Northern Ireland Assembly

Committee for Enterprise, Trade and Investment

OFFICIAL REPORT (Hansard)

Invest Northern Ireland: End-of-year Report 2014-15

19 May 2015

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Patsy McGlone (Chairperson)
Mr Phil Flanagan (Deputy Chairperson)
Mr Steven Agnew
Mr Gordon Dunne
Ms Megan Fearon
Mr Paul Frew
Mr William Humphrey
Mr Fearghal McKinney
Mr Máirtín Ó Muilleoir

Witnesses:

Mr Mark Ennis	Invest Northern Ireland
Mr Alastair Hamilton	Invest Northern Ireland

The Chairperson (Mr McGlone): With us today are Mr Alastair Hamilton, the chief executive of Invest NI; and Mark Ennis, its chairman.

Before we start, there is something that I want to say. It follows on from a conversation that I had with you last Thursday, Alastair. I offer you, on behalf of the Committee — we discussed this beforehand — our profuse apologies, because I realise that you had put a lot of effort into the occasion in the Metropolitan Arts Centre (MAC) for Committee members to attend. You had prepped your staff, who were there from overseas. Unfortunately, I had to go. I could not be there; otherwise, I would have been there. The Committee apologises for that and for any disruption or difficulties with staff that it caused. They must be wondering, "What are these guys at?". I am terribly sorry about it. We will have to make it up to you in some way or other, perhaps through increased budgets or something. *[Laughter.]*

Mr Mark Ennis (Invest Northern Ireland): Now we are talking.

The Chairperson (Mr McGlone): It was one of those occasions on which things just flopped. I am sorry about that.

Mr Alastair Hamilton (Invest Northern Ireland): I appreciate that. Thank you.

The Chairperson (Mr McGlone): Do you want to begin your presentation?

Mr Ennis: First, let me say thank you very much for seeing us. I will give a quick headline review and then ask Alastair to go through the numbers in detail, if that is OK.

I am delighted to be the chairman of an organisation that has had its third record year in a row. I thought that this was probably a good time to retire as chairman, but I was reappointed. The next three years are definitely not going to be as good as the previous three. However, the challenge is still as interesting as ever.

We promoted 13,829 jobs, which is up 30% on last year. What is really good from the Committee's standpoint, and what we are very proud of, is that 9,410 jobs were created. Let me just put that in context. If you take the labour figures for the same period, you will find that 20,000 jobs were created in Northern Ireland, so we have contributed almost 50% of that total number, and those are net jobs. That in itself is a great achievement.

We had £1·4 billion of investment, and, again, that is up 30%. What is pleasing is that we have got 25 new investors into the country, which is brilliant. That is up 40% on last year.

Before I hand over to Alastair, I will mention the final statistic on slide 3, which is that there was 85% customer satisfaction. To me, that is probably most important, because Alastair and the senior management team have transformed the way in which Invest Northern Ireland works. You get that outcome only when you ask this: what do our customers think of us? The anecdotal comments that the team got back were really positive, but that underlines things. We will see it in charts later, but equally important is the fact that dissatisfaction with Invest NI was down to 3%. To have 85% satisfaction from customers is a tremendous achievement for any organisation, and that is indicative of how we have changed the workings of Invest internally.

I now hand over to Alastair.

Mr A Hamilton: Thank you, Chairman and members. It is a pleasure to be back with you again. It is particularly a pleasure when we have such a wonderful set of results with us. As you can see from slide 3, the results that the chairman has just gone through are all the highest on record for our organisation, which has been in existence for almost 15 years. I know that, at the half-year point, I had indicated to you that it was going to be a very strong year, because we already knew, on the back of the first quarter and the changes to the European funding regime at the end of June, that it was going to be a very good year for us.

There are three areas that I normally show you. First, slide 4 shows the offers of support. It is encouraging to see the volume of work in the organisation and the volume of offers maintaining pretty steady, at around 5,000. I remind you that, if you go back to six years ago, the number was about 2,500. Our segmentation and reaching into the smaller business community has really driven the volume of work that we have done up to that level of 5,000 offers. Ninety-one per cent of those offers are with small and medium-sized businesses. I know that I often repeat it here, but I will repeat it again that, by volume, the vast majority of work that we do is with small and local businesses. As you can see from the slide, 93% of offers are to local businesses and 91% to SMEs.

Secondly, slide 5 shows that the amount of assistance that we offered is at an all-time high. What I have done with the slide is I have netted out the Northern Ireland Screen support. I did that purposely, because it is support that goes to a body and is then drawn down over a four-year period. To give you a like-for-like comparison between the offers that we make in-year for companies, I have therefore shown that slightly separately. If you take that out, there was £163 million of assistance offered to companies last year. This year, it was £194 million. Again, you can see how that has grown across this year, with 57% of that assistance going to local businesses as well.

Thirdly, slide 6 shows the total planned investment, which takes our investment together with a leveraged investment from the company. That gives you an indication of the total investment that will be leveraged from those projects. You can see substantial improvement over the previous year. A lot of this is related to the job support that has been offered. Support to external companies is up 51%. You can see the split in that. It is pretty much 50:50 between local and internationally owned firms. Bearing in mind that a lot of the projects in the first quarter were with internationally owned firms, because of the change to the European funding regime, it is very encouraging to see the local side stay very strong.

In slide 7, which looks at investment, we see that £1·4 billion is the largest number. I think that I reflected last year the success of getting to over £1 billion. To get to £1·4 billion this year is

exceptional. As you step across the three areas in the slide, you see that there has been £1·2 billion investment in jobs. That is up almost 50% on last year, which gives you an indication of the scale of job-related projects that were closed in the year. On R&D, I had on my slides last year for you a discrete project that I ring-fenced, which was the large Bombardier nacelles project. That was a massive project, with £109 million of investment. If you net that out, this year, like for like, we are up 12%. Obviously, if you include that, we are slightly down, because it is not every year that you get a £109 million project in the middle of your numbers. However, on a run rate, like for like, we are up 12%.

Last time, I indicated to the Committee that I strategically wanted to grow skills. If you remember, the challenge was that selective financial assistance was reducing, both in the scale of the companies involved — large companies are now being excluded, by and large, for follow-on investment — and in the quantum. We have been strategically trying to reduce the value of job support, while, on the opposite side, we are increasing the value of our skills support, because it is such an important lever. It will be no surprise for you to know that that £62 million investment in skills is up 80% on the previous year. A lot of our projects now have a much higher mix of skills support in there, as opposed to straight grants for jobs. That is a healthier place for us to be. It is a much more attractive proposition for firms to be able to get that skills support. Therefore, as an aside, it is important. That £62 million does not include around £6 million of assured skills support from DEL, which, all being well, will all be together in a new Department for the Economy next year.

It is worthwhile bearing in mind how important the skills element, both pre-employment and post-employment, is in our mix to attract local companies to grow but to attract foreign direct investment in particular. Obviously, there has been a challenge at a budgetary level around the entire skills side, a challenge that the Committee is very well aware of.

Slide 8 shows that local jobs are up 38% on the previous year. People may call me a bit of a sceptic, but, until the table had been done and I had started to plot where the companies on the list were set up, I did not realise that only one is in Belfast. They are listed in order of project scale not for any geographical or regional importance. Nevertheless, Antrim, Newry, Craigavon, Ballymena, Newry and Strabane are there as you go down the list. There are some sizeable projects this year. The Randox project in Antrim amounts to 540 jobs. First Derivatives is a wonderful example of a home-grown company that has grown to scale and is now operating at a substantial level in Newry, with another 480 jobs. The list goes on.

Slide 9 deals with the flip side, which is the internationally owned firms. New jobs are up 20% on the previous year. Rather than go through the table line by line, I draw your attention to a point that I have often made to the Committee about the power of clusters. We are now starting to see new clusters being developed.

The legal services sector is one that you are well aware of, but that has gone to a new level this year. A total of 450 jobs on the list are in the legal services cluster. There is a nice combination of existing investors, such as Allen and Overy and Axiom, investing again on the back of the promise that was made in Northern Ireland, and the delivery of that promise. There was also the bringing of Baker and McKenzie to Northern Ireland. I am tremendously proud, on behalf of the organisation, to have landed the world's largest law firm by turnover. It set up in Northern Ireland its first legal and shared services processing centre outside the US. That is a massive endorsement for the place, the proposition and the people that we have here that a firm such as Baker and McKenzie would do just that.

The second cluster is professional services. We have discussed with the Committee in the past the challenges around skills flow, particularly on the IT side, in which we had a lot of success. We were starting to hit difficulties with finding the people to meet those needs in some niche areas. Therefore, two or three years ago, we sought to diversify into professional services, and we are now seeing the fruits of that.

PricewaterhouseCoopers (PwC), Ernst and Young (EY) and Deloitte have between them 1,630 jobs on the professional services side. A really good, healthy graduate pool is coming out of universities with accountancy, mathematics or wider business degrees that those firms are really keen to get hold of. They have started to ramp up their employment intentions around those projects.

Slide 10 covers an area that Mark mentioned that we have put a lot of focus on. It is all very well having the existing investors here and seeking to see them grow with follow-on investments, but we need to keep that pipeline to Northern Ireland full of brand new names. At 25 new investors, that is up 40% on last year. As I said, we have put a strong focus on that. The international teams carry targets

for bringing brand new names to Northern Ireland, and they have done a super job this year in bringing those names that you see on the slide.

The slide shows another cluster developing, again strategically, around cybersecurity. The list of new investors includes WhiteHat Security, Rapid7 and probably a couple that are not on it, such as Proofpoint and Titan IC Systems. Among them, those four firms this year signed up for 270 jobs.

We have a unique capability in Northern Ireland for cybersecurity. We have the anchor research and development facility that is the Centre for Secure Information Technologies (CSIT), which is the UK's premier cybersecurity research facility across all our universities. We are now starting to see indigenous firms grow, but we are also now able to attract firms such as WhiteHat, which is an internationally renowned cybersecurity firm. It built its threat resolution centre in Belfast, which is a great endorsement for the proposition that is here. That cluster is one to watch. It is an area that I think will continue to grow.

Slide 11 relates to the jobs fund, which we are now at the end of. It served its purpose of creating jobs quickly. The target was to promote 6,300 jobs and create 4,000. I am delighted to say that, if you focus on the creation side, which was the importance of the project, you will see that we created almost 6,700 jobs, against a target of 4,000. It is important to note that 40% of those jobs were picked up by people who came off the unemployment register. That is important to bear in mind for the future. The vast majority of the projects that we create with high-value jobs draw mainly graduate resource out of our universities. Some of those graduates may have gone on to the unemployment register for a short time, but they are not generally unemployed in the long term, whereas through the jobs fund we saw a volume of people come off the unemployment register and into those jobs.

Mark mentioned the 20,000 net incremental position for jobs over the past year, to which the jobs fund contributed as well. In that, we saw our two largest projects ever, Concentrix and Convergys. Those are substantial projects.

Slide 12 shows a really positive position on job creation. This Committee and many others have been keen over the years to see actual job creation. I know that I am repeating myself a lot, but we put in place systems that now allow us to track job creation accurately against the offers that we make. Job promotion has probably a two-year delay. That is a good indication of what will happen, because the peak of job creation for any project generally comes in the second year of a five-year project window. Therefore, I am pretty confident that that number, based on a record 14,000 jobs promoted, will flow through next year and the year after into job creation on the ground. We are in a really good position with that. It is up 40% on last year.

However, I will draw a contrast. The target that we were set was 25,000 jobs promoted. There was always an indication, and I gave the Committee a view, that, generally speaking, there will be a lag in the same year, and job creation will therefore lag behind job promotion. I would not have guessed that we would have been able to create 28,000 jobs in the year that we were set a 25,000 target for job promotion.

Mr Ennis: It might be worth mentioning, Alastair, that 73% of those are outside Belfast.

Mr A Hamilton: Yes. Sorry, I missed that point. Of the 9,400 job created, 73% were outside Belfast. When I was before the Committee a couple of weeks ago, we got into a conversation about the subregional agenda. This presentation breaks down the figures for inside and outside Belfast so that we have some subregional analysis. If I had asked people to guess what the percentage might be, they would not have said as high as 70%, so it is a healthy position for us.

Slide 13 relates to export performance. Again, we have touched on that subject over the years. We face a challenge with the sluggish nature of the eurozone, which is our main market. We are also seeing large company impact. What I mean by that is that, over the past two or three years, some large companies have moved part of their large manufacture to other locations in various stages. We may have dealt with the jobs impact at the time, but we are now seeing the export impact flowing through in the numbers. It takes a lot of first-time or small-scale exporters to make up the value of some of the large movements that we see on the export side.

Currency is a big challenge at the minute, particularly in the eurozone. Although our exports are down 1·1%, and not to have a showcase of the worst performers, I want to put that in context. England is down 4·4%, Scotland is down over 5% and Wales is down 11%, so it is not just us facing challenges on the export side.

Slide 14 relates to the four-year Programme for Government and shows a healthy position for us. The 25,000 job target is 49% over. We are almost 170% over on the £1 billion investment and 73% over on R&D. I will focus on that for a moment. R&D was a particular challenge set for us. This Committee was involved in some of the work on R&D, particularly the SME element. We are well ahead of the SME target on R&D. However, to get to £0·5 billion of investment in research and development in Northern Ireland over that period is a milestone for us in the overall strategic objective that was set, and now cemented, in the innovation strategy of trying to convert to an innovative, forward-thinking, research-intensive place for our businesses.

We set a target of £28 million for the growth loan fund, which we are ahead of. A total of £30·8 million worth of loans has been provided through that fund from a standing start. Finally, the one that we missed is the export target, which we mentioned.

Slide 15 gives you a little bit of a breakdown of export performance. There was a healthy position in year 1, which was 2011-12, where performance grew from £5·6 billion in 2010-11 to £5·9 billion, but it then very quickly came off. It went back to £5·6 billion and stabilised at £6 billion. We get the fourth quarter result for the last year, which we are now in, in June. I forecast that it might be about £1·4 billion to be added, based on an average of the fourth quarter results for the past four years. If that turns out to be the case, the figure will be £5·9 billion.

It is worth bearing in mind — I have mentioned this to the Committee before — that we, collectively, are underplaying the performance of Northern Ireland companies in selling outside of Northern Ireland. There is good news about how we can address that for the future. To put it in context, the gap at the top of the slide is £900 million, so we are £900 million short of achieving 20% growth. Look at the £8·2 billion in external sales to GB, albeit that is over a three-year period because there is a longer delay in getting the results. The growth in the area over three years is £890 million. The £900 million that we are short in exports in four years is compensated for by the almost £900 million of growth in external sales, which is sales to the rest of the UK. The plan in the future is to move to a more rounded measurement and analysis that will capture external sales to GB; exports, as we have been defining them, for manufacturing; and, importantly, service-related exports. We have been able to attract a lot of service-related firms that are exporting and delivering services beyond these shores, but none of that is captured in the current manufacturing exports number produced by HMRC. I believe that, in the new Programme for Government and the new corporate plan that we will have connected to it, we will have a much wider measure, and one that gives a true reflection of the external sales delivery for Northern Ireland businesses.

Mark has already commented on slide 16. If you look at the delta between customer satisfaction and dissatisfaction in 2011-12, it was 59%. The delta now is at 82%, so the gap between satisfaction and dissatisfaction has substantially moved on. Having driven the process of transform, which many members around the table have been sighted on and involved in over the past five years, I can say that those are the outworkings of putting a customer focus at the heart of the organisation and all of our staff embracing that. We are now in the position in which we have set our vision to be a world-leading business development agency, and we are seeing that starting to develop.

Slide 17 gives you the flip side of that — staff satisfaction. Obviously, there has been a lot of change in the organisation over that four- or five-year period. There has been a little bit of uncertainty, so keeping staff satisfied was a challenge in the first couple of years represented on the chart. We are delighted that, this year, staff satisfaction has risen to 65%. That is the second year in a row in which it has risen. That benchmarks fairly well against other private-sector organisations based on the benchmarkable employee engagement index. I am very proud that, this year, the organisation was awarded Investors in People gold status. That is an externally benchmarkable measure of how people feel it is to work in the organisation. We are now in the top 3% of people who apply for the Investors in People programme. That is a real endorsement of some of the things that we have done.

Mr Ennis: It is worth mentioning that the assessor for Investors in People said that he thought that Invest was the most professionally customer-driven organisation that he had come across, and he has seen a lot of organisations.

Mr A Hamilton: Slide 18 shows a little bit of a deviation on previous years. I know that there has been some desire to get into some of the detail around the subregional agenda. I have given you some statistics: 59% of the new jobs that have been promoted have been promoted outside Belfast; 73% of jobs created are outside Belfast, as has been mentioned; and 67% of planned investment is outside Belfast as well. I have included a screenshot of one of the council FDI apps that we have talked about in the past. You will know that we as an organisation are heavily involved with the 11

new councils in developing the community plan and the sub-element of that, which is an economic development plan. I have often said that we try to encourage companies on the foreign direct investment side to look at a more regional proposition for their model, but, in reality, we are competing for some of those projects against cities two or three times the size of even Belfast. Therefore, trying to promote a solution that has a lower catchment area or a low travel-to-work catchment area for those sorts of projects is not going to be successful. What is really encouraging from this year's results is the strength of indigenous firms. When I look at the local companies and their subregional growth, my desire — I will definitely make this point as we develop those economic strategies — is to reach out to the likes of First Derivatives, Wrightbus, Dunbia and Moy Park. Those companies could really create employment on a subregional basis in the communities in which they have been built and have grown. We will continue to support and encourage those companies to grow in those areas.

My last slide is a forward look, and it shows the challenges and opportunities. I mentioned the Department of the Economy in passing. I look forward to that, and it will be a great opportunity for us collectively to bring together all the levers that make a big difference not only to local company growth but to inward investment. To have the skills agenda alongside the economic development proposition is very strong for us. I must give credit to the DEL leadership and the people in the organisation who worked tremendously closely with us over the last couple of years, particularly on Assured Skills and the academy models. This allows us to take it to another level in terms of integration. Quite a lot of work is going on on the back of the recommendations of the Hunter review on the alignment of tourism. We are involved in claims handling, which we agreed to take on and support on behalf of Tourism NI. There was also a recommendation that we should look at co-location between Invest NI and Tourism NI, and that is now being actively looked at.

Corporation tax is a big opportunity, but I suppose that, in the room that I am in and the people whom I am with today, it is also a big challenge. I do not hide the view that we were pretty encouraged at the beginning of the year, and we have built a pipeline of opportunity. We have companies out there that are warm at the minute on the prospect of having a unique proposition in Northern Ireland that includes skills, cost and tax. We are a little frustrated that that has not progressed, bearing in mind that the legislation has now gone through Westminster. My plea is no different to the plea that I have made in the past. I really want to get as much progress as I can on the rate and the date so that we can get out and start to turn that warm feeling and the interest that has already been generated into real deliverables, because we really need to kick on. We delivered 14,000 jobs this year, but the pipeline of normal job creation has obviously gone down. We need to rebuild it, and the strongest way to do that is with the corporation tax base in the middle.

We covered grade A property when we were here two or three weeks ago. Suffice to say that we have had 15 requests since I was last here and we launched that. Those requests for the packs and the information came from a range of people. Anecdotally, I am getting very positive feedback, not just because we launched it but because, more widely and generally, property developers are interested in getting back into that space. That is positive.

We also have an export action plan, which the Department is finalising at the minute. That plan, combined with the new measurement process that I mentioned and internal changes in our organisation, will really reinvigorate us to make sure that, in the next Programme for Government, we do not miss our export target. I really want to make sure that we deliver our targets across the board.

In summary, 2014-15 was the best ever performance by the organisation: 14,000 jobs promoted, 9,500 jobs created, £1·4 billion of investment and 25 brand-new companies. We have never seen the like of it, and it is with that, Chairman and members, that I present to you the results of Invest NI for the last year.

The Chairperson (Mr McGlone): Thanks very much indeed, Alastair, and compliments to your staff for delivering this. I know from bits and pieces that I hear locally that Invest NI is following up and engaging with communities. Had I been able to attend your event last Tuesday, I had wanted to elicit feedback from your overseas staff about how they are assessing the mood amongst companies for a reduced tax environment. I really wanted to hear that, but, unfortunately, I could not. You have had your staff in and gauged the mood, so what is your assessment of that and of the opportunities? Like many others in the room, I want the rate and date to be sorted ASAP.

Mr A Hamilton: Feedback from the international staff is very positive. It is only a partial view, because we have not yet gone out to promote corporation tax. What has happened so far is a combination of two things. First, some firms have picked it up through news headlines, social media and all those areas. Secondly, firms that are already here on a cost proposition immediately know

about the potential for a profit proposition. Quite a few of our international investors who do not have profit-related elements with their functions here are already starting to look at it, so the feedback is very strong. I will not overplay it, but, as I said, the combination of talent, a very strong cost model and now a tax model is a really strong position for us to be in, so the feedback is very strong. The longer the delay between the legislation passing in Westminster and our being able to give clarity, the more difficult it is to try to hold some of those companies in place. There is, however, a real desire out there for firms to pick up on the opportunity.

Mr Ennis: Some firms are already changing their view because they have to make a decision and have nothing firm to make a decision on. It would be very unfortunate if we missed that opportunity.

The Chairperson (Mr McGlone): I agree entirely. I will pick up on that. I am interested to hear about the regional aid guidelines that you discussed previously. If I picked you up correctly the last time you were here, you were concerned that they could restrict the ability to support larger company expansions. Will you expand a wee bit on that and explain it to me? If we get all the ducks in a row on corporation tax, I am thinking about how that may or may not impact firms coming in. With the regional aid guidelines, they can just dip their toe in the water, but, having done that, they may not be able to avail themselves of the big expansion coming behind that.

Mr A Hamilton: That is the beauty of corporation tax, because it is not dependent on any European Union rule that is or may be in place. The situation on regional aid is that we are no longer allowed to support through selective financial assistance (SFA). We can still do skills support and other measures, which is why skills are so important. However, we can no longer support a follow-on project from a large company in the same area as they are currently in through selective financial assistance. In the past, a firm came in and set up, created 100 jobs and then wanted to test the proposition and do another 100 or 200 jobs. Those 100 or 200 jobs are not supportable now. Corporation tax is important because it is not caught in that European piece. If we had corporation tax, a firm could come in tomorrow, set up and then expand without any limitation on maximising their benefit around corporation tax.

The Chairperson (Mr McGlone): Thank you for that. I want to ask about the jobs fund and your projections, which are shown on slide 11. The numbers promoted seem to be declining. I am thinking about your earlier point. In the longer term, if the numbers promoted are on the decline, that does not translate into realisable jobs. According to your slide for 2014-15, it is down —

Mr A Hamilton: The numbers promoted have gone down because we are coming to the end of the programme.

The Chairperson (Mr McGlone): Right. That is entirely —

Mr A Hamilton: There is no point in my having a pipeline of opportunity in January and February this year that will be only halfway through a process when the guillotine comes down at the end of March. I would have to go back to people and say, "I know I've been talking to you for six months, but I can no longer fund it". Strategically, the way in which we managed our pipeline meant that we started to slow down on those projects in the last year to make sure that we did not leave anybody dissatisfied. We did not want to engage with people and then be unable to deliver. It is a purposeful reduction.

The Chairperson (Mr McGlone): That is grand; that clears it up.

To satisfy my own curiosity: you mentioned the clustering of legal services and cybersecurity services. Will you explain to me why that needs to be the case? With cyber stuff, that can be done anywhere, provided broadband capacity and all those things are in place — to my simple mind, anyway. Is there a need for either of those two services to be clustered, particularly given the current cyber age?

Mr A Hamilton: Clusters happen because companies want to be near each other. One of the key pieces is collaboration, which we see in a lot of the work that we do in research and development. As a matter of fact, you will aware in this Committee of the impact of collaboration through the competence centres that have been built and all that work. Firms want to collaborate much more now, so they want to be near each other. You cannot easily collaborate. Technology allows people to share information, but, in these environments, people want to be part of a cluster. To take the

example that you gave, they want to go to events and to be in the CSIT facility. They want to be in an environment where other firms are interacting with them.

Where do clusters grow? That is a bigger, wider debate, but the cybersecurity cluster has grown where it has grown because CSIT is there.

The Chairperson (Mr McGlone): Where is it, Alastair?

Mr A Hamilton: It is down at the Science Park. It is a Queen's University facility, but it purposely decided — rightly, in my view — to build it in the Science Park for the reasons that we have just explained. There is a cluster of high-tech, high-growth IT-based knowledge economy companies in the Science Park, and it is better to have your research facility co-located with them than have it up the Malone Road or wherever. It is about building the ecosystem. The ecosystem has been discussed previously, and that ecosystem is a combination of the infrastructure — that is not just technology but could be buildings, research facilities and people, because a lot of the people who are in the CSIT facility are Queen's PhD students — the companies around it that live off its back, the funding mechanisms and so on. That is why firms cluster.

Mr Flanagan: Thanks for the presentation. Well done to Invest NI and the entire team for a third successive record year in performance. I am seeking clarification. A new word has entered the presentation this year: jobs "secured". Has that replaced jobs "promoted"?

Mr A Hamilton: Which slide are you on?

Mr Flanagan: It is slide 3: headline results.

Mr A Hamilton: Sorry. Yes, that is promoted.

Mr Flanagan: That is fine. I want to deal with the target in your corporate plan 2011-15 that 75% of jobs will be paid above the median wage. Was that met for 2014-15?

Mr A Hamilton: Across the four-year period, we are there or thereabouts. We are probably about 1% to 2% behind on that across the period. I think that it is running at 73% at the minute. The reason for that — this ties in with the Chairman's question about the jobs fund — is that these things are quite difficult to manage. You build a pipeline of opportunity for a four-year programme, and although I explained that we managed to downturn that so that people were not left at the end, there were a few projects, and some are of a scale — I will not mention them by name — that we had originally intended to support through the jobs fund that we did not support at the end of the period because of the terms and conditions of the jobs fund and various other reasons. Therefore, we supported them through normal selective financial assistance. If I had wanted to keep to 75% being paid above the median wage, I would have said no to the projects, but, between two or three of them, there were 300 or 400 jobs, so it was better to secure those jobs. We have secured some projects with jobs below the private sector median, which, in another world, would have been supported by the jobs fund, but we now support them through normal SFA. That has diluted my 75% to 73%.

Mr Flanagan: Was there £18 million or £19 million in the jobs fund?

Mr A Hamilton: Yes. We spent a lot more than that. I cannot remember the figure.

Mr Flanagan: That has distorted the organisation's performance and its figures for those four years in getting high-paid jobs because there was a demand from the Executive and the Assembly for Invest NI to get jobs of any nature in here because of the unemployment crisis.

Mr A Hamilton: No, let me be clear: it was only a few discrete projects. The jobs fund was not counted against the 75% percentage. All other projects outside the jobs fund were, but there were a number of large projects that we could not secure through the jobs fund as it drew to a close. It would have been nonsense to say no to those projects with 300 or 400 jobs, so we supported them through our normal selective financial assistance, and because, by and large, the jobs were close to the private sector median or slightly below it, they have diluted our performance in SFA.

Mr Flanagan: Was there a target for wage levels in the jobs created through the jobs fund?

Mr A Hamilton: No. The strategic objective of the jobs fund was to create jobs quickly.

Mr Flanagan: I have spoken to a couple of property developers who are interested in pursuing grade A office accommodation, but there is a fear that, if they develop commercial property outside Belfast, they might find it hard to get clients because of the reluctance of some to locate outside Belfast. Can you give any assurances to potential developers?

Mr A Hamilton: All I would say to developers, whether in Belfast or outside it, is that they need to build a business plan and evaluate whether there is a possibility that they can attract companies that will pay a premium for a grade A property. I cannot and will not get into an arrangement with any property developer to say that I will guarantee or assure them that I will bring clients to fill their property. It would be foolish of us as an organisation to do that, so they need to make their analysis. Our funding goes in on commercial terms, and they need to build a business case around that.

Mr Flanagan: That is a similar answer to the one you gave me last time when I asked whether you would be doing that, and you said that you would not.

Mr A Hamilton: I know. You asked me the same question both ways.

Mr Flanagan: Yes, I am trying to catch you out both ways.

With historical Invest client companies, it has been a very positive move for the business community here that Invest NI now deals with everybody. I sense a complete change in attitude to the work of Invest NI from business organisations, and, hopefully, that will continue. It is great to see the positive response from your employee engagement and customer feedback. They are very important, and it is great to see those positive moves.

Do you track job losses in historical client companies? Do you have any information on that?

Mr A Hamilton: We track that. It is displaced by six months because it is done on a survey basis. In the bigger picture, there are three sets of numbers that we are now tracking on net job position. First is the labour force survey, which is the figure of 20,000 that I mentioned. Second is the 9,400 jobs created across all our projects, which could be in our managed base or small companies as it straddles them all. Third is the one that we do at the half-year point, so it takes a little time to gather the information, which we present to you at that half-year point. That is for just over 1,000 managed customers, which are the ones that you referred to. Last year, I gave you the results at the half-year point that the net position was plus 8,540 jobs. I may have the chart with me that shows the upside and the downside of that, but it is a net position of 8,540. That takes into account job gains and losses across that account-managed base. The actual numbers are 11,523 job gains, 2,983 job losses, and the net change is 8,540 positive.

Mr Flanagan: Is that for mid-year 2013-14?

Mr A Hamilton: No, that is for the full financial year 2013-14.

Mr Flanagan: So you do not yet have the figures for 2014-15.

Mr A Hamilton: No. We will have those at the half-year point of this coming year.

Mr Flanagan: Will you present them to us then?

Mr A Hamilton: I will present them to you at the half-year point.

Mr Flanagan: Slide 18 shows that 59% of new jobs promoted were outside Belfast. Last year, that figure was 53%. It is good to see positive moves, but do you have a breakdown of the percentage for externally owned companies and locally owned companies? Last year, only 24% of jobs with externally owned companies were outside Belfast. I want to see whether there is a similar trend this year or whether it has improved.

Mr A Hamilton: I do not have those figures with me. As we did last year and the year before, we will publish all the subregional breakdown in the middle of June. It will all be in that pack.

Mr Flanagan: The final thing that I want to ask you about is something that members have asked over the years. We are in the middle of an inquiry into how to attract further job investment. It is about the analysis that Invest NI carries out of the rationale behind or reasons why companies that you go after decide not to locate here and go somewhere else instead. Do you have a table or chart that shows the most common reasons — rates, skills, infrastructure, political uncertainty or whatever?

Mr A Hamilton: That information is not collated in the way that you want it. With all the projects that we pursue and those that do not eventually come here, we do an analysis on the back of the project so that we can put that back into our learning for the sales teams, but we have not collated it as a list. It is usually not one thing but a combination of elements for why people decide not to set up here. I do not want to leave you with the impression that there is a big volume of them. As I have said before, we have homed in on the opportunities that we focus on. We qualify at a very early stage. If we engage with a company and we feel that, due to our proposition or some other reasons, it is a project that we cannot win, we do not spend time on it. There are three or four steps in that qualification process. There are very few projects that come on to our work and progress pipeline that we do not win.

Mr Flanagan: It is something that you are learning from.

Mr A Hamilton: Yes. The learning goes back into the organisation.

Mr Flanagan: Does that feed back to Ministers if changes need to be made?

Mr A Hamilton: That is a good question. It does not, at the minute, but it probably should.

Mr Humphrey: Thank you very much, gentlemen, for your presentation. There have been three years of solid progress and development. Best will and thanks should go from everyone to you, your organisation and all those involved in making sure that those results were realised. What is the put-back for the £1·4 billion investment? In other words, for every pound of taxpayers' money spent in this investment, how much is generated from the private sector?

Mr A Hamilton: Last year, our ratio, or conversion, was £7 for every pound invested. So, we got £7 back into the economy for every pound of our investment — £194 million.

Mr Humphrey: That is hugely important.

Mr Ennis: That has increased.

Mr A Hamilton: It has gone up. It used to run at about £4 or £5 for every pound put in. For the last two years, it has been round about that level. I think that it was slightly higher last year, but it is at £7 this year.

Mr Humphrey: Since you were here making your presentation on the figures for last year, there has been a change in the emphasis on tourism by the former Minister and how we promote tourism in Northern Ireland, with the establishment and new arrangements around Tourism NI. How will that branding help you when you go out to sell Northern Ireland plc nationally and internationally and in getting the maximum amount of bang for our buck?

Mr A Hamilton: I will reflect on some of the events that have taken place over the last few years, such as the G8 conference and the Irish Open, which we have had in the past and look forward to again in a week's time. From our point of view, those events provided great opportunities, through international TV coverage, to get a message out about Northern Ireland and the place that it is. We tried, and successfully managed, to put together a combined tourism and business message around the G8. It has spurred on the two organisations and Minister Foster, in her time, to try to develop a much more coherent message about Northern Ireland. If you go to the Irish Open, you will see that in its manifestation. We now have two simple brands: "Northern Ireland: Good for Business" and "Northern Ireland: Good for Golf". Those are the two messages that will be carried around the Irish Open in a week's time.

As you imply, we would like to take that into an international dimension, where we would start to propose and build that message about what it is around the place and start to get some of the other work connected around that. Between ourselves and the Tourist Board, we are involved in the

process of trying to develop that brand message, not the identity, around it. What is unique about the place? How can we get that crystallised into a message and a presentation externally? So, yes, we are actively involved in what that might look like. It is not only Tourism NI but some of the councils. It is encouraging.

Mr Humphrey: I am pleased to hear that councils are involved because there are regional tourism partnerships that they should be looking to develop. Earlier, you mentioned the corporate headquarters in Belfast, where you are looking at yourselves and Tourism NI coming together. That is good for economies of scale. Can that be developed nationally and internationally in terms of Northern Ireland satellites out there? I know that you have offices internationally. Can that be developed as well?

Mr A Hamilton: You are starting to get into politics.

Mr Humphrey: I appreciate that there are issues about Tourism Ireland marketing Northern Ireland internationally.

Mr A Hamilton: In the one area that we can, we are. The one area where we can do it is in Dublin. Plans are under way to co-locate Tourism NI and Invest NI in a single office in Dublin. Although the responsibility is carried internationally by Tourism Ireland and although we are not co-located with them, there is a much stronger working relationship between my representatives internationally and Tourism NI in that, at every overseas trade mission where there is a Minister or someone senior present, there will be a tourism element to the programme as well as an investment or trade element. On every occasion, we are reaching out and combining a tourism and business message.

Mr Humphrey: That is a common-sense approach. You touched on the devolution of corporate tax. The Chair mentioned the date and rate, which are vital in the deal that we get, given that the block grant is fixed. The past three years have been very good, although you say, Mark, that the next three may not be just as good, given the budget constraints that you will face. Can corporation tax, if set at the right rate and introduced reasonably soon, be a game changer and help you?

Mr Ennis: Yes, unquestionably. We had financial assistance, which was a great boost, but European rules are changing. One reason that we did so well is that so many tried to get their full financial assistance before the cut-off period. We are now going into battle with an arm cut off. If we want something else to put into the armoury, corporation tax would definitely give us it.

It would mean that we would be fishing in a much bigger pool. At the minute, all our companies are focused on a cost and value proposition, whereas we do not have a profit proposition per se. We would then open up to a new range of companies. Some are here already, but others would come to grow profitability in Northern Ireland because that would make sense. A whole new range of companies would come in.

The Chairperson (Mr McGlone): An tUasal Ó Muilleoir, Máirtín.

Mr Ó Muilleoir: Go raibh maith agat, a Chathaoirligh. Thank you, gentlemen. Congratulations on your result. I am never sure whether to credit the CEO, the Chair, the Minister or maybe even the Committee members.

Mr Ennis: The team at Invest.

Mr Ó Muilleoir: Stunning results, so congratulations on that. On a point of information, when we talk about a cybersecurity cluster, I like to bring it back to John Stewart Bell, the guy from Belfast who corrected Einstein and who was a pioneer in quantum physics. All the success of cybersecurity goes back to transferring information and quantum physics. Not that I understand it, but it is nice to show the authenticity.

The Chairperson (Mr McGlone): I thought that you were going to tell us.

Mr Ó Muilleoir: I have a couple of questions. One picks up on what my colleague Mr Flanagan said. He did not mention Fermanagh anywhere; he is getting mellow in his middle years.

Mr Flanagan: That is a serious allegation. *[Laughter.]*

Mr Humphrey: Fermanagh or middle years? *[Laughter.]*

Mr Ó Muilleoir: Jobs are created and some companies may lay people off. Phil was talking about job security. Recently, Capita IT management had redundancies. That is a big company, and Invest has given it support to grow jobs. If a company is in receipt of grant, are you kept informed of redundancies? Would a company in receipt of grant come back to you and say, "We are cutting back on this area."?

Mr A Hamilton: All companies that have a live letter of offer from us and are in the process of fulfilling that letter, so they are midstream in that four- or five-year period, or have got to the end of it and are in a control period, which usually lasts five years, are obliged to inform us of any changes to their employment position in relation to any funding that we gave them, or potentially will be giving them, against those letters of offer. We are kept informed of that.

Mr Ó Muilleoir: Does that one ring a bell?

Mr A Hamilton: Across all these companies there are fluctuations. Of the 9,400 jobs, over the lifetime of those projects, those movements will be netted out, so we do not pay for jobs. Somebody may claim for 20 jobs today, and we pay them, and five are lost. As that is five fewer, the next time they claim for another 20, they get 15 instead of 20. It is netted off at every claim throughout the process. We are very conscious, and we watch that very closely.

Mr Ó Muilleoir: Thank you. Chair, could we talk about youth employment for a bit? I suppose that it is an indictment on us all that, as unemployment has fallen — probably for 30 months in a row — youth unemployment remains stubbornly high at over 20% of 18- to 23-year-olds. Of course, there is a lot of immigration, which is heartbreaking when it is not something that young people want to do. Are there any special strategies that we could adopt to tackle youth unemployment? You mentioned the difficulties with European funding, but is there any way of accessing European funding for this, or are there any special schemes? DEL will merge with DETI shortly. Is there anything extra that we could do to tackle youth unemployment?

Mr A Hamilton: It is not an area that we are particularly focused on. We have enough targets for job quality and where they go and all the rest of it. It is a good debate to have in the run-up to a new Programme for Government. I do not have the numbers, but I suspect, having gone round the companies that availed of the jobs fund, anecdotally, quite a few of the jobs — 40% of those who benefited were unemployed — were picked up by young people coming off the unemployment register. If you add some of those elements together, there may be things that can be done specifically to target youth unemployment; but it needs to be part of a wider debate. We are ready to fulfil our part of any policy initiative that comes our way that tried to do that. However, it is not ring-fenced at the minute.

Mr Ó Muilleoir: Ok. Finally, you talked about clusters, which are very important, especially in these new tech companies. However, some indigenous companies in the same areas, but on a smaller scale than Citigroup or other bodies, may feel that an external company gets grant aid to relocate here, while they, which have been labouring away, have not been able to or do not avail of that. I am thinking in particular of Fern Software, a smallish company on the fringes of south Belfast, which is active in 30 countries in software for credit units. Their problem is that when some of the larger companies arrive and are looking for talent, they immediately go and — I do not want to say steal — lure away their talent. Is there any way to make sure that indigenous companies feel part of the cluster and do not feel that they are losing out?

Mr Ennis: The IT sector came together very successfully through the Assured Skills initiative to create a talent pool. It is quite healthy to have some rotation of people as well. As long as it does not spiral out of control and lead to wage inflation, that sort of competition is quite healthy. In this instance, it has brought indigenous companies and foreign and direct investment together to tackle the issue.

Mr Ó Muilleoir: A little bit of wage inflation might be ok; I know a lot of workers in Belfast who would not mind some wage inflation. I see that, and I understand where you are coming from. Fern Software, as a software business dealing with financial technology, sees it as unfair when another company comes in and gets grant aid. It is not really a level playing field. That is where a little bit of

hurt is. I do not know if there is an easy solution. After all, when Citigroup come in they create 1,000 jobs.

Mr A Hamilton: There is an easy answer: get to the position where corporation tax is the deliverable that is even across the board, and it does not matter whether you are an international inward investor or an indigenous firm, because everybody gets the same benefit from corporation tax. Ultimately, we need to wean companies off job-related grants and focus exclusively on skills investment, for internationally and locally owned companies.

The Chairperson (Mr McGlone): I am sure that the firm is already in dialogue with you, but if they wanted further dialogue, Máirtín, I am sure that you could facilitate that.

Mr Ó Muilleoir: Thank you, gentlemen, and congratulations.

Mr Agnew: Apologies; I was in the Chamber when you were making your presentation. The whole corporation tax promotion has been predicated on bringing in foreign direct investment, or certainly a large part of it has. The previous Minister made a lot of the fact that we have been more successful than other regions of the UK in attracting foreign direct investment in the recent period. The statistics show, though, that people in Northern Ireland are now 7% poorer than in 2007 in comparison to other regions of the UK. Have the benefits of foreign direct investment been overstated?

Mr Ennis: If you did not have the foreign direct investment, the figures would be much worse. That is the reality.

Mr Agnew: Does that highlight that, with the foreign direct investment that we have seen, with income levels being lower in relation to the UK, and, indeed, with the gap growing, we are getting low-paid jobs coming in through FDI?

Mr A Hamilton: I do not have the numbers with me, but you would need to do an analysis of the whole of the economy. The reality still is that the vast majority of our firms are small businesses and that a lot of them are in sectors that, although they have been growing, the wages are at a lower level, particularly if you just measure wages. It is typical in the agrifood sector, where the headline wage is lower, but people earn bonuses depending on their efficiency and capability in the role, and those things do not get counted when people just look at wage levels. Therefore, you have a large swathe of small businesses and single-owner businesses at a volume level in a much smaller piece from the foreign direct investment.

I have no issues with the job quality that we have targeted and delivered from foreign direct investment. Some of it is at least 25% or 35% ahead of the private sector median, but it takes an awful lot of that to outweigh and counterbalance the inherent low-value elements in the wider economy. That is what we are seeing developing. I think that Mark is right. Not that I can substantiate it, but I know, anecdotally, that if we were not there creating the foreign direct investment we would probably be in a worse position.

Mr Ennis: You may have missed it, Steven, but 73% of the wages are higher than average.

Mr Agnew: I was coming to that. That is obviously measured against a median wage. Again, the median wage in Northern Ireland is lower than in most, if not all, other regions in the UK. I would need to check that. I know that it is a political decision, but, from your point of view, would changing that target to one of jobs paid a living wage be something that you would welcome, given the Oxford Economics report, which showed that paying a living wage would boost the economy, or would you fear it as being counterproductive to what you are trying to do with corporation tax?

Mr A Hamilton: I think that I am right in saying that the median wage against which we are targeted is actually ahead of the living wage. Again, as I have said before, the two things that we are bound by are the national minimum wage, which is legislative, and the private-sector median, which is a target that has been set arbitrarily. My knowledge is that the private sector median is ahead of the living wage, but if there are other factors that this place or legislators want to put in place then —

Mr Agnew: I assume that, when you are in discussions with the Department, if it proposes ideas, you give your feedback. I would be very surprised if there was a proposal that, say, 100% of the jobs should be for a living wage at minimum.

Mr Ennis: I am chairman of SSE Airtricity in Ireland as well, and we have been the first to incorporate the living wage.

Mr Agnew: I commend you for that.

Mr Ennis: Not at all. We have seen a benefit from it. It impacted particularly heavily when we took over the Phoenix operations in Northern Ireland on the gas side. I think that many of our employees benefited as a consequence, and we have seen a benefit in our productivity as a consequence, so there is a living example.

Mr Agnew: I am pleased to hear of a positive case study on a living wage, so thanks for your comments.

The Chairperson (Mr McGlone): Thank you, gentlemen, for your presentation today. I wish you well in your endeavours.