ambition into tangible actions that could be taken forward by Invest NI has constrained our consideration of Invest NI's ability to deliver on 10X.
- 9.47 Engagement with stakeholders conveyed the view that 10X is an ambitious vision and one that is a positive response to the challenges of the local economy. We note that 10X is broadly in line with economic development policies internationally where an emphasis on innovation, inclusion and sustainability are all themes that many other regions and countries are prioritising.
- 9.48 However, there was also feedback that technologies/clusters/sectors chosen were too selective, with some sectors concerned felt that they had not been represented in 10X while others felt they had not been best understood. Other stakeholders suggested that further work was needed to refine the clusters that had been selected as they were too broad.
- 9.49 In addition, concerns were raised by a number of stakeholders that 10X does not have NI Executive endorsement and it lacks clarity and policy direction from DfE. The Vision was not publicly consulted upon prior to its publication and we found limited evidence of 10X being co-designed with Invest NI.
- 9.50 Despite the limitations of 10X as it currently stands, research and feedback from our engagements has allowed us to give an overall perspective of how well Invest NI is placed to respond to 10X or any other future economic development strategy. Invest NI's current portfolio does broadly align with 10X. However, to fully contribute to the delivery of this Vision will require profound change in the shape, priorities and behaviours of the organisation. It will have to address what we believe are some substantive issues around leadership, programme rationalisation and client company focus. The Department supported by Invest NI should use the opportunity provided by 10X to co-design a new set of KPIs that will drive Invest NI to shape a new, more focused approach to how it leads and supports economic development in NI.



9.51 We would therefore recommend the following actions are taken forward:

Recommendation 17a: DfE must ensure that the 10X Vision and subsequent action plans are tangibly linked to future NI Executive strategies, particularly the Programme for Government.

Recommendation 17b: DfE should provide clear written policy direction on the 10X Vision and its implications for its further activities to Invest NI and other relevant delivery bodies as soon as possible.

Recommendation 17c: DfE should ensure Invest NI is fully engaged in the co-design of applicable elements of the 10X action plan.



List of Annexes

Annex A - Terms of Reference

Invest NI was established under the Industrial Development Act (Northern Ireland) 2002 as Northern Ireland's Economic Development Agency. Invest NI's aim is to support wealth creation in Northern Ireland as an enabler and catalyst to grow innovation, export, productivity and employment throughout the business base with a view to increasing the standards of living for all.

Background – Independent Review of Economic Policy

- 1.1 On 1 December 2008, the Minister for Enterprise, Trade and Investment, Arlene Foster MLA, launched an Independent Review of Economic Policy (IREP). The Review related to the economic development policies and programmes of the Department for Enterprise, Trade and Investment (now the Department for the Economy) and Invest Northern Ireland.
- 1.2 An independent Panel, chaired by Professor Richard Barnett, Vice Chancellor of the University of Ulster, was established to undertake the review. The Terms of Reference focus was on DETI and Invest NI and the effectiveness of their policies / programmes to deliver on the overarching productivity goal in the Programme for Government (PfG). The IREP report was published on 29 September 2009¹ and contained 58 recommendations across the areas of: Policy Development; Policy Delivery; Portfolio of Innovation Policies; Policy Performance; Finance; Project Appraisal; Further Research; Co-ordination of Economic Policy; Governance Arrangements; Advisory Bodies; Skills; Infrastructure; and Planning.
- 1.3 In a statement to the Assembly (January 2010), the DETI Minister indicated that she accepted the majority of the report's recommendations and outlined a programme to ensure their implementation. In March 2011, the Minister provided the Assembly with a further update on how the recommendations were being implemented.



2.0 Economic and Policy Context

- 2.1 The COVID-19 pandemic has had a significant impact on the Northern Ireland economy which is estimated to have contracted by 10.4%² in 2020. Although economic activity has rebounded, and is anticipated to continue doing so, our economy has experienced a structural shock with long lasting implications felt disparately across different sectors and groups in society. Similarly, businesses and consumers have been affected by the UK's exit from the EU with adjustments being required to maintain trade. The economy is also exposed to global shifts or 'megatrends' such as climate change, aging populations and advancements in technology.
- 2.2 In this changing economic environment, the ability of Invest Northern Ireland to deliver effective interventions in support of the Department's policy priorities is critical. This is particularly relevant in the context of the Department's vision to deliver a decade of innovation through the 10X Economy. It is, therefore, an opportune time to review the products and services offered by Invest NI and to assess the organisation's capacity to meet the challenges and opportunities that lie ahead.

3.0 Review Aims

- 3.1 The objective of this review is:

To provide an independent assessment of Invest NI's efficiency and effectiveness and, looking forward, its capacity to strategically align with and operationally deliver the 10X Economic Vision.

4.0 Review Scope

Phase One: Efficiency and Effectiveness

4.1 Policy Implementation

- Advise on the alignment of Invest NI's aims and objectives with Departmental policies and priorities, consider if these are still current and assess if they have been met.



- Informed by recent and ongoing Invest NI programme reviews, assess the effectiveness of Invest NI's suite of interventions.
- Review Invest NI's performance at a sub-regional level and provide recommendations regarding delivery in this area.
- Assess whether Invest NI's approach to the delivery of Inward Investment, including its interventions and structures, is effective.
- Benchmark Invest NI's portfolio of programmes against comparator economic development agencies across the UK, Europe and the Rest of the World; and
- Informed by best practice, identify whether any new economic development programmes or projects are necessary and, conversely whether any existing programmes or projects should be terminated, scaled back, or fundamentally redesigned.

4.2 Organisational Performance and Structure

- Taking account of the current economic context, assess Invest NI's organisational performance including against its Key Performance Indicators and outcomes measures.
- Consider the appropriateness of Invest NI's current performance metrics and current methods of data collection systems and reporting.
- Review the functions of Invest NI and consider viable alternative delivery models, or other structural changes, which are required to rationalise the organisation and optimise Value for Money in the delivery of economic interventions.
- Comment on the overall effectiveness of the current Invest NI 'Client Company' delivery model and reach a conclusion on the merits of alternative delivery models.
- Informed by the findings of the DfE Review of Sponsorship, consider and advise on the existing oversight arrangements between DfE and Invest NI; and
- Consider whether any improvements should be made to DfE and Invest NI's working relationship and assess whether Invest NI's current level of autonomy (i.e., delegations) is appropriate.

4.3 Resourcing

- Consider whether Invest NI's level and use of resource (financial and human) is sufficient to deliver its current objectives.



Phase Two: Strategic Alignment with the 10X Economic Vision

- Advise on the extent to which existing Invest NI aims, objectives, targets, and programmes need to be recalibrated, or terminated, to align the organisation with the 10X Economic Vision and its underlying strategies (Energy, Skills etc.).
- Comment on the optimal level of funding for a 10X aligned Invest NI, both in terms of quantum and type of funding (Resource, Capital, Financial Transactions Capital etc.).
- Advise on Invest NI's capability to be (i) fully aligned with and (ii) have the agility and flexibility to deliver, the 10X Vision.
- Informed by best practice, identify whether any new economic development programmes or projects are necessary (and, conversely whether any existing programmes or projects should be terminated, scaled back, or fundamentally redesigned) to deliver the 10X Vision.
- Identify any risks or issues which may compromise Invest NI's capacity to deliver the 10X Vision and outline recommendations to mitigate these risks.
- Advise on any structural changes which may be required for Invest NI to deliver the 10X Vision; and
- Consider the resources required by Invest NI going forward to deliver any additional objectives recommended by the review.

5.0 Conduct of the Review

- 5.1 It is proposed that the Minister will appoint an Independent Panel to undertake the review. The Panel will consist of a Chairperson and up to three supporting panel members.
- 5.2. The Review Panel will be independent of the Department. The Chairperson will set the work plan for the review and have responsibility for delivering against these Terms of Reference.
- 5.3. In developing a work programme, the Chairperson should ensure that the Review is conducted in line with the principles set out by the Cabinet Office in "Tailored Reviews: Guidance on Reviews of Public Bodies³", and in particular give explicit consideration to the 'three tests' designed to reaffirm the continued need for the organisation to operate at Arm's Length from Ministers.



- 5.4. DfE will put in place appropriate secretariat resource to support the panel to deliver the review objectives.
- 5.5. In conducting the review, the panel should be informed by engagement with the NI Assembly's Economy Committee and a wide range of key industry stakeholders, with appropriate input sought from the Department and other relevant departments.
- 5.6. Any recommendations the panel make should be evidence-based and proportionate, with consideration given to their implementation and funding.

6.0 Outputs and Timescales

- 6.1. The timescale for the project is expected to be limited to nine months from project initiation. The panel should provide regular updates to the Department as the review progresses at times agreed with the Chairperson.
- 6.2. Key deliverables which the Panel must produce include:
 - a) the Review Chairperson will deliver a briefing for the Minister and the Departmental Leadership Team in April 2022. This briefing will outline the Panel's assessment of emerging findings specifically in relation to Invest NI's operational efficiency and effectiveness (Phase 1);
 - b) by September 2022, a final report which assesses Invest NI's capacity to strategically align with and operationally deliver the 10X Economic Vision (Phase 2), accompanied by a presentation to be delivered to the Minister and Departmental leadership team; and
 - c) a presentation to and engagement with key stakeholders and delivery partners following publication of the report.



Annex B - Stakeholder Annex

A Call for Evidence opened on 1 March 2022 and closed on 1 April 2022.

20 responses were submitted via the Citizen Space Portal.

30 responses were submitted via email.

The Panel held several 'in person' and virtual engagements throughout the Review process, meeting 300 plus individuals and organisations from the following sectors or on the following consultation themes.

Academics

Access to Finance

Agri Food/Agri Tech

City Deals

Digital/ICT/Cyber

Economists

Enterprise Agencies

Government departments

Green Growth

Life and Health Sciences

Local Councils/Government

Political parties

Regional Chambers of Commerce

Regional Industry Representatives (various sectors)

Skills

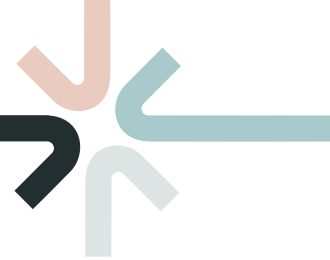
Small and Medium-sized Enterprises from a diverse range of sectors

Social Enterprise

Tourism

Trade and Export

Trade Unions



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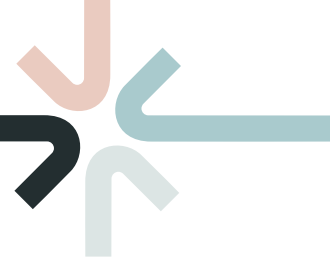
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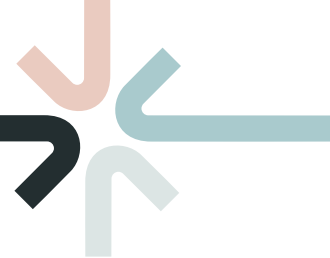
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Annex D – List of Invest NI Programme Portfolio²⁷⁰

The following tables present programme information drawn together from information provided by Invest NI, including project documentation, audit summaries, independent evaluations, and programme abstracts. Fields marked 'unavailable' are those for which information was not evident in the provided documents.

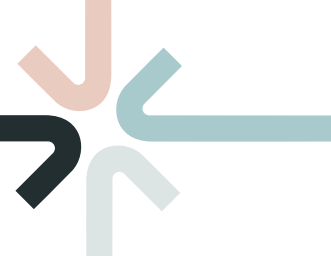
Grow external sales

Theme	Programme	Target Audience / Description	Market Failure	Return on Investment / GVA
Trade (Promote External & Export Sales)	Trade Solutions	Covers 7 different sub programmes, intended to support businesses find and develop export markets. Provision is offered through advice, grants, funding for foreign buyers to travel to NI, and skills workshops to support NI businesses.	Limited private provision in trade and export knowledge. Private supports often are local chamber of commerce, but access to them abroad can be difficult. INI acts as a one stop shop for export support.	GVA of between £3.70 and £5.20 per £1 invested
	Grow Beyond (First Time exporters Programme)	For customers in manufacturing / tradeable services to develop sales and new business outside NI (possibly for the first time). It included 3 workshops on market research, market development and selecting distribution channels / partners. Also 3 days of 1:1 mentoring support to help transfer knowledge and develop a Trade Action Plan.	Time limited support for first time exporters. Limited private sector support in this area, since most businesses are focused on larger scale and later stage export companies.	Unavailable
	Market Knowledge events	<ul style="list-style-type: none"> • Free to companies • Used to promote market opportunities • Used to recruit for missions/ exhibitions 	Unavailable	Unavailable
	Graduate to Export Programme	Programme aims to help companies with ambitious growth plans by support to employ a graduate for 18 months to take forward market research that targets a specific market outside NI. The graduate receives export skills training and mentorship from UU, Institute of Export and Company.	Helps to feed into other Invest NI programmes for export. Helps to plan and implement an export plan before other support may become necessary.	Unavailable
Jobs and Investment	NI Connections	Northern Irish Connections connects and unlocks the talent and influence of a global network of Northern Irish expats and friends to advance the economic prosperity of Northern Ireland.	Unavailable	Unavailable
New COVID / ERAP Schemes	Digital Selling Capability Grant	The scheme is a series of competitive funding calls to help retail businesses effected by the impact of Covid-19 to develop their online sales capability and help support viable businesses in the sector during the recovery stage. Intended to help support businesses that cannot avail of equivalent Invest NI support schemes already available. Cost supported: developing an e-commerce solutions or digital marketing consultancy to help the business grow their online sales.	Support businesses transition to online selling during pandemic. Limited market support in this area.	Unavailable



Innovation

Theme	Programme	Target Audience / Description	Market Failure	Rol / GVA
R&D and Innovation	Grant for R&D	<p>Programme includes Innovation Advice, Project Definition, Grant for R&D, Collaborative Grant for R&D and Collaborative R&D Advisory Services. GRD offers companies grant to develop technically innovative products / processes. Typical project duration: 2-4yrs; Typical project costs: £30k - £1m (but also supports larger projects); Typical grant: SMEs 40 - 50%; Large companies 20 - 30%. Higher rates offered for collaborative projects.</p> <p>Advice on Innovate UK Opportunities has been subsumed into Grant for R&D Sector teams and Innovate UK Edge. High level advice and signposting on Horizon Europe comes from the Universities Team.</p>	Limited private support for R&D grants. This helps to drive innovation and growth in participating firms.	£1: £3.96
	Competence Centres	<p>Competence Centre Programme is designed to encourage innovative companies (at least 4) to work together with the research base to achieve competitive advantage. To date 4 Centres have been established in: - Connected Health, Sustainable Energy, Advanced Engineering and Agri-Food.</p>	Focus on key growth areas in NI. Linked to 10X and other strategic objectives	Unavailable
	Small Business Research Initiative (SBRI)	<p>Pre-commercial programme designed by Innovate UK to encourage private sector businesses to provide innovative solutions to public sector challenges. Aims to maximise the benefit of public sector procurement by ensuring more innovative and cost-effective solutions and allowing innovative companies to use the public body as a "lead customer".</p>	Private sector provision for public sector problems. Not commonly supported in the marketplace.	Unavailable
	Knowledge Transfer Partnership	<p>A collaborative project between a company and academic institution which facilitates the knowledge, technology and skills transfer. Each partnership employs one or more recently qualified graduates on a project of strategic importance, whilst also being supervised by the Knowledge Base Partner.</p>	Supports transfer from academia into the private sector. Limited support for projects like these unless there is a commercial opportunity readily available.	Unavailable



Theme	Programme	Target Audience / Description	Market Failure	Rol / GVA
	Proof of Concept Phase IV	PoC supports the commercialisation of leading-edge technologies emerging from NI research organisations, currently: Queens University, University of Ulster, AFBI and NHS Boards. NB, private companies are not eligible to apply. It enables researchers to export their ideas and inventions from the lab to the global marketplace.	Supports transfer from academia into the private sector. Limited support for projects like these unless there is a commercial opportunity readily available.	£1: £0.81 (Phase II)
	Design Service	Offers up to one half day of advice from experts on a range of design issues from packaging through to product design. Available to all Invest NI customers. Generated through a referral from Client Exec. Other offerings include small grants for design support, mentors, and awareness raising on the importance of good design in innovation.	Unavailable	£1: £1.4
	Innovate UK Edge	Innovate UK EDGE, formerly known as Enterprise Europe Network (EEN), is the UK innovation agency's resource for innovative SMEs from any sector which are ambitious to grow and scale. Invest NI hosts Innovate UK Edge in Northern Ireland; our specialists can be a mentor, critical friend, and champion to innovative businesses, enabling you to grow and scale. We can help you access support from Innovate UK EDGE including one-to-one mentoring, peer-to-peer networks, brokerage events, partnership opportunities and programmes such as the Global Business Innovation and Global Incubator programmes.	Link to Innovate UK programmes and ideas within NI. This is not offered elsewhere within Invest NI or NI.	Unavailable
	Technical Advisory Support (including financial interventions)	Detailed technical advice on product & process problem resolution, product testing, approval / CE marking / global technical compliance, integrated management systems including ISO 9001, ISO27000, Intellectual Property including patent and TM searches, Intellectual Asset Management audits and improved design & performance.	Unavailable	Unavailable
	Innovation Vouchers	SMEs may apply for a voucher worth up to £5000 to access expertise for an innovation project from a public sector Knowledge Provider (Universities, Colleges, Institutes of Technology throughout NI and the ROI).	Helps to link businesses with public sector knowledge. No similar provision.	£1: £1.8

Theme	Programme	Target Audience / Description	Market Failure	Rol / GVA
	Business Information Service (including Tender Alert Service)	Forming part of Invest NIs market research capability. This recourse is used extensively by the sector teams in assisting companies to carry out market intelligence to aid business growth. resources include: <ul style="list-style-type: none"> • Desktop research • Access to published reports • A tender Alert Service that enables companies to identify local and international contract opportunities from a wide range of public sector organisations via a daily alerting service. 	Provides information to allow businesses to make informed decisions. No private sector provision for this. (Minimal cost)	Unavailable
	Innovation Accreditation Scheme	The Innovation Accreditation is a DfE initiative and PfG target. Businesses in receipt of an innovation led intervention can receive an Innovation Recognition Award (bronze, silver, gold, platinum) recognising their level of innovation and position on the innovation framework. Business receiving recognition also receive advice and guidance to help them progress to commercialisation. Businesses are also signposted to other sources of support. The Innovation Accreditation is also aimed at helping the delivery of 10X.	Aiming to support sustained growth aligned with 10X strategy. Specific to government objectives.	Unavailable
Technology Solutions	MIS Grant	Financial support to part fund the implementation of Management information systems within SMEs. Each project is appraised against Invest NI intervention principles / delegated authority and a Letter of offer is issued to approved projects.	Limited support for SME MIS system improvements. Productivity gains can be large, but not something that the private sector engages with due to limited returns.	£1: £3.09
New COVID / ERAP Schemes	ERAP (Regional)	To support a range of short and medium-term initiatives focused on innovation, inclusiveness, recovery and rebuilding of the Northern Ireland economy following the profound impact of the COVID-19 pandemic. ERAP Regional will deliver, on a Pilot basis, a range of short-term initiatives under 3 main themes; Entrepreneurship inc Economic Recovery Innovation Grant, Sub-Regional Development and Green Local Opportunities.	Limited market support in this area. Particularly with a focus on regional needs.	Unavailable



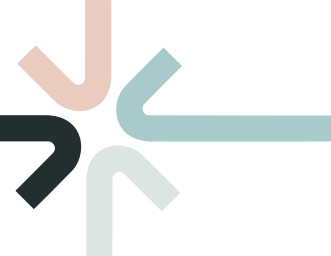
Entrepreneurship and commercialisation

Theme	Programme	Target Audience / Description	Market Failure	Rol / GVA
Entrepreneurship	Northern Ireland Women's Enterprise Challenge (YesYouCan)	Collaboration between Invest NI, Women in Business, Councils to promote female enterprise, increase no. of women considering starting a business and encourage existing female entrepreneurs to grow businesses, particularly in external markets.	Gender gap is and remains significant, supporting women to grow in businesses is the only way to address that concern.	Unavailable
	Propel Pre-Accelerator	A business support programme which aims to maximise the number and impact of sustainable, innovative, high-growth export orientated businesses established in NI as a result of participation on the programme.	Focus on exports is unique in the market, most accelerators are more locally focused.	Unavailable
	Ignite NI Accelerator	Focused on high potential start-ups, each team gets access to intensive mentoring, a co-working space and seed capital funding to help them develop the capability and knowledge to succeed internationally.	Focus on companies that have high growth and international potential.	Unavailable
	Start Up Support	A pilot approach to supporting start-ups under Invest NI's overall SFA programme. A streamlined appraisal and approval process for smaller start-ups, a negotiated standard offer and an offer which included innovation and product development support.	Acts as a feeder programme to SFA.	Unavailable
	From Student to First Sale	Salary subvention support of £15k payable in three agreed tranches against milestone targets. Support available to graduates (within circa. 1 year of graduation) who have projects that have potential to meet the Invest NI criteria for support. Funded via existing Transformation Group budget.	Fills a gap for new graduates who have ready-made projects in the works. Helps to drive innovation and new ideas. Not happening elsewhere in the market.	Unavailable
Funds	Successor Seed Fund (TECHSTART II)	Successor Fund to Techstart I approved on 18/12/18. £38m Fund to invest in start-up and early-stage businesses based in Northern Ireland. Also includes POC fund to invest in post proof of concept and pre-commercialisation spin out companies.	Unavailable	£1: £0.25



Skills

Theme	Programme	Target Audience / Description	Market Failure	Rol / GVA
Skills and Competitiveness	Collaborative Growth Programme	Supports business-led networks to maximise collaborative opportunities in the development of skills, innovative and / or new products, processes or services. Provides the opportunity to focus on collaborative initiatives aligned to 10X vision whilst maximising access to external expertise, sharing knowledge, resources, reducing risk and building capacity & capability.	Provides a platform for collaboration with a focus on areas that are of key interest to the government and 10x strategy.	£1: £5.73
	Skills Intervention Programme II	Financial support for training activities to Invest NI customers to support company growth. The scheme supports trainee wages, internal trainer, external trainer costs. Grant support is variable up to a maximum of 50% of eligible costs. Mandatory training, induction training and repeat training are not eligible.	Works to upskill NI staff and helps to pay some of the cost to businesses. The salary coverage helps to mitigate any issues that may arise from hiring unskilled people within a small business.	£1: £1.71
	SME Mentoring	Provides funding towards the costs of working with a Mentor to provide appropriate advice and guidance, personal challenge, and development at a strategic level. Focus is typically on strategic direction, executive and management performance, communications and corporate governance including succession matters in family-owned businesses.	Unavailable	Unavailable
	Non-Executive Director	Provides funding for working with experienced Non-Executive Director over 2 years (max). NED will have no managerial / executive responsibilities. Support focuses on Board capability development - strategic direction, Exec. performance and corporate governance etc. including succession issues in family-owned businesses.	Unavailable	Unavailable



Theme	Programme	Target Audience / Description	Market Failure	Rol / GVA
	HR Advisers (People Solutions Service)	HR advisers are Invest NI staff who are qualified HR professionals. Advice may be given by phone, email, client visits, referral to other specialist bodies – Labour Relations Agency, Equality Commission etc.	HR at small businesses can often be lacking, and there is limited support within the market to meet this demand. Invest NI staff who are already trained help in this role.	Unavailable
	The Leadership Programme	The Leader Programme – Aimed at owner managers / MDs, the Programme offers participants the opportunity to work with Business Mentors, Leadership coaches and other businesses to challenge and develop their business and leadership capabilities culminating in a Business Growth Plan.	Unavailable	£1: £1.26
	The Leadership Programme	The Leadership Team Programme - Aimed at SME, MD plus two other members of the senior management team to develop their business strategy and build a cohesive senior team. Also includes Ambition To Scale.	Unavailable	£1: £1.26
	The Leadership Programme	Leading within a Group - Aimed at the Site lead of externally owned companies located in NI. Leadership development made up of executive education and executive coaching focusing on personal and business growth.	Unavailable	£1: £1.26
	The Leadership Programme	The Leadership Experience Best Practice Events - 1-2 events annually which are FOC. They bring together international and local leadership experts to share experiences and challenges. Each event provides practical advice from speakers and guidance on how to apply these lessons to improving your business.	Unavailable	£1: £1.26



Theme	Programme	Target Audience / Description	Market Failure	RoI / GVA
	Accelerating Growth Programme	A response to an identified need by Regional Business for a mechanism to accelerate the development of smaller, regional Invest NI clients with growth potential through building their skills and capability, largely through a programme of tailored workshops and business mentoring.	Most supports focus on the entire NI but overlook more localised needs. This offers regional businesses an opportunity to grow through mentoring at minimal cost.	Unavailable
	Attract In/Attract Back	New Programme designed to support businesses to attract talent back, and in, to Northern Ireland to help address skills shortages.	Limited market activity to attract talent into NI. This is a wider issue in NI and INI is keen to offer support in meeting skills shortages.	Unavailable



Jobs and investment

Theme	Programme	Target Audience / Description	Market Failure	Rol / GVA
Jobs and Investment	Selective Financial Assistance	SFA supports NI investment and job creation projects that involve setting up new businesses, expanding existing businesses and attracting inward investment.	Short of VC or selling businesses, there are limited funding opportunities to drive expansion in the private sector.	£1: £2.7
	Growth Accelerator Programme (GAP)	Provides grant assistance to support marketing activities outside NI, to recruit management skills currently lacking in a business and to avail of specialist consultancy services.	Helps businesses to grow more quickly in multiple areas with minimal support. Limited offer in the private sector.	£1: £2.53
	Property	Support in finding, procuring, and utilising premises that are sufficient to meet the needs of businesses in NI.	Lack of access to property limits expansion opportunities for businesses. Limited private provision in this area.	Unavailable
	Small Business Food Programme	The programme is procured. It has engaged a 3rd party provider to deliver a range of development activities for the small business/artisan companies within the Invest NI Food sector. The programme is running from 1st Jan 2019.	Food is an area that is underserved in the business support arena, this attempts to fill a gap in the market. NI has high opportunities in food export.	Unavailable
Technology Solutions	nibusinessinfo.co.uk	Website providing SMEs in Northern Ireland a 'one stop shop' for business advice and compliance/regulator information. Works with government departments and agencies to ensure the information to businesses is accurate and up to date.	No private website for comprehensive information on business support and regional development.	Unavailable
	Brexit Preparation Grant	Brexit Preparation Grant is a tactical response to UK's intention to leave the EU. It is a variation of GAP to specifically help clients prepare for Brexit.	Every local business requires a transition to a Brexit economy, there was limited support from the private sector to make changes to business structures.	Unavailable
Funds	Co-Investment Fund II	A £50m fund for NI SMEs which co-invests alongside business angels and other private investors. The fund can provide investment deals typically valued between £150k and £1m at a ratio of up to 50% in each deal. The Fund is managed on behalf of Invest NI by Clarendon Fund Managers.	Provides funding at a stage when limited private sector funding is available, while leveraging private sector funding to drive growth. Offers greater potential than the private loan would be on its own.	Unavailable



Theme	Programme	Target Audience / Description	Market Failure	Rol / GVA
	Growth Loan Fund II	Provides loans to SMEs with export / growth potential seeking access to growth finance. A revolving fund whereby £22m capital investment (Invest NI) will generate SME lending of £30m. Will provide advances of £6m p/a over a 5yrs. Deal size £100k-£500k (> £500k by exception only). Fund operates under the Market Economy Operator Principle (no state aid).	Looking to drive growth, when private sector support would need greater collateral that many businesses could afford.	£1: £4.08
	Growth Finance Fund	Provides loans to SMEs with export / growth potential and seeking to access growth finance. £30m fund with NILGOSC, British Business Bank and Invest NI investing £12m, £10.5m and £7.5m respectively. No recycling. Provides loan advances of £7.5m p/a over a 4yr; deal size £500k-£2m. Operate as a state aid fund and in compliance with GBER 2014.	Looking to drive growth, when private sector support would need greater collateral that many businesses could afford.	Unavailable
	Small Business Loan Fund II	The NI Small Business Loan Fund II is a £5.5m revolving loan fund which provides unsecured loans to individuals, private companies and social enterprises in the start-up and growth phases of development. The fund will have the ability to lend up to £100k (previously £50k). The Fund is managed by Ulster Community Investment PLC.	Offers unsecured loans, which are not found in the private marketplace.	£1: £1.31
	Buying Time Assistance	Buying time assistance is a demand led source of funding for businesses in difficulty. Average annual spend £400k over 10-year period, varying annually from £1.4m to zero.	Provides support when businesses are in difficulty when the market would be unlikely to offer support.	Unavailable
	Restructuring Assistance	Restructuring assistance is a demand led source of funding for businesses in difficulty. Average annual spend £200k over 10-year period, varying annually from £400k to zero.	Provides support when businesses are in difficulty when the market would be unlikely to offer support.	



Theme	Programme	Target Audience / Description	Market Failure	RoI / GVA
	HBAN	An all-island programme involving Enterprise Ireland, IntertradeIreland and Invest NI. Aims to develop Business Angel investing. Dublin BIC is the EDO for the all-island programme with Clarendon Fund Managers engaged by them to deliver the programme in NI.	Unavailable	£1: £1.77
	Successor Seed Fund (TECHSTART II)	Successor Fund to Techstart I approved on 18/12/18. £38m Fund to invest in start-up and early-stage businesses based in Northern Ireland.	Unavailable	£1: £0.25
New COVID / ERAP Schemes	Equity Investment Fund	CEIF was launched in September 2020 and its aim was to aid eligible NI based early stage high-growth potential businesses access financing to progress their business plans and prepare for recovery and growth. Support of up to a maximum of 50% of a funding round was available through equity investment or convertible loan notes (up to a maximum of £700k).	Limited market support in this area. Looking to jumpstart recovery for NI and for companies. Private capital was retrenched during this period.	Unavailable

Green economy

Theme	Programme	Target Audience / Description	Market Failure	RoI / GVA
Technology solutions	Resource Efficiency Finance	Grants capped at £50k to encourage businesses to improve resource efficiency by installing equipment that will result in water and/or material efficiencies beyond regulatory requirements.	Unavailable	Unavailable
	Energy and Resource Efficiency Advisory Programme	Fully funded consultancy to complete technical audits, feasibility studies and provide advice to help participating businesses identify cost saving projects. Brokered by Invest NI technical advisors and complemented by a framework of energy and resource efficiency consultants across 9 specialised areas.	Limited support for businesses to improve energy use and identify cost savings. These would have been incurred by businesses entirely, but can lead to increased jobs/employment.	£1: £1.61
New COVID / ERAP Schemes	Energy Efficiency Finance	Provides financial support for the installation of energy efficient equipment that offers greater efficiency in the use of heat and electricity, providing cost savings and productivity improvements. The maximum grant is set at 20% of eligible project costs and capped at £80,000.	Limited market support in this area. Helped companies reduce energy costs to help them be better positioned for post COVID growth.	Unavailable



4.0 Compete and supply

Theme	Programme	Target Audience / Description	Market Failure	Rol / GVA
Skills & competitiveness	Productivity Improvement and Supply Chain Improvement	Provides advice, guidance and support to companies wishing to deliver improvements to their operations and supply chain to improve their competitive position. Experienced practitioners assist companies to deliver productivity improvement through the application & understanding of “Lean thinking and principles”.	The cost of advice in this area can be prohibitively expensive. Support from Invest NI can speed up this process dramatically.	Unavailable
	Productivity Improvement Programme: Advice	This advice is captured under Productivity Improvement and Supply Chain improvement.	The cost of advice in this area can be prohibitively expensive. Support from Invest NI can speed up this process dramatically.	Unavailable
COVID / Economic Recovery	Aerospace Customer Diversification	Covid response Programme to identify opportunities for diversification for the Northern Ireland Aerospace supply chain.	Need to diversify aerospace markets due to pandemic. No private sector funding in this area.	Unavailable
	Supply Chain Resilience & Development Framework	Graduated 3-step framework of support, primarily providing specialist advisory support to help businesses identify supply chain risks and appropriate mitigations, identify supply chain opportunities and develop supply chain capability. Complemented by the provision of financial support for a key supply chain worker.	Advisory support for supply chain resilience. Limited private sector support during the pandemic.	Unavailable
	Process & Organisational Improvement Grant	The programme provides grant support to eligible companies to help them build internal teams, and engage consultants as needed, to develop and implement process and organisation improvements. The project must support the business to work in a new way and help it towards industry 4.0. Max support £50k for SME £200k for large Co.	Looking to help companies improve efficiency and organisation during a time of market turmoil. Limited private funds available.	Unavailable
	Digital Selling Capability Grant	The scheme is a series of competitive funding calls to help retail businesses effected by the impact of Covid-19 to develop their online sales capability and help support viable businesses in the sector during the recovery stage. Intended to help support businesses that cannot avail of equivalent Invest NI support schemes already available. Cost supported: developing an e-commerce solutions or digital marketing consultancy to help the business grow their online sales.	Due to lockdowns, support offered to businesses to move sales online to keep operating.	Unavailable
	Productive Investment Capital Grant	A grant of up to £250,000 is available to improve productivity by investing in new technology and processes, software and knowledge acquisition, automation or the adoption of digital manufacturing technologies.	Limited market support in this area.	Unavailable



Economy and place

Theme	Programme	Target Audience / Description	Market Failure	Rol / GVA
Jobs and investment	LED Measure - Investment for Growth & Jobs Programme	Under the EU Investment for Growth & Jobs Programme Invest NI offer support to Councils to address identified needs in local businesses to improve the economy with an emphasis on Job Creation. Funding is split by 60% ERDF, 20% Council, 20% Invest NI, with Invest NI being responsible for the administration of 80% of this grant funding.	Unavailable	



Annex E – Glossary of Terms

AD: Anaerobic Digestion

ADS: Aerospace Defence & Security

AFBI: Agri-Food & Biosciences Institute

AHDB: Agriculture & Horticulture Development Board

ALB: Arm's Length Body

AME: Annually Managed Expenditure

AO: Accounting Officer

AO: Administrative Officer

ATM: Automated Teller Machine

ARC: Audit & Risk Committee

BBB: British Business Bank

BBC: British Broadcasting Corporation

BCC: Belfast City Council

BCS: Business Consultancy Services

BEIS: Department for Business, Energy, and Industrial Strategy

BERD: Business Expenditure on Research and Development

BIC: Business Innovation Centre

BOM: Brabant Development Agency



BRCD: Belfast Regional City Deal

BSD: Business Support Division

BSDG: Business and Sector Development Group

BSDL: Bedford Street Developments Limited

BSG: Business Solutions Group

BW: Business Wales

CCGBC: Causeway, Coast and Glens Borough Council's

CDEL: Capital Departmental Expenditure Limit

CE: Conformite Europeenne

CEIF: Covid-19 Equity Investment Fund

CEO: Chief Executive Officer

COO: Chief Operating Officer

COVID: Coronavirus Disease

CPPS: Community Planning Partnerships

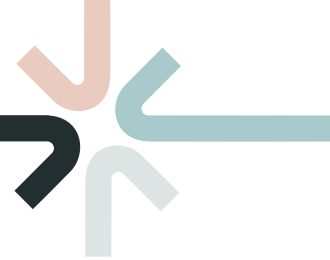
CRM: Customer Relationship Management

CSF: Competitive Start Fund

CSO: Central Statistics Office

DAERA: Department of Agriculture, Environment and Rural Affairs

DARD: Department of Agriculture and Rural Development



DCA: District Council Area

DEL: Department for Employment and Learning

DETE: Department of Enterprise, Trade and Employment

DETI: Department of Enterprise, Trade and Investment

DIT: Department for International Trade

DfC: Department for Communities

DfE: Department for the Economy

DfE: Department for Education

DFP: Department of Finance and Personnel

DLUHC: Department for Levelling Up, Housing and Communities

DoF: Department of Finance

DP: Deputy Principle

EA: Economic Appraisal

EDO: External Delivery Organisations

EEN: Enterprise Europe Network

EI: Enterprise Ireland

EIR: Entrepreneurial Impact Ranking

ELT: Executive Leadership Team

EOII: Executive Officer Grade two



ERAP: Economic Recovery Action Plan

ERDF: European Regional Development Fund

ERE: Energy & Resource Efficiency

ESIF: European Union's Structural and Investment Funds

ESF: European Social Fund

ETI: Enterprise, Trade and Investment

EU: European Union

EY UK: Ernst & Young UK

FCA: Financial Conduct Authority

FCDO: The Foreign, Commonwealth & Development Office

FDI: Foreign Direct Investment

FE: Further Education

FOC: Free of Charge

FTA: Future Trade Agreement

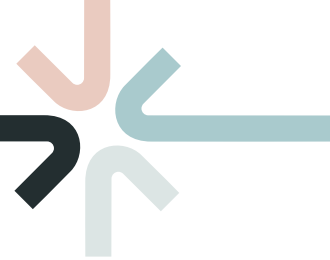
FTC: Financial Transactions Capital

FTE: Full Time Equivalent

FY: Financial Years

GAP: Growth Accelerator Programme

GBER: General Block Exemption Regulation



GB-NI: Great Britain – Northern Ireland

GDP: Gross Domestic Product

GDPR: General Data Protection Regulation

GED: Green Economy Development

GEM: Global Entrepreneurship Monitor

GOCC: Governance and Compliance Council

GRD: Grant for R&D

GVA: Gross Value Added

HBAN: Halo Angel Business Network

HEI: Higher Education Institute

HMRC: *His Majesty's Revenue and Customs*

HPSU: High Potential Start Ups

HQ: Headquarters

HR: Human Resources

HSBC: Hong Kong and Shanghai Banking Corporation

IA: Innovation Advisors

IAC: Internal Audit Committee

IAS: Internal Audit Service

ICT: Information Communication Technology



IDA: Industrial Development Agency

IDB: Industrial Development Board

IDE: Innovation Driven Enterprise

IMEA: India, Middle East & Africa

IMF: International Monetary Fund

INI: Invest Northern Ireland

IOE&IT: Institute of Export & International Trade

IPA: Investment Promotion Agency

IRD: Innovation, Research & Development division

IREF: Independent Review of Economic Policy

IRTU: Industrial Research and Technology

ISMS: Information Security Management Systems

ISNI: Investment Strategy for Northern Ireland

KPI: Key Performance Indicator

KPMG: Klynveld Peat Marwick Goerdeler

LED: Local Economic Development

LEDU: Local Enterprise Development Unit

MD: Managing Director

MIS: Management information systems



MSFM: Management Statement and Financial Memorandum

NDNA: New Decade, New Approach

NDPB: Non-Departmental Public Body

NED: Non-Executive Director

NEGH: North East Growth Hub

NHS: National Health Service

NI: Northern Ireland

NIAO: Northern Ireland Audit Office

NICS: Northern Ireland Civil Service

NICs: National Insurance Contributions

NIESC: Northern Ireland Environmental Services Consultancy

NILGA: Northern Ireland Local Government Association

NILGOSC: Northern Ireland Local Government Officers Superannuation Committee

NIO: Northern Ireland Office

NIPSA: Northern Ireland Public Service Alliance

NISC: Northern Ireland Skills Council

NISRA: Northern Ireland Statistics & Research Agency

NITB: Northern Ireland Tourist Board

NQF: National Qualification Framework



OaCMS: Offers and Claims Management System

ODP: Outcomes Delivery Plan

ODT: Organisation Development and Transformation

OECD: Organisation for Economic Co-Operation & Development

ONS: Office of National Statistics

O&L: Oversight and Liaison

PAYE: Pay as you Earn

PCC: Performance, Compliance and Co-ordination

PfG: Programme for Government

PLC: Public Liability Company

POC: Proof of Concept

PPE: Post Project Evaluations

PR: Public Relations

PSM: Private Sector Median

QUB: Queen's University Belfast

R&D: Research and Development

RAG: Red, Amber, Green

RBG: Regional Business Group

RDEL: Resource Departmental Expenditure Limit



Rol: Republic of Ireland

RON: Return on Net Worth

RoW: Rest of World

RQF3: Regulated Qualifications Framework Level three

SBRI: Small Business Research Initiative

SE: Scottish Enterprise

SECC: Senior Executive Casework Committee

SEP: Strategic Economic Plan

SFA: Selective Financial Assistance

SFI: Science Foundation Ireland

SIB: Strategic Investment Board

SMEs: Small and Medium Sized Enterprises

SO: Staff Officer

SQN: SQN Asset Finance Income Fund Ltd

SQW: SQW Consulting

STEM: Science, Technology, Engineering and Maths

SUPL: Sustainable Use of Poultry Litter

SWOT: Strengths, Weaknesses, Opportunities, Threats

TE: Technology Executive



TEA: Total Entrepreneurial Activity

TM: Trade Mark

TNI: Tourism Northern Ireland

ToR: Terms of Reference

TSS: Trader Support Service

UAE: United Arab Emirates

UK: United Kingdom

UKG: United Kingdom Government

UKRI: United Kingdom Research and Innovation

UKSPF: United Kingdom Shared Prosperity Fund

UKTS: United Kingdom Trader Scheme

UUEPC: Ulster University Economic Policy Centre

USA: United States of America

VAT: Value Added Tax

VC: Venture capital

WBB: Wider Business Base



Annex F – Panel Member Biographies

Sir Michael Lyons

Chair, Independent Review of Invest Northern Ireland



Sir Michael Lyons is Chairman of the English Cities Fund, which is currently reshaping large parts of Salford, and has other large scale regeneration developments in Plymouth, East London, Wakefield and Liverpool. He is currently Chairman of SQW Ltd and has held a number of other Board positions as well as various nonexecutive and advisory roles.

He is a former Chairman of the BBC (from May 2007 to end of April 2011). He led the national “Lyons Inquiry” into the functions and funding of local government (published March 2007) which argued for greater devolution and emphasised the local authority’s role in *Placeshaping*. He led two other significant reviews concerning the relocation of government services (2004) and the management of public assets (2004).

He is a former Deputy Chairman of the Audit Commission (2003 to 2006) and Professor of Public Policy at Birmingham University (2001 to 2006). Sir Michael recently chaired the Belfast Innovation and Inclusive Growth Commission that published its “reset for growth” report in July 2021.



Dame Rotha Johnston DBE



Dame Rotha Johnston DBE has a wealth of experience in business and commerce within the private and public sectors in Northern Ireland. Rotha is currently a Director of Wildflower Property, Chair of Northern Ireland Electricity Network, Director at QUBIS, and member of KPMG NI Advisory Board. Previously Dame Rotha was Chair of Northern Ireland Screen and a Belfast Harbour Commissioner. She was also Business Development Director at the Local Enterprise Development Unit, a BBC Trustee, Pro Chancellor and Chair of Senate at Queen's University Belfast and Deputy Chair of Invest NI.

Maureen O'Reilly



Maureen O'Reilly is an independent economist with more than 25 years' experience working with the public, private and third sectors across a range of economic research and policy areas. She was previously Senior Research Economist with the Economic Research Institute for Northern Ireland. Prior to this she led the Policy Evaluation Unit at the Northern Ireland Economic Research Centre. She is currently a member of the Northern Ireland Fiscal Council and Senior Research Associate with the Centre for Cross Border Studies. She also sits on the Barnardo's UK Economics and Corporate Strategy Panel and is a Board member of Enterprise Northern Ireland.