Northern Ireland Assembly

Public Accounts Committee

OFFICIAL REPORT (Hansard)

'Invest NI: A Performance Review': DETI/Invest NI Briefing

13 February 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Ms Michaela Boyle (Chairperson)
Mr Trevor Clarke
Mr Michael Copeland
Mr Ross Hussey
Mr Daithí McKay
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Sean Rogers

Witnesses:

Mr David Sterling	Department of Enterprise, Trade and Investment
Mr Mel Chittock	Invest NI
Mr Alastair Hamilton	Invest NI

Also in attendance:

Mr Kieran Donnelly	Northern Ireland Audit Office
Ms Fiona Hamill	Department of Finance and Personnel

The Chairperson: We are considering the Audit Office's report from the Comptroller and Auditor General (C&AG), 'Invest NI: a performance review'. Does any Committee member have a declaration of interest to make? No?

I welcome Mr David Sterling, accounting officer in the Department of Enterprise, Trade and Investment (DETI), Mr Chittock and Mr Hamilton. David, will you introduce your team, please?

Mr David Sterling (Department of Enterprise, Trade and Investment): Yes. Alastair Hamilton is the chief executive of Invest NI and Mel Chittock is its head of finance and operations.

The Chairperson: You are very welcome. I have a number of questions, so, if you will allow me, I will get into that.

Paragraph 1.8 of the C&AG's report tells that, over 12 years ago, the Westminster Public Accounts Committee (PAC) recommended to DETI that the data on job creation and duration should be reported as standard in the future. That recommendation was accepted by the Department. However, paragraph 3.22 tells us that there is still no formal performance reporting for those key areas. Why has the recommendation not been implemented?

Mr Sterling: I will kick off on that. The recommendation was made back in 2000. It is perhaps not entirely clear from the report, but the Industrial Development Board (IDB), in the following two annual reports that it produced, reported on jobs created. As to how things have changed since then, I will probably need to explain a little bit of the background and the historical context. In 2000 or thereabouts, a new economic strategy called Strategy 2010 was produced. Strategy 2010 concluded that the IDB, and subsequently Invest NI, should focus very much on wealth creation rather than job promotion. We need to understand the context at the time. There had been steady growth in the economy in Northern Ireland from the early 1990s, and there had been strong growth in employment and the number of jobs. The conclusion of Strategy 2010 was that the big challenge was to improve living standards, and that required that we improve our productivity. That required that we get more people into work and that we seek to develop higher-value jobs. In other words, we needed to do something to create higher-value employment, and that would be the way of raising living standards.

For the first two Invest NI corporate plans, there were no specific job creation targets. In fact, there were no job targets at all in those two corporate plan periods. Again, over that period, there continued to be steady economic growth, up until 2007-08. In the third Invest NI corporate plan, which ran from 2008 to 2011, there was still a strong focus on productivity. At that stage, there was a job promotion target to promote 6,500 jobs across the period. That obviously coincided with a severe downturn in the economy. In the current — the fourth — corporate plan for Invest NI, one of the job targets requires that Invest NI create as well as promote jobs.

Therefore, we have now reached a point at which we are measuring the promotion of certain jobs, but we are also measuring the creation of jobs that have been developed through the jobs fund. I do, however, accept the recommendation in the Audit Office report that we should be doing more to measure job creation and report on that. It is an important outcome. There are particular challenges around measuring job creation, because creation can sometimes take three years beyond the point at which a letter of offer is issued, but Invest NI has now introduced the systems that will allow us to do that. That is something that we will be moving towards over the next few years. I am not sure whether Alastair or Mel wants to pick up on that.

The Chairperson: You have said that it is good practice to accept the recommendations, but they were not implemented. Will you just touch on that briefly?

Mr Sterling: As I said, the recommendation was implemented at the time, because there was a report on the number of jobs created in the IDB's two annual reports subsequent to that, but we then moved into a period in which the first two corporate plans for Invest NI did not have job targets, either for promotion or creation. We then moved back to having job targets in the third corporate plan, but I accept that they were job promotion targets. Now, in the current and fourth Invest NI corporate plan, we have a mix of measurement of jobs promoted and some jobs created in the jobs fund area. We are now in a position in which we have the systems in place to allow better measurement of job creation, albeit there are difficulties associated with job creation.

The Chairperson: Now that the period of growth is over, is that what you have done? Have you still more to do?

Mr Sterling: It is more the case that we are moving to that position. There was never any deliberate intention not to implement the recommendation of the Westminster PAC back in 2000. That is one point that I want to make absolutely clear. I also want to make clear that we are committed to reporting openly and transparently on our performance. We accept that reporting on the jobs that have been created is an important part of our accountability mechanisms. There have been difficulties with that, and there will continue to be difficulties because of the time lag between an offer being made on a project and the jobs being created. For that reason, our view is that the best balanced position is to monitor and measure jobs promoted and, to the greatest extent possible, jobs created.

The Chairperson: Invest NI spent almost £520 million on selective financial assistance between 2002 and 2011. Should the development of more robust performance measurement methods for job creation and duration not have been a major priority for Invest NI during that time?

Mr Sterling: I am not sure that I can go back over exactly what happened at that time. However, what I will say is that we are entirely determined now to evaluate what we achieved in the past, learn the lessons from that and apply what we learn to the way in which we do things in future.

We have a selective financial assistance evaluation under way. We had hoped that that would be completed in December, but it is due to be finished in March. We will apply the lessons from that to the way in which we apply selective financial assistance in future.

The Chairperson: Will you talk us through the evaluation that is under way at the minute?

Mr Sterling: The evaluation is being conducted by a firm of experts in the area along with Aston Business School, which is part of Aston University.

The Chairperson: Who are the experts?

Mr Sterling: SQW is a firm of consultants that has expertise in the area. Aston Business School has particular expertise in the area. The reason for the delay in the completion of the evaluation is that we have been doing some work with the Scottish Government, which have got involved in the evaluation.

That is a positive development, because it means that we are now able to take account of what the Scots are doing with their regional assistance, which is similar to our selective financial assistance. The methodology that the advisers are using has been agreed and is being adopted by the Scottish Government as well. The evaluation will take three months longer, but the outcome will be much better and more robust.

The Chairperson: When will the performance element be introduced?

Mr Sterling: We will get the evaluation at the end of March. We will have to analyse it and decide what changes to our procedures may or may not be needed.

The Chairperson: Do you have anything to add to that, Mr Hamilton?

Mr Alastair Hamilton (Invest NI): I will just make a point about the link between the jobs offered and the jobs created, and the budget for selective financial assistance around that, which was your final point. Although there are differences between jobs promoted and jobs created, I would be careful that we do not take that into a budgetary debate; that is, that we pay for jobs that are promoted but not created.

Apart from those projects where jobs were created and then subsequently, in the economic downturn, some of those jobs were removed — we pursue those through clawback, because we have provisions to do that — we do not pay for the vast majority of the difference between promoted and created jobs. We pay for jobs as they are created, so if a company says that it is going to create 200 jobs but creates only 170, it will be paid for only 170.

The Chairperson: I have one more question. A key goal in the 2008-2011 Programme of Government was to halve the private sector productivity gap between the North and the rest of the UK by 2015. Is that still a Programme for Government goal for your organisation?

Mr Sterling: No, it is not. You will appreciate that that particular goal was determined probably in the autumn of 2007. You will recall that when the Executive returned in May of that year, an early challenge was to create a new Programme for Government, which was developed in the autumn.

At that time, although we saw the collapse of Northern Rock in the autumn, there was still no sense that the financial crisis that we have had to deal with over the past five years was going to be as severe as it was. It was at that stage, when there had been strong growth in the economy for perhaps 15 years, with 150,000 extra jobs having been created in the Northern Ireland economy in that period, that the focus was very much on improving productivity.

Over the past five years, we have seen a 15% drop in output in Northern Ireland. We are now back to something like 2003 levels of output, and we have seen the Northern Ireland economy contract by around 11·4%. In the same period, the UK economy has contracted by around 2·9%. We are now in a period in which the priority has changed again, and although there is still a long-term goal of rebalancing our economy, growing our private sector and improving living standards, we still face a short-term challenge, which is to replace the number of jobs that have been lost over the past five years.

That is why the focus is now on a balanced approach to rebuilding and rebalancing the economy.

The Chairperson: Therefore, there is still a job of work to do before you reach that long-term goal.

Mr Sterling: There is a job of work to do. That job has been set out for us in the Programme for Government and the economic strategy, which were signed off by the Executive in March last year.

The Chairperson: The C&AG's report covers the performance of Invest NI up until March 2011. How have you been performing against your key performance targets for your current corporate planning period?

Mr Sterling: The performance is good. Alastair, are you happy enough to answer?

Mr A Hamilton: I will make a couple of points. Although the report covers the performance up until 2011, the benchmark element, which no doubt we will discuss today, stops at 2008, because the Audit Office was unable to get benchmarking data with other agencies for the period 2008-2011. I will give you two answers to the question, one of which is to give you an update since 2008, which is not benchmarked in the report. Foreign direct investment (FDI) job quality has gone up by 67%. FDI cost per job has gone down by 63%. Processing times for our casework have gone down by 47%. The R&D performance of companies in Northern Ireland that we support has gone up by 111%. Our support to local companies in Northern Ireland has gone up by 30%. Our customer satisfaction has gone up by nine percentage points, and our customer dissatisfaction has gone down by 12 percentage points.

I will give you the results of the first year of the current corporate plan period, which was 2011-12. That information was presented to the Committee for Enterprise, Trade and Investment at the end of last year. There are 25 targets, and we did not meet two at the end of last year. One of them — perhaps we will have a discussion about this — was for our performance management system.

Before I go into that, I should say that the key performance indicators now, in line with the report, encompass not just the targets that we were in given in the Programme for Government and the investment strategy but touch on the three other quadrants of the balanced scorecard that the Audit Office refers to in the Transform project. The information that I am about to give you concerns our organisational development. We set a new performance management system, and we wanted to get 95% of our people to have a job plan and an end-of-year review. In the first year that it was introduced, we achieved 83%. We did not get to 95%. To date, we are at 99%, so that has been recovered in the current year.

The second area in which we did not perform concerned business starts. Again, we may get into that conversation. There was a legal process last year that prevented us from delivering a business start programme. Against the target of 1,625 jobs, we delivered 1,323. That is the second area. In the rest of the targets, we are on or ahead of target at the end of the first year.

The Chairperson: I understand that you have personal targets that are additional to the corporate ones, and personal responsibility for all those targets. Do you have any business targets that are not in the public domain? How do those relate to the particular targets in the C&AG's report? Do they overlap?

Mr A Hamilton: I do not know, David, whether you want to pick up on that. One of my personal targets is the delivery of those key performance indicators. Those are all subsumed into one. The rest of them cover areas such as communication, external representation, stakeholder management and a whole lot of such areas.

Mr Sterling: Obviously, we want to be helpful to the Committee today. However, it would be only fair to say that any debate about the chief executive's personal targets may not be appropriate for this Committee, especially given that the Committee for Enterprise, Trade and Investment is in ongoing discussion with us about some of the issues as well. With respect, I suggest that we do not get into discussion about the chief executive's personal targets.

The Chairperson: OK. It is just that the permanent secretary's objectives were published back in June. It is in the interests of the public that those targets be out there in the public domain. You can understand why I asked the question.

Mr Sterling: Yes. I would make clear — it is the same for Alastair and me — that we have business objectives that will largely reflect the objectives of the organisation because, in a sense, we are both accountable for the performance of our organisations. However, we have certain personal targets that are unique and personal to ourselves.

The Chairperson: Is it not in the public's interest to know all the targets?

Mr Sterling: It is a debatable point. You could end up very quickly in a discussion about what may or may not be personal data, and rather than get into a detailed discussion about that, I suggest that, if it is helpful to the Committee, I could write to you and set out what the particular issues and considerations are in this regard.

The Chairperson: You will understand why I am asking. The concern was that business targets may not be in the public domain. That is what we want clarified.

Mr Sterling: The business targets, whether for me or for Alastair, will be related to the key objectives for our organisations, and all our key objectives hinge around the delivery of Programme for Government commitments and economic strategy targets. There may be things that are at a slightly lower level than the headline Programme for Government commitments, but you should be able to trace all business objectives back to those Programme for Government commitments and economic strategy targets.

Mr Copeland: David, I have a very simple question. Does anything, within the time frame that we are discussing or currently, allow you to estimate a percentage of jobs promoted as actual jobs on the ground that have been created?

Mr Sterling: The Audit Office report has an assessment that 75% of jobs promoted are created, and that is based on historical analysis, etc. It will always be very difficult to come up with a precise measure because, when you think of it in simple terms, if Alastair issues a letter of offer to a company today, it is likely that it could take three years for that company to implement and deliver the project. Circumstances change, and, as Alastair said, a company may decide for very good reasons that it does not need to do everything that was in its business plan and, for that reason, will not draw down as much of the money that was in the letter of offer and may not create as many jobs as were there. Getting some form of metric that measures that accurately is very difficult.

Mr Copeland: Members will be aware that we recently looked at a bioscience project in Belfast that either you or your predecessors invested quite heavily in. At any stage, were there numbers in the "jobs promoted" column as a result of that venture?

Mr Sterling: We are going back a year now, but I do not believe so. I do not believe that we ever got to a stage where there was a letter of offer that had a jobs element.

Mr Mel Chittock (Invest NI): The bioscience institute was funded by way of investment; it was not an employment grant. So, there were no jobs related to that project.

Mr Copeland: So that project did not figure anywhere in your jobs promoted?

Mr Chittock: No. At the end of each year, we spend a bit of time validating the offers issued in a previous year, and, if some projects have not proceeded, we will remove them from our "jobs promoted" analysis.

Mr Copeland: So no portion of their business case indicated the likely employment prospects that would be derived?

Mr Chittock: In the original business case, there were a number of measures that said what it expected to generate by way of spin-out companies, which, in turn, would have led to employment. However, they were not grant-aided directly through the bioscience institute to create jobs. So, we did not have a "jobs promoted" number.

Mr Copeland: The jobs promoted are directly linked to funding from you. In other words, if you do something that occasions jobs somewhere else — say 10 jobs in a company that is promoted by you that actually become real jobs, and that creates 15, 20 or 30 in the wider economy, do those not figure in your report?

Mr Chittock: We do not count those unless we have assisted the jobs directly.

The Chairperson: Thank you. We are slightly going off the rails here.

Mr McKay: You mentioned briefly the issue of clawback. Can you give us an overview of clawback and how often it is being implemented? In the conditions of offer where clawback has been built in, has that remained virtually the same since 2002 or has it been improved? Just a general overview of that.

Mr Chittock: I do not have the precise numbers in front of me. With regard to the process by which we monitor letters of offer, if there is a default against a letter of offer and jobs have not been delivered to 80% of the targets originally specified, we will seek clawback of moneys paid against that project. If the company fails or goes into administration, again we will trigger clawback. We take a very proactive —

Mr McKay: That is 80% of what, sorry?

Mr Chittock: If a company's promoting, say, 100 jobs and it fails to deliver at least 80% of those jobs, we will consider the merits of that case to determine whether to seek clawback.

Mr McKay: If it fails to create or promote 80% of the jobs.

Mr Chittock: We monitor the projects as time goes by so that we are able to say at a particular point in time on an individual letter of offer the number of jobs that have been delivered by that project.

Mr McKay: That have been created?

Mr Chittock: Yes.

Mr McKay: Could we get some of the details?

Mr Chittock: Yes, I have analysis that shows the level of clawback and the number of clawback actions that we take on a per annum basis. The clawbacks are processed through the finance team and managed by the finance team for recovery.

The Chairperson: Thank you. I will go to members now, on performance against targets.

Mr Mitchel McLaughlin: Good afternoon. I am very anxious to explore the performance against targets, the statistics and the setting of those targets and the processes involved. We have had some discussion already about jobs promoted. What categories are included in that? How do you quantify a target or an outcome in jobs promoted? How have you done that historically and how is that pointing us towards the future?

Mr Sterling: If you take the current corporate plan as an example, the main job target that Invest NI has is to promote 25,000 jobs during the current four-year corporate plan period. The way that worked was that there were discussions, negotiations and bargaining, if you like, between Invest NI, the Department and the Office of the First Minister and deputy First Minister (OFMDFM). That was during the period when the Programme for Government was being developed. There is an interaction between the Department and Invest NI. It is all about us looking at past performance and current economic circumstances and determining what we believe is a fair but challenging target. You will appreciate that there is a lot of negotiation around that. Also, when we are engaged with OFMDFM, which is developing the overall Programme for Government, it will add an additional challenge function. The way in which that challenge function happens can be seen in the change from the draft Programme for Government to the final Programme for Government. The draft Programme for Government had a target of 21,000 jobs, and the final Programme for Government increased that target to 25,000 jobs, and that was largely due to pressure from Ministers. That increased the requirement on Invest NI over the four-year period. That particular target is broken down into four areas, which, I am sure, you can pick up on. It is attracting new inward investment, growing our own local companies, new business starts, and then obviously we have the jobs fund now, which has a specific target to help rebuild the economy and deal with unemployment.

In the inward investment, jobs starts and growing local companies area, the targets all relate to promoting jobs. However, in the jobs fund area, most of the target is to create jobs, and that reflects the need to do things quickly. I do not have the figures to hand, but, so far, 2,400 jobs have been created through the jobs fund in the current corporate plan period.

Mr A Hamilton: Just to clarify: promoted 2,400, created 1,021.

Mr Sterling: Sorry, it promoted 2,400 and created 1,021. That is within the jobs fund area.

Mr Mitchel McLaughlin: You can see that it can be quite difficult to measure performance against the type of criteria that you described. We are very positive about and supportive of the efforts that are being made and how incredibly difficult it is in the wider economic sphere. Nothing has arisen in our discussions so far to warrant this, but just in case any impression is given that there is resistance or opposition to risk-taking, I can assure you that we know how difficult and challenging that particular project is.

On the basis that we have to invest, develop networks and contacts, and compete in very difficult circumstances, it becomes all the more important that people can actually deal with what matters to them, and that is the number of jobs delivered. However, there has to be an appreciation, particularly as we get closer to the centre of these things, of how those deliveries were achieved and the difference between sustaining or providing financial assistance to existing enterprise so as to continue to secure not just existing jobs but the potential for growth in that particular sector.

New jobs and investment, and the difficulties that those throw up, mean that people need to be able to measure the quite vast sums of money involved against actual jobs on the ground. I think, Mr Sterling, in your answer to the Chair you spoke about being able to take a view over a longer period, which is appropriate, of course. You also talked about the lag between promoting jobs, establishing contacts, letters of offer and the investment actually materialising.

Over the longer period, however, we can begin to benchmark ourselves between the concepts of job promotion and job creation. I would like you to comment on that very long intro.

Mr Sterling: We are very keen to benchmark ourselves. It has actually got more difficult since the Audit Office completed the report, because the Audit Office —

Mr Mitchel McLaughlin: It is their fault, then.

Mr Sterling: I would never say that. However, the Audit Office benchmarking looked at Scottish Enterprise, IDA Ireland, Enterprise Ireland and the regional development agencies (RDAs) in England and Wales. They have been done away with, so we cannot benchmark ourselves against the RDAs. So there are a smaller number of bodies working in this area against which we can compare ourselves. Again, the Audit Office report recognises —

Mr Mitchel McLaughlin: Sorry, I accept that this is my fault entirely but I want to benchmark between jobs promoted and jobs created.

Mr Sterling: Sorry, forgive me, I misunderstood you. I will hand over to Alastair here, but I think —

Mr Mitchel McLaughlin: I am arguing that over a longer period of time, it is possible to answer that question.

Mr Sterling: I agree, and as I think I said earlier, we need to move to a position where we are measuring both. Job promotion gives you a ready metric for how you are doing in generating new job opportunities, if you like, that you expect to be delivered. Measuring job creation gives you a better measure of the outcome of the agency.

Mr A Hamilton: It is probably worthwhile to set in context why there are various steps in getting to that ultimate conclusion. Not that I want to compare where we are today with where we were in 2000 when the Westminster PAC recommendation was made, but the recommendation was made against the IDB, which was dealing with a smaller number of larger offers. Therefore, you could manually calculate every year what was offered and what was created. Now, because the Local Enterprise Development Unit and the smaller business elements have been subsumed, it is the volume of offers that causes the difficulty in tracking.

We now issue an average of 4,000 offers a year. On average, we have a rolling stock of 7,000. As the propensity is not to ask this question at just the end of the financial year but to ask it at interim points as people go along, the only way for us to deal with this is a systems-based solution, and it has taken us two years to get that systems-based solution in place. On 1 April last year, we introduced the offers and claims management system. That is the system through which we will be able to press a button and give you the answer that you want, which is the difference between promoted and created.

There are three dimensions to this. One is tracking. If you said that in a financial year you have promoted 5,000 jobs, how many of those 5,000 have been created? There is a difference between that and saying, in any financial year, how many jobs did you create? In the first one, you have to track from an absolute letter of offer to an absolute conclusion, whereas in the second one you just add up the aggregate, irrespective of what year the promotion of those jobs related to.

The third piece is to be able to track through that the number of projects that overachieve. In response to the point that was just made, there are quite a few. We made a letter of offer to a company for 100 jobs, and it ended up creating 120. We only paid for 100, and there were 120, so it is about tracking that as well.

The challenge in all of this is that there is a five-year period for the delivery of those projects — perhaps three years to deliver and a two-year control period. If you take a realistic example, a company may employ five people against a letter of offer of 20, and, in a fortnight's time, one of those five people might leave and go to join another company. That post has been created, but the person is not there and the company is not paying a salary, but it still intends to go and replace that job. When you add that across 4,000 letters of offer, it becomes a very complex thing to do, and a systems-related way is the only way to do it.

I have said before that we have clearly shown that we want to move so that we are not only measuring inputs, but measuring outputs, which we are now doing for quite a few things. Ultimately, the ambition is to measure outcomes. That is very clearly embedded in our last corporate plan, but, for example in R&D, we now have an outcome measure, which is the percentage of R&D investment in companies as a percentage of gross value-added (GVA). That is an outcome, as opposed to how many new companies we introduced to R&D. We want to do the same on the jobs side.

We have a system in place that will do the measurement of the jobs created across our entire base. The problem is that I cannot retrospectively put all 7,000 letters of offer into that system. So, as new letters of offer have gone in from 1 April last year, those will become stock that we can report on, and, as the old letters of offer get flushed out and the new ones from 1 April forward become our entire base, I will be able to give you an accurate answer. To answer your point, it will take a little bit of time for that system to become relevant to the point that we can press a button and give you an answer, but it is the ambition. We now have the systems in place, and we will be able to do it.

Mr Mitchel McLaughlin: OK. I suppose you will not quibble with the fact that the principle that was laid down in the Westminster PAC report applies to the new structures and that wider context that you described very well. It should still be possible to produce headline statistics in respect of jobs that were created, jobs that were lost in the economy over that same period and jobs that were assisted. Those are very specific and focused points of information that people are interested in. I accept what you have described about the reporting over a period of time. However, this has been a long-standing quibble that has detrimentally affected the work and the perception of Invest. I regret that because I know that there are a lot of very talented people working very hard on all our behalfs in that regard.

The idea of outcomes is precious; let us absolutely defend that. However, in the limited amount of benchmarking performance against targets that we can develop representing the context of dramatically changing economic circumstances, let me just say as an aside, because it is something that I want to come back to, that if we were to look at some of the targets that were set in the current period, which coincides with the disastrous global economic downturn, we would see targets being achieved. We did not have that reflection of performance at times when there was much more money about and the economy was facing into growth. That is where people start to get worried and, perhaps, a bit cynical about the information that is given. However, I think that people need to know how many jobs were lost in the economy, how many new jobs were created, and how many of them were outside FDI or were local indigenous companies, perhaps with the support and guidance of Invest, which was able to open up new markets and new job opportunities. That type of hard information is valuable in building up the stock of investment.

Mr A Hamilton: This is obviously a challenge. While that system has been building up, we have been trying to take a temperature check across the client base of companies that we interact with to do exactly the thing you asked for and get a net position. I cannot tie this back to letters of offer, but the piece of work David referred to from Aston Business School looked at employment across the 2,500 companies that we interact with. That showed that, for the period 2005 to 2011, net employment went up by 34,389 jobs, net of losses of 20,282, which gives a net increase of 14,107 jobs, which is a 17·6% increase in employment in the companies we work with. I cannot tie it to letters of offer; I am just giving you the base. That starkly sits alongside the fact that, in the companies that we do not work with — the non-assisted companies — that relative 17·6% increase went to minus 7·8%. So, the employment levels in companies we did not work with dropped by almost 8%, while the levels in the companies we did work with went up by 18%. I am just giving you a base view. I cannot tie this to letters of offer or to direct intervention.

Mr Mitchel McLaughlin: It would be very helpful if you could give us a note on that. That is precisely the information we would like to develop to help people understand what is going on.

Following through on the discussion of the letters of offer, I am not so certain that that gives a lot of assurance, even though I think that it is an absolutely necessary and essential part of the process you are involved in. You have to cast your net as widely as you can, attempt to deliver on the targets you have set yourselves and look for as many clients as possible to help you deliver them. Of course, they do not all work out. That is part of the, if you like, muscle and sinew of what Invest NI does on our behalf, but the outputs are the jobs that are created. Another part of that that is of some relevance is the jobs that are not delivered or created and how much useful information we can glean from, say, a lessons-learned process.

The Audit Office's report recognises performance on your part against targets, but also the benchmarking indicates the difficulties you have had with competition from the South and the investment they were able to attract that we were not. Have you drawn definitive conclusions as to what made the difference? Was it skills, fiscal advantage or — it probably is — a combination of both? Have you informed the Department and the Executive about those issues to help them formulate policy responses?

Mr A Hamilton: The very big answer to that question is yes. The feedback to the Department, the Assembly and the Executive is that one of the key tools that we would really love to have to try to address some of those things is lower corporation tax. I categorise this into two groups, so that we can simplify it a bit. The vast majority of the projects that we draw to Northern Ireland are cost centre projects. They are projects for which we can provide skills and accommodation and all the support that we currently give through our intervention to those companies, but they are not sensitive to tax. They are not sales operations; they are cost centres. The tools that people have in the Republic of Ireland and elsewhere in Europe are tax beneficial. Therefore, they seek out profit centres and companies who want to set up that can manage their sales operations through that facility and benefit from the tax differential between them and other member states of the EU.

The answer to the question is yes, but we do not waste our time chasing projects that are profit centres, because we do not have the proposition for it. People have asked me in the past whether I have lost many projects to the Republic of Ireland or elsewhere. The answer is no, because we do not chase those. If we had lower corporation tax, I could add a whole lot more projects on to my list that we could chase. We chase the projects that we have the possibility of landing.

Going back to the start of your question and the slippage between the projects that we thought we could get and maybe not deliver, once you get into an analysis of this, the vast majority of the slippage between offered and created is down to — the 2002 annual report mentioned a project for 870 jobs that did not happen at all. A letter of offer was given to the company, it promised that it was going to set something up, and that did not happen. It is more likely that that, albeit dated, calculation is contributing to the 75% than lots of small slippages of 10% and 15% on projects.

To answer your question, we monitor every project from the point that a letter of offer is issued either to a point that that project is not delivered at all — that is very rare — or to a point where, as David said, a company cannot get to the point of delivery. We have seen a fair bit of that in the current economic climate, where people cannot get to the ultimate point they wanted to, bearing in mind that offers may have been made prior to 2007. In those circumstances, we collate that information and feed it back to our sales teams so that they have the benefit of it when they are negotiating letters of offer.

Mr Mitchel McLaughlin: OK. The point about the fiscal policies has obviously been reinforced, and a lot of work has been done on that corporation tax issue. That seems to have come to a juddering halt since the report was handed to the British Government, but, hopefully, that will get picked up again.

An issue that the Assembly might have a more direct impact on — this relates to investment that slipped away and went somewhere else — is the skills gap or capacity. Have you drawn any specific conclusions from your analysis of that? Have DETI and the Department for Employment and Learning (DEL) been asked to prepare a joint strategy based on that? It is not apparent to me, as someone who has been interested in this topic, that there is a joined-up approach or that we have a corporate plan to develop the necessary skills.

Mr Sterling: I think that that is a misperception now, actually. There is very good working and very good collaboration between our two Departments and between Invest NI and DEL. Indeed, I am sure that Alastair would affirm that one of the strengths in our offer is the assured skills programme, whereby, if we are talking to new inward investors, we can offer to ensure that, when they locate here, they will be provided with the people with the skills that they need. That is said in very simple terms, but it is a very powerful part of our offer.

Going back to one of your earlier points, when the current economic strategy was being developed, we looked at what works in other similar economies elsewhere in the world. Ireland and Singapore have been successful on the back of low corporate tax and a regulatory regime that is easy for companies to locate in, and Finland and Sweden are very strong on investing in research and development and innovation. In all those areas, the key thing that makes the other things work is an investment in education and skills. Without people with the requisite skills, you are not going to attract anybody here in the first place.

I have been in the Department for four and a half years, and the level of co-operation between the Departments is better than it has been at any time in those four, nearly five years. Indeed, DEL has now summarised all of its various programmes in one handy booklet and, in fairness, it has a range of job support or employability programmes that are as good as anything you will see anywhere.

Mr Mitchel McLaughlin: I was aware of the assured skills programme. That deals with an aspect of it. However, if we are shaping the economy we expect to see in 10 years' time and targeting particular sectors, I am not certain that I see joined-up government in addressing that. The assured skills programme tells me that we talk to a client who gives you a job specification or skills set they require and that you make a commitment to deliver it. I just wonder whether that applies to degree courses and whatever. I do not think it does. There may be a short-term response — as far I am concerned, it is 100% — but that might confine the type of economy we can get to a lower-value economy in which we can do a quick turnaround to train and skill people up, as opposed to developing the type of modern economy we are looking for.

Mr Sterling: I would not want to suggest that there is not a huge challenge there; we are not in any way complacent.

Let us say that things go well and we were able to set our own corporation tax rate from 2016. We would have a huge job to do between now and then to, on the one hand, make sure that Invest NI is pursuing the different type of firm that Alastair talked about, and, on the other, make sure that we have the people with the right skills.

This week, the Minister for Employment and Learning announced a new approach to apprenticeships. I think that that sits well in the Department for Employment and Learning's suite of forms of assistance. That new set of programmes is just another way in which DEL is responding to the challenges in the economy.

Nevertheless, I would not want to downplay the fact that there are difficulties. The fact that we have a skilled workforce has helped us to secure the many new financial services companies and legal services companies that have arrived here in the past few years, and the fact that we have skills has allowed our advanced manufacturing sector to grow.

All those are good things, but, again, there are certain sectors where there are shortages. At a time when we have 60,000 or 70,000 people unemployed, it is disappointing that there are people who say that they cannot plug certain skills gaps. However, those are being attended to.

Mr Mitchel McLaughlin: OK. I will finish now, Chairperson, and I thank you for your indulgence. I am interested in the targets, and I am looking at the key performance indicators in the current corporate plan. Who sets those targets?

Mr Sterling: I will go back to the point that I made earlier. If you look at the Programme for Government, you will see that there are 82 commitments. DETI has 13, five of which are Invest NI targets. The five key Programme for Government targets include having 25,000 new jobs and securing total investment of £1 billion. There are also issues on access to finance, securing private sector investment in R&D and growing manufacturing exports. I think that those five key targets hit the really important challenges that face us in the economy. In other words, we need to create jobs and encourage firms to be more innovative and to invest in R&D. More than anything, however, we need to encourage people to export, because we are too small an economy to be self-sufficient. So, the core targets for Invest NI come from the Programme for Government.

Mr Mitchel McLaughlin: OK. I have no quibble at all with the targets as they are described and set out. My problem is with the targets, because you have absolutely smashed them in some instances. I wonder just how challenging they were to start with.

Mr Sterling: The performance in 2008-2011 was very good, and all targets were met. The trouble is that people will always say that the targets were set too softly. I will say again that I arrived in the Department shortly after the targets had been set. It was clear that they were still very challenging, even at that time, when we did not realise how badly the economy was going to turn out.

The fact that Invest NI delivered on its targets in a downturn is, I think, a tribute to the organisation. I would not say that that suggests that the targets were soft in the first place, because a tremendous amount of work went in to delivering them. If you look at the current corporate plan period, you will see, as I mentioned, that the Executive stiffened the jobs target and the export and investment target between the draft Programme for Government and the final document.

So, I think that the challenges in the current Invest NI corporate plan are greater than those in the previous corporate plan.

Mr A Hamilton: The Audit Office report stated:

> *"The evidence from the 2008-11 Corporate Plan suggests that Invest NI's targets were set at appropriately challenging levels, particularly with regard to the weak economic climate."*

I re-emphasise David's point about the existing targets. Three of them were up during that consultation period, and they will be very challenging to meet. Like the previous corporate plan, where the targets were set prior to the economic downturn, the current corporate plan was set at a point where all the economic views around the world were that we were going to recover. Unfortunately, we have not recovered, but those targets remain. I would not suggest that we change them; I think that they are the appropriate targets in our current corporate plan to drive forward on.

Whenever a big project comes along, it can have a disproportionate impact on performance. In the corporate plan period 2008-2011, there was a positive example of that, in that there was a large R&D project on the CSeries side that massively distorted R&D performance positively. Those things will always happen, and, to go back to the original point, I think that we are in a really good place with the targets across the board. We now have complete alignment between the Programme for Government, the Executive strategy and the targets that are in my plan. You can draw a causal line between the targets in those other two documents, which you were not necessarily able to do in the past.

I want to assure you that, although the targets are published for our corporate plan, if we overachieve in year 1, as we have done in some areas, I will uplift the targets from an operational point of view in the operating plan for the following year, even though they may not be published. So, I will run with a separate set of targets internally that may be more challenging than those that I have displayed, because of the —

Mr Mitchel McLaughlin: I was actually heading into mid-term reviews, Alastair. The current corporate plan's business expenditure on R&D, which I absolutely endorse, shows that, in year 1, you achieved 56% of your overall target and that by 2010-11 you had exceeded the target by a significant amount. We set out to achieve £120 million according to the out-turn, but, up to 2010-11, we had £327 million. Does that indicate that the target was challenging?

Mr A Hamilton: That was the example that I quoted. The reason for the substantial overperformance was down to one project. Normally, our R&D projects could run —

Mr Mitchel McLaughlin: In 2009-2010, it was £149 million. Is that the year that you had the big one?

Mr A Hamilton: Yes.

Mr Mitchel McLaughlin: In a previous year, you had achieved £67 million out of a target of £120 million.

Mr A Hamilton: I do not have the details with me, but that must have been the previous year.

Mr Mitchel McLaughlin: In year 3, you almost achieved the target again, because your overall target was £120 million and you got £111 million.

Mr A Hamilton: You may want to get back to the bigger debate, which is about whether we should have the ability to do mid-term reviews. I would welcome that. We do it physically in our organisation, but there is no process at the minute for mid-year reviews in either the Executive strategy or the Programme for Government.

Mr Sterling: Ministers decided in the previous Programme for Government period — the 2008-2011 corporate plan period — that they would not reset objectives, even in the wake of the downturn. They felt it better to leave the targets as formulated in 2007 and then to allow people to explain underperformance, if that happened.

Mr Mitchel McLaughlin: I have two points to make. The first is a request for some kind of paperwork to set out the process, including any review, because that would be helpful in compiling the report.

I have a final question. Is there any external validation process for targets and performance against those targets? If so, what data are gathered to provide the evidence base to enable that process?

Mr Sterling: There is. This answer maybe also deals with one of your earlier points. The monthly employment statistics that the Northern Ireland Statistics and Research Agency (NISRA) produces locally, although they are also produced nationally, show overall movement in employment and unemployment in the local economy. So, you will see how much employment rose or fell each month. Obviously, there is no link to Invest activity, but it is a good measure of what is happening in the economy.

Mr Mitchel McLaughlin: We need to establish the link with Invest for this report.

Mr Sterling: Absolutely. I understand that.

From the point of view of external validation, the Independent Review of Economic Policy (IREP) report, which is Richard Barnett's independent review of economic policy, recommended that Invest should not report on itself. The Minister accepted that. Since then, we have been doing a piece of work with a focus on selective and financial assistance to try to link the data that we have on Invest activity with the data that are available on business activity generally. That has been a very complex piece of work, and we are working through it now. It will provide us with a way of validating the impact that Invest NI activity has on the economy, but it is highly complex.

Another way that we get some assurance about the quality of information is to rely, obviously, on the fact that national statistics provide us with indications of levels of exports, investment in R&D and that sort of thing. NISRA statisticians and economists work in the Department, and some are also embedded in Invest NI. Obviously, they are required to adhere to professional standards. So, a combination of those things provides that validation.

Mr Mitchel McLaughlin: It does not sound like an external validation.

Mr Sterling: It is not entirely external. Alongside it, we have the evaluation into selective financial assistance, which I mentioned. External people have done the data-linking work. Professor Mark Hart, who is an expert in that area, led the team that looked at that. We have not engaged consultants to validate the output, because we do not believe that that is necessary. Indeed, I am not sure that that is what the recommendation implied. As I said, we are doing a variety of things to satisfy ourselves that the figures are valid.

The Chairperson: Just before I let in Mr McKay, can you tell me whether Invest NI has had to turn away any investors because of a gap in the skills sector?

Mr A Hamilton: No. Going back to Mr McLaughlin's point, you will hear existing investors say that brand new investors are brought here and that they struggle with skills. However, the programmes that we discussed are absolutely about doing that. I do not want to labour it too much, but the assured skills is a key way, albeit that it is in a small part of the overall strategic piece, for us to be able to assure those investors — that is what it is about — that, if they come here, through the Department for Employment and Learning, the universities and the colleges, we can provide them with the people that they need. So, we have not lost any projects as a result of a lack of skills.

Mr McKay: This is just a brief point. Corporation tax was mentioned. A number of months ago, when FG Wilson pulled out and a number of jobs were lost, I remember hearing you, Alastair, on the radio. You spoke quite well about the need for lower corporation tax and the benefits that it would bring. Where are we now with corporation tax? I know that you cannot say how many jobs would be created, but if the British Government announced tomorrow that powers were to be devolved, what range of jobs does Invest NI project could be created over the next number of years? If that became a reality, is it embedded in the corporate plan in any way?

Mr A Hamilton: In the current corporate plan period, we have made the assumption that we will not have the tool at our disposal. Even if an announcement were made tomorrow, it will take a period of time to —

Mr Mitchel McLaughlin: I think that you said that the process could take up to 2016.

Mr A Hamilton: The assumption in our current plan, which is for 2011-15, is that corporation tax will not feature. We have made assumptions about regional aid, but we may discuss that later. However, corporation tax is not in the current plan.

We have made a commitment on the number of additional jobs that corporation tax would deliver on the basis that it would ramp up to the extent that we would double foreign direct investment. I cannot remember the exact length of time that it would take to get to that point; I think that it is over eight or nine years. We have made a commitment that, if we have corporation tax at our disposal, we could double FDI numbers in Northern Ireland.

Mr McKay: What are those numbers?

Mr A Hamilton: Around 6,500 or 7,500 has been the target that has been flown over the past —

Mr McKay: Extra jobs?

Mr A Hamilton: We are talking about an extra 7,000 jobs.

Obviously, there is a balance to be struck. We cannot do a whole lot of preparation work until we are clear that we will get the tool. We will have two or three years of a window of opportunity between a decision being taken and the tool being available. It is quite interesting, because, recently, even just the discussion that has been taking place in here and elsewhere has stimulated — this shows that the world is a very small place — a conversation in our main inward investment markets to the extent that I have trained my sales people in the US around the tax discussion. We have never had to do that before, because we were seeking only the cost centres. Even though we do not have the tool, they have now been trained to be able to have that conversation with people.

If the decision were taken, our first step would undoubtedly be taken in marketing and sales to pump-prime companies. Although it would mean a two-year lag for us, there would be a lag of a year and a half for companies in making a decision, making the investment plans, getting them approved by their board and ultimately coming. So, those two things are quite good, in that they are aligned to that timeline.

The first issue would be in marketing and sales to maximise the pipeline development, and the second would be on the development of that pipeline. So, where are those opportunities, what is our market intelligence on those companies and how do we get access to them?

Mr Sterling: Just to be clear, the economic strategy to which the Executive signed up last year explicitly said that it does not assume that corporation tax powers will be devolved but that if they are, Ministers will look at the targets again. So, they may raise targets, maybe not in this period but in the next.

Mr McKay: The Finance Committee looked at air passenger duty and produced a report on it. PricewaterhouseCoopers (PwC) also majored on that subject and said that it is vital to the local economy. Do you have a view on that? I suppose that companies, regardless of the tax on flights, look at other factors. There is a view that Dublin Airport is more likely to have new flights opening because of issues such as air passenger duty. If air passenger duty were to be brought on to a level playing field with the rest of the island or abolished, what potential would that have to create jobs through ensuring that there is access between here, the US, the Middle East, and so on?

Mr A Hamilton: We were strongly supportive of the steps that were taken initially — and, hopefully, ultimately — in devolving air passenger duty and removing that differential. One of our biggest selling messages, particularly in America, is the access. I do not want to get into a debate on differentials between our airports, but a big element of the growth of the financial services sector in Belfast is that people can get off a plane from London and be in their office in Belfast 10 minutes later.

The situation is similar for the transatlantic flight. A massive selling point with that is that people can get an overnight flight from Newark and be in Northern Ireland at 9 am or 10 am and can get into their office and do a day's work . A journey by car or a connecting flight from London or elsewhere, for example, are factors that just add complications. So, I am a very strong supporter of maintaining that flight. We have attracted companies that use it very heavily, and I was keen to make sure that we retained it.

The next stage concerns the second part of your question. You asked what more we could do if we had that tool. This report refers to the emerging markets, particularly those in the Far East, which you referenced in your question. I would be keen to see whether we could get a direct flight from here to the Middle East that would not only service the Middle East but would be a stepping-on point for us into the Far East in areas that we are developing strongly, particularly on the trade side. David, you may want to refer to that from a policy point of view. If that lever were there, it would be a big asset to us, and I would be very keen to see it.

Mr Sterling: We did not fight for the power to set our own rate of air passenger duty just to protect the Newark flight, albeit that that was very important. We did that very much with a view to improving connectivity to North America and, as Alastair said, to the Middle East. Now that we have the power in place, we are doing what we can to encourage operators.

Mr McKay: Has there been any progress on the Canadian routes?

Mr Sterling: I do not have anything concrete to say on that, but we are hopeful that there will be something there.

Mr McQuillan: This has been a very interesting discussion so far. How could you know that Invest NI is creating a lasting impact on the whole economy?

Mr Sterling: That is a good question. Alastair quoted the statistic that showed that those firms that Invest NI assisted between 2005 and 2011 saw their employment grow by 17·6%, whereas non-assisted firms saw their employment drop by 7·8%. So, that is one indicator.

Rather than quote statistics, however, I will paint you a picture. If you look at the successful sectors in Northern Ireland, you will see Citibank, the New York Stock Exchange and the Chicago Mercantile Exchange in our financial services sector. Those companies are here because of the support that Invest NI gave, and they have grown or we expect them to grow. In other words, they have not just come and remained static.

The ICT sector is doing incredibly well. For example, Electronics, Communications and Information Technology and the Centre for Secure Information Technologies in the science park in Belfast, are world leaders in the development of security software. Again, they are supported by Invest NI. We now have a legal services sector that includes Allen and Overy, Herbert Smith, and Axiom. A cluster of global legal companies has relocated here. Some are growing, the others we expect to grow and we hope to encourage more to come. That is helping to use the very good law graduates that come out of our universities.

Our agrifood sector has benefited from huge support from Invest NI. The sector has a £4 billion turnover, 20% of all Northern Ireland manufacturing exports, employs 50,000 people, with 18,000 of them in processing. Again, that is all supported by Invest NI.

In our advanced engineering sector, Bombardier and Wrightbus are examples of companies that have benefited from Invest NI support. I am probably stealing one of Alastair's better lines, but in R&D, a very small investment in resin transfer infusion some years ago has led to hundreds of millions of pounds of investment in the Bombardier plant. Again, that is a sign of the impact that an astute investment can make.

In the pharmaceutical sector, Almac is a world leader in its area. Just last Friday, Alastair and I met a group of people, whom I will describe as unsung heroes, from the materials handling sector in Tyrone. I did not realise that 150 small and large engineering companies employ thousands of people in that part of the world. Those companies together supply 60% of the screening equipment that is used in mining around the world. Again, many of them have benefited from selective financial assistance and R&D support, and they really deserve more recognition.

Lastly, there is the creative industries sector, where the investment has been with HBO and others. The economy has been given a psychological boost from the profiling that Northern Ireland has received, never mind the impact that there has been on growing that sector.

So, you can look around you and see the enduring impact of Invest NI investment around Northern Ireland. We can produce the statistics, but we can also see the tangible benefits around us.

Mr McQuillan: That is a wee failing on the part of Invest NI, in that people do not realise how much it is putting into the economy and what it is bringing here. We get asked all the time what Invest NI is doing. Maybe it is a failing on your behalf that that message is not getting out to the public.

Mr Sterling: That is a fair point, and I would not argue with it. Sometimes, it seems that bad news travels faster than good news. I would never for a second underestimate or downplay the difficulties in the economy, but an awful lot of good work has been done. An awful lot of people are working very hard to grow their businesses and to create wealth, jobs and prosperity.

Mr A Hamilton: There will be an opportunity to do just that. A workshop showcasing all our products and services will be run here within the next few weeks, and all MLAs have been invited. I can say to MLAs that we are happy to take the criticism, take it into the organisation and to deal with it and fix it. I think that we have shown that we have a track record of doing that.

However, we need MLAs, MPs and Ministers getting on the front foot and driving the message out to those small businesses, such as those in Tyrone, that there is an organisation here that works on their behalf to support job creation, R&D investment and all the other things that we do.

You will be getting a letter within the next few days on this, although you have given me an opportunity to talk about it now. We have developed an app that gives case studies of some of the matters that

David talked about and the headline message that we present to inward investors for inward investment. That app is now available to download. You can put it on your phone or iPad and then present the message. So, I encourage you to do that.

Mr McQuillan: That would be very useful. Do you capture any data on how long the jobs that you create actually last?

Mr A Hamilton: There are two elements to the offers that we make on selective financial assistance. One is what we call the earning period, which is typically five years, but it could be shorter. We monitor for all that period. There is a control period after that, and, usually, for two to three years after that, that employment must be maintained for that period of time. So, we measure and monitor across that whole window for all those thousands of letters of offer. Once they get to the end of that period, we do not do any more tracking. From an economic point of view, the business plan that was put together to put that money into the company states that, at that point, it has got economic value out of the investment that it has made. It will become very difficult to track every company beyond that point. Therefore, we track them all for a significant period of time, which is usually five to eight years.

Mr McQuillan: Do you collect the data on that so that they are available for anybody who is looking for them?

Mr A Hamilton: Yes, but we have the same difficulty in collating those data and putting them out in the same way as with the jobs created. However, the new system will allow us to do that.

Mr McQuillan: The report also shows that, while you have attracted jobs, some have had salaries that are below the Northern Ireland average. What are you doing to correct that?

Mr A Hamilton: The report looks back to the earlier two corporate plan periods, in which there is a reference to lots of call centres. If you turn to paragraph 3.42 in the report, you will see that the Audit Office states that we made significant progress in the third corporate plan where we set job quality targets. The Audit Office also recommended benchmarking in the previous corporate plan. No other agencies set job quality targets as part of their FDI. So, we have introduced that target as a result of the issues that were in the first two corporate plan periods.

It is fine for me to look back today, but going back to Mr McLaughlin's question, the most challenging target in our third corporate plan period was to deliver that quality measure. The challenge that we had was that that target was introduced in a day when the Programme for Government was put out, but our work-in-progress pipeline was full of projects that were based on the previous policy. We were not going to go back to those companies and say that the policy changed so we were not going to deliver that project any more. We had to flush those through and then see them through and very quickly refresh our pipeline with higher-value projects. So, in essence, we moved.

In the first year of that three-year corporate plan, only 55% of the jobs were above the private sector median. In the last year of that corporate plan, almost 90% were above the private sector median. That is the key measure that we now have. At the outset of my answer to the question, I quoted some numbers. To put it into context, in foreign direct investment, our average salary has gone up from under £25,000 in 2008 to £37,000 today. I know that you will hear the Minister and others talk about high-quality jobs. Those projects are delivering high-quality and £30,000 to £40,000 salaries for our graduates. So, the track record in the previous corporate plan shows that that issue has been firmly addressed.

Mr McQuillan: You said that there could be a three-year time lapse between a letter of offer and something happening on the ground. Why is that? Is there any way that we can speed that up? Who is at fault? Is it the companies?

Mr A Hamilton: It is not three years before something is done; it is three years until it is completed. Typically, a company will take a period of time over which it will build its plan. On average, the normal profile for job creation is about 15% of the jobs in year one. There is a big spike to 30% in year two, and then it tails off to 20% or 15% again. It depends on the project. R&D projects will create jobs more quickly, and selective financial assistance projects will create jobs over a longer period of time. However, I do not think that that causes a measurement complication. We absolutely need a constant flow of projects that are all layered on top of each other.

Mr McQuillan: I picked you up wrong on that. It thought that it was three years from the letter of offer before something happened.

Mr A Hamilton: No. We have speeded up our processes, and, in a lot of cases, we are giving prior approval to firms, which allows them to get on with a project. If we receive a business plan, they can get on with a project without risk while we assess the programme. David mentioned Allen and Overy. The announcement was made a couple of weeks ago that it was creating another 67 jobs beyond what it announced a year and a half ago. That is because it completed the project a year earlier than it originally thought. So, as we watch it at the minute, the timeline is shortening.

Mr McQuillan: I have one final point. In a question for written answer to the Minister in October 2012, I asked how many potential investors visited the 26 council areas. There was a total of 117 visits, which I thought was fairly good in the current economic climate. Some 82 of those visits were in Belfast and four were in Coleraine. There were none in Limavady. Is there anything that we can do in that area to help Invest to attract more people to that area?

Mr A Hamilton: The answer to that question is yes. We are working with quite a few councils, and I would be happy to work with Limavady Borough Council to do that. With regard to the progression of the app that I spoke about earlier, we are funding a bit of that development to work with councils to modify that app and customise it for their council area. So, within the confines of what we have in that software, you can now work and build a picture for Limavady, Lisburn or wherever. We are sales people, and we sell a very successful product. We need the collateral that is customised to that area that allows them to go out and promote Limavady as a destination for inward investment. That is available to Limavady to do.

The Chairperson: On the back of what Mr McQuillan said, I will not mention Strabane. I will leave that to my colleague Mr Hussey. To give credit where credit is due, I commend you for job quality and retention. The result is good news, and lessons will have been learned from the way in which that was achieved. What other shifts in your strategy have been successful for Invest NI?

Mr A Hamilton: The other thing that is referenced in the report is the significant performance on the R&D side. Although we have a much more direct causal link with job creation through the projects, it is not as direct on the R&D side. Companies need to invest in R&D. We are there to pump-prime and encourage. David quoted a real example of a small investment that led to a major project, but to see an increase in R&D, as we have seen it over the past five years, is a piece that other countries would die for. As a matter of fact, I will quote you an example. I was in Chile, south America, before Christmas, and I was asked to go along and speak at an innovation conference because somebody found out that Northern Ireland companies had moved that output measure that I talked about. Five years ago, 0·6% of our GVA was being spent on R&D. Today, it is 1·2%, and the UK average is 1·3%. So we have almost closed the gap on that. I went and spoke at that event. Chile is doing exactly the same thing. Today, 0·5% of its GVA is being spent on R&D. It wanted to learn from us about the programmes that we have put in place and how we can drive that forward.

I will give you another example of the progress that has been made in R&D and the support around that. The Audit Office rightly comments on COMPETE and START and some earlier programmes and some of the challenges around those, but it also acknowledges that the new grant for R&D is a less bureaucratic, more easy to access, more beneficial programme. Taken together with the job creation side, those are two of the major pieces that have driven us forward.

The Chairperson: Did you bring any investment back from Chile?

Mr A Hamilton: You would need to ask me that question in six or nine months' time.

The Chairperson: Well, we hope to hear that you did.

We will move on to disadvantage and social mobility.

Mr Hussey: I am delighted to have the opportunity to ask a few questions. You talked about working with councils. We have 26 district councils. How many councils are you working with and, more importantly, how many are you not working with?

Mr A Hamilton: The only one that is actively working with us at the minute on the development of a council-specific app is Lisburn, but a letter will be going to all the councils in the next week or so to formally invite them to do that. Anecdotally, I have spoken to some people and told them, as I have done here today, that the app is available. That is a very specific piece around that app.

The second piece that I want to point out, and this takes it back up to the strategic level, is that one of the most important things that we need to do as an organisation is to continue to build the relationship with councils. We have the review of public administration (RPA) coming down the track, which will see the transfer of some of our powers to the councils in respect of economic development. We have other issues, and I know that some people are aware of the local economic development funding mechanism. We have taken that on board and started to work very collaboratively with councils. We will put in one third of the funding, councils put in one third, and we draw one third from European funding. Over the past year and a half, that has been really successful on two fronts: we have put in place very subregional specific programmes in general areas; and it has built relationships between us and councils in the advance of RPA implementation and the transfer of those powers.

Mr Hussey: RPA is not my favourite subject, so do not get me going down that line.

Mr Mitchel McLaughlin: Go on.

Mr Hussey: Will you confirm, before I move on, that you are working with all 26 councils?

Mr A Hamilton: Absolutely.

Mr Hussey: Pages 42 and 43 of the document look at the east and the west. You clearly identify the councils that you see as the west and the east. Belfast and Derry city district council areas fared well with inward investment from 2002 to 2008. However, several other district councils in the west received considerably lower levels of inward investment than the Northern Ireland average. One thing that particularly stuck with me was that page 44 states:

> *"It is important to note that Invest NI cannot direct investors to specific areas".*

You then make the point that you removed the Bombardier figures to show that, if that is discounted, there is only a 5% variance between the west and the east. If you take the Londonderry figure, which is £853 as opposed to the Northern Ireland average of £355, what sort of figure does that show for investment in the other councils in the west?

Mr A Hamilton: I do not have the breakdown of all the councils with me. I am going from the same information as you, so let me try to track some of it. The suggestion of removing Bombardier was not ours; it was the Audit Office's.

Mr Hussey: That balances the figures. We can understand that, because Bombardier in Northern Ireland is well and good. However, east and west are showing two sets of figures. Clearly, the Derry district council area at £853 does not leave very much more for the other district council areas in the west. Or am I misreading that?

Mr A Hamilton: No, you are reading it correctly. If the east is similar to the west and you go to a subset of the west, which is Derry City Council, and it is proportionately more than the average —

Mr Hussey: Substantially.

Mr A Hamilton: Yes. It is twice the average of the east, so you wonder what is happening with the rest of them. I am happy to write to the Committee to give you a breakdown of all those different areas. I turn you back to the table on page 43. Let us leave aside the Bombardier bit. The important figure is the FDI jobs promoted per 10,000 population. You need to do pro rata to the population size. It does not answer your Derry question, but there is not a big difference between east and west: 158 —

Mr Hussey: I accept that, but the focus is on Derry and not the other parts of the west. Clearly, there might be other jobs, but they are going to one specific area. The Chair and I represent West Tyrone, which is the Strabane and Omagh district council areas. Clearly, I have a concern that that area and Fermanagh — even Coleraine, if we are going to chuck it in for the balance —

Mr McQuillan: Chuck us in anywhere you can.

Mr Hussey: We would if we could, believe me.

Clearly, there is an emphasis on Derry. I do not have a problem with that, but what about the other areas?

Mr A Hamilton: There is not an emphasis on one particular city. That goes back to the assumption that we have the ability to direct things wherever we want to. We do not. We encourage companies to come here. The plea that I made earlier was to get more specific messages and selling advantages for each of the subregional areas, whether it is the Assembly constituencies or the council areas, so that we can encourage companies to go and see them.

Mr Hussey: You made reference earlier to Tyrone — you got 10 points, by the way, for doing that — and the engineering groupings. Clearly, there are quite a lot. Once you head towards Omagh, you pass the likes of SRS Finlay and everything else on your way there. It clearly has a strong market to follow.

Mr A Hamilton: Infrastructure is important, too. We talked earlier about air routes and all the rest of it. We made a commitment to buy and make available land in your area for inward investment and indigenous companies to grow. On, I think, Friday week, I will be with some of the councillors down there to open that. We have quite a bit of interest in that facility already. There are things that we are trying to do. We need the councils to work with us to try to create the pull from there as well.

Mr Hussey: To go back to my question, then, are you content that you have a very good working relationship with the councils?

Mr A Hamilton: That is a different question from the one that you asked me before.

Mr Hussey: Well, I asked you before about the relationship that you had with the councils.

Mr A Hamilton: You asked whether I was working with them all. I am working with them all. Different councils have different relationships with us. Some seek the opportunity to work very closely with us and maximise the power of two people working together to get it, while other councils do so to a lesser extent. I have visited almost every council and have spoken to either their economic development committee or the full council over the past two and a half years. It is not for want of going round and trying to engage with them all. Some of them are large-scale councils and others are smaller scale. I do not want any of my comments here to be taken as a criticism of councils. I am not criticising them; I am making a statement of fact about what we are doing. We have a very positive working relationship with the councils, and I would seek to draw them in as much as I possibly can.

Through Transform — it is referenced in the report — we have gone a long way towards developing the virtual small business unit, as was envisaged in the Barnett review. When I reorganised my team on 1 April 2012, we reconstituted the focus for our regional office network very specifically to do that and get them engaged with the councils and the stakeholders to try to make that work as best we can.

Mr Hussey: I keep trying to draw you into a situation where we can find out whether there are councils that are not actively trying to push this forward. It is naming and shaming, in effect, because it is clear that, if we have a good working relationship, it is positive, and we can see that it is working well in certain areas. If there was negativity anywhere, and people are not giving of their best, I would rather know that here than have to look for it. The situation is that we are going to have RPA. I would spit, but I cannot because I would be thrown out. We currently have 26 district councils, and I would like to see all 26 working. I would like to see these figures improve, especially in my part of the west rather than in one specific area.

Mr A Hamilton: I understand.

Mr Mitchel McLaughlin: But you are writing to all 26 councils in the coming weeks.

Mr A Hamilton: With the information about the app.

Mr Hussey: With a "return to sender", probably.

The Chairperson: Thank you for that, Mr Hamilton. I make no apologies for being parochial about Strabane. That site looks absolutely fantastic. I pass it occasionally. How well do you work with MLAs? I did not get an invite for next Friday.

Mr Hussey: Neither did I, Chair. I am sure that, after today, ours will be in the post.

Mr Mitchel McLaughlin: It probably went to the council.

The Chairperson: It probably did. I know that people from Strabane and other parts of West Tyrone will be listening to this discussion, so I cannot let you away without asking you what is going into that site. Do you any idea about that?

Mr A Hamilton: It is too early for me to say. The plans are with us and companies are talking to us, but it is too early for me to say anything concrete about who they are, except that I am encouraged.

The Chairperson: That is good.

Mr Hussey: He got away with that, didn't he? Unfortunately, I have to leave. Do not take offence; it is not because I did not get invited to Strabane. We might turn up anyway.

Mr Rogers: You are very welcome. Earlier, Mr Sterling said that the Audit Office could not provide benchmarking data, but also that Invest NI is keen to do its own benchmarking. Is it not your responsibility to get that data to ensure that your targets are up to scratch?

Mr Sterling: I am sorry; I may not have explained it clearly enough. The Audit Office report was completed at a time when the regional development agencies in England and Wales were still in existence. The Audit Office commented on the benchmarking work it did. I was saying that there are now fewer organisations in existence against which we can benchmark ourselves.

I firmly believe that benchmarking is important. It is always a good way of measuring how well you are performing, judged on what others who do similar things are doing. The Audit Office report recognises that the various agencies it refers to are doing slightly different things and doing things in different ways. Benchmarking is not straightforward, but that is not to say that we should not continue to try to do it.

Mr Rogers: OK. Paragraph 3.46 is about targeting social need. In the first two corporate plans, you had a target to locate 75% of new FDI projects in new targeting social need areas. For the third plan, it was a target of 70%. However, it is 70% within 10 miles of a disadvantaged area. One could argue, for example, that north Down is 10 miles from east Belfast, and so on. You said that the Programme for Government may have some effect on that, but is there any other evidence for moving to that type of target?

Mr Sterling: I referred earlier to the independent review of economic policy, which is acknowledged in the report. The IREP report, which the Minister accepted, concluded that you cannot really push an investor to locate in one area or another. We are still very keen on that. Alastair talked about the steps taken to encourage investors to locate in areas of disadvantage, and the record is reasonably good. We always want it to be better, but the report recognises that 92% of projects were located within 10 miles of a disadvantaged area. It leaves you questioning the validity of that.

We are now focused on a more balanced approach through the economic strategy. We are still seeking to encourage companies to locate where the need is greatest. Alongside that, we have DEL's focus on employability; that is, helping people who have been out of work, whether for a short or long period, to develop the skills that allow them to get jobs wherever they are. A more holistic approach is being taken now. However, I do not want to downplay the difficulty of tackling the issues, particularly with those who have been unemployed for a long period or who have been economically inactive and are now looking to get back into the job market. There are huge challenges.

Mr Rogers: Do you have any data on the number of people from disadvantaged areas who have taken up a position with the companies?

Mr Sterling: That issue was raised at the time of the PAC's inquiry into the Valence report. Our view at the time was that it is extremely difficult to ask companies to provide information on the location of their staff. There are data protection issues. Alastair or Mel might want to amplify that, but that was looked at in detail before.

Mr Chittock: It was. We looked at it as part of the Valence review. One of the challenges is that putting a restrictive covenant in a letter of offer is not acceptable to many investors. It is also about the collation of information. If we collected information on individual employees, such as their addresses and postcodes, there would potentially be breaches of the Data Protection Act, and, therefore, we cannot compel companies to provide that information.

Mr Rogers: The 2000 report from the PAC at Westminster said that attempts should be made to collect that type of data. Do you have any further comment on that? It is at point 8 in the eighteenth report on the effectiveness of IDB's inward investment programme.

Mr Chittock: Recommendation 8 in the memorandum of reply says:

> *"IDB will continue to encourage new inward investment projects to locate in the areas of greatest disadvantage".*

That had published targets for 75% of inward investment projects to be in new targeting social need areas, as they were described then.

Mr Rogers: It also says that steps will be taken to measure how many jobs are taken up by people from those areas.

Mr Chittock: I do not have a reference to that. I can go back —

Mr Sterling: It goes back to an earlier PAC report.

Mr Rogers: That was from 2000.

Mr Sterling: The MOR for the Valence report records our view that, based on the work that had been done in that area before, we did not believe that it was realistic to ask companies to provide that type of information. Although there is no specific target, we still measure where jobs promoted are located. That information is available.

Mr Rogers: Paragraph 3.8 of the Audit Office's report states:

> *"Post 2013, Invest NI may be unable to offer Selective Financial Assistance to client companies due to changes in Northern Ireland's Regional Aid Status."*

How is Invest NI addressing that?

Mr Sterling: This is a big challenge for us, and we have been working very hard in recent times on that issue. Last year, the Department for Business, Innovation and Skills, after a consultation, changed the legislation and removed Northern Ireland's guarantee to 100% assisted area status. So, that is no longer provided for in legislation. That does not mean that we will not be granted such status, but the latest draft regional aid guidance from the EU has two concerns for us. First, it does not provide any special status for Northern Ireland. Secondly, across Europe, it will remove the right for states to provide support to companies that have more than 250 employees. That is quite a concern for us, because it will limit Invest's ability to support larger companies or to encourage larger companies to locate here. The draft guidance also proposes reductions in the intensity rates to 20% for medium companies and 30% for small companies. Again, that means that Invest's ability to support would be much reduced. The biggest concern, however, is that if we do not get 100% assisted area status, choices would need to be made about which areas of Northern Ireland could have selective financial assistance.

We are resisting this on a variety of levels, from ministerial down. The First Minister and deputy First Minister raised the issue with Commissioner Hahn at the end of January. I accompanied my Minister to a meeting with Commissioner Almunia just before Christmas. Commissioner Almunia recognised our particular circumstances. He effectively said that the argument that Northern Ireland should continue to have 100% assisted area status was won for him but that, essentially, that would be a choice for the Westminster Government. We continue to lobby Vince Cable at ministerial level and using our MPs and MEPs. There have also been briefings. All forms of lobbying will continue to be necessary. The new guidance will be agreed some time this year and will apply from January next year. It is a big issue for us at the moment.

Mr Rogers: Will that mean that a bigger effort will be needed to address that, particularly in disadvantaged areas?

Mr Sterling: If the draft guidance is unchanged, the next challenge will be to persuade the Westminster Government to give us sufficient of the UK share to allow us to have 100% assisted area status in Northern Ireland. If we do not win that argument, the challenge after that will be to decide where best to use whatever population share we get. That could be 75%, and the worst case scenario may be only 50%. So, there would be big challenges in deciding where you would get the best effect from the coverage that you have.

Alongside that, if we are no longer able to provide selective financial assistance to larger firms, that will limit the offer we have. If it is the same across Europe, which is what is proposed at the moment, there should be a level playing field. However, our argument to Europe and in Westminster is that we need help to improve our competitiveness. We have a land border with a country that has low corporation tax, and that is a considerable handicap for us. In a sense, that argument has been accepted in Europe, but we still have to win it in Westminster.

Mr Rogers: And as a firm supporter of local economic development, very much so. I would not want the impression to get out that the west is the only place that is disadvantaged. Do not forget about south Down as well. Although we would like a lot more, I acknowledge that the investment of Invest NI throughout south Down has kept us afloat.

Mr Mitchel McLaughlin: Sean touched on my point. The measure for encouraging investment in a 10-mile radius encourages a certain amount of cynicism among those who live in socially and economically deprived areas. I know that there are a number of issues around judgements that investors make, including, I suppose, the availability of suitable accommodation or sites that have, or are likely to receive, planning permission. Those are all germane issues.

Perhaps rather than placing a 10-mile circle around areas of deprivation, we should consider how difficult it is for workers or people of working age in those areas to get to the jobs. Perhaps we can look at a measurement that would permit selective assistance under European employment legislation to encourage or incentivise. If you come at it from the point of the view of investors or firms, I suspect that Europe would be very tetchy about state assistance, no matter how camouflaged it was. There might be more flexibilities and opportunities to facilitate people with a background of social and economic deprivation to access work opportunities.

Mr Sterling: I do not want to be drawn on the detail of the DEL scheme —

Mr Mitchel McLaughlin: I am planting an idea that you might want to consider and that we might discuss further.

Mr Sterling: That may be worth looking at. I know that some of the DEL schemes that are trying to improve people's employability — they may only be pilots — have looked at issues in and around how to get people to where the jobs are. There are issues around transportation, the use of public transport and all the rest. Perhaps we can look at that with DEL again.

Mr Mitchel McLaughlin: Yes, in an overall sense. I think that it would be helpful to map out potential sites where appropriate accommodation could be constructed. That would rule particular areas in or out, irrespective of other incentives or supports. An element of integration in how we try to plan to target an area such as Strabane, Coleraine, or wherever, is perhaps absent from our present offering.

Mr Sterling: We will take that away and look at it.

Mr Mitchel McLaughlin: Thank you.

The Chairperson: That would be very helpful. Just before I let Mr McKay in, have you or the Government — perhaps together — commissioned any research to project the likely impacts of welfare reform?

Mr Sterling: All Departments are engaged in looking at the impact of welfare reform, so, yes, there has been some work. I cannot give you anything concrete that has emerged from that from our perspective.

The Chairperson: We may well have more disadvantaged areas than we have at present.

Mr Sterling: I will look into that. If I think there is anything relevant, I will drop a line to the Committee.

The Chairperson: Mr McKay, you wanted to ask about self-assessment and benchmarking.

Mr McKay: Thanks, Chair. The benchmarking has been touched on.

We all represent a number of small businesses in our respective constituencies, and Invest NI's focus on small businesses has been a matter of contention in the past. In his report, Barnett recommended setting up a small business unit in Invest NI. When will that be set up?

Mr A Hamilton: It has been set up. I mentioned it a few minutes ago. It is a virtual small business unit.

It is not just down to Invest NI to become engaged in that way. When answering the previous question, I talked about the councils, the local enterprise agencies and Invest NI, and others should be involved, such as the chambers of commerce. The specific reason that I call it a virtual small business unit is that we need to build a connection between the two groups, notwithstanding that things will move under RPA, but it needs to —

Mr McKay: Is that the kind of small business unit that Barnett referred to?

Mr A Hamilton: I think that he specifically wanted us to go back to a point at which we ring-fenced a group of people with all the support mechanisms that are needed just to do small business. I think that there are more benefits to the organisation by not going down that path, because you will duplicate resources in your back office.

Mr McKay: Yes, but you get that focus.

Mr A Hamilton: You do. However, I firmly believe that we can get that focus through the virtual small business unit.

Importantly, one of Barnett's other recommendations was that we should offer our service right across the business community and not just to a select group of 2,500 businesses. That has been the most fundamental change in the organisation over the past two or three years, and that is now up and running. We have developed a multichannel strategy. Some of that is done through partners and some of it is done through the internet at www.nibusinessinfo.co.uk. We also operate a telephone-based service for the Boosting Business programme that you will have seen. That has delivered thousands of inbound enquires, over 90% of which have come from companies that we would not traditionally have dealt with in the past. We also have a face-to-face account management piece for the large, high-growth companies. We now have a range of services.

In an answer to a previous question, I mentioned that we have refocused our regional office network to look after small businesses. For example, in Coleraine, which was mentioned a moment ago, I co-located my staff in the council offices as part of a pilot scheme. The lease was up and we did not take up a new lease. Instead, we put staff into the council offices to build a better working relationship between us and the council. That environment works so much better. Ultimately, we may move even further down that path, and DEL and others have expressed an interest in having a completely joined-up approach to economic development, with all the stakeholders around the table.

Although it is a virtual small business unit, dedicated targets are given to dedicated people in our organisation to support locally based, indigenous firms. I gave you some numbers earlier, but we should recognise the success —

Mr McKay: What are the headline targets for that?

Mr A Hamilton: Let us reverse. An earlier question was about how job targets have progressed over the corporate plan period. Let me just track that. In the first two corporate plan periods, the only job targets embedded in our operating plan were FDI projects that were brand new to Northern Ireland. Indigenous firms were ignored. The third corporate plan period still had no indigenous firm targets in it, but it had a target for reinvestment of foreign direct investment. In the latest corporate plan, for 2011 to 2015, there has been a movement to cover all four areas. I personally, and the executive team and the regional office teams corporately, have targets for new jobs in indigenous firms across Northern Ireland. That goes back to the point about targeting people in the small business community. I quoted the numbers to you earlier, and the breakdown of the assistance that we offered from 2008 to 2011 was 59% to local firms and 41% to international firms. Last year —

Mr McKay: Was that for offers?

Mr A Hamilton: That is financial —

Mr McKay: Actual?

Mr A Hamilton: The breakdown in the offers is a more stark piece. In the last period, 94% of our offers and 73% of our support went to local firms. Therefore, we have moved from the position in 2006 when it was 50:50 to last year when it as 73:27.

Mr McKay: What is that specifically?

Mr A Hamilton: That is that 73% of our financial support offered to companies in 2011-12 went to local firms.

Mr McKay: OK. What about money that was given as opposed to offered?

Mr A Hamilton: That will be tracked in a future period. We were talking about offers being made.

We have made a significant move in our structures to support local small businesses. We are developing partnership models with local enterprise agencies and councils, we have the LED measure that I talked about earlier, and we have now have targets. Of the 25,000 new jobs that are targeted in the Programme for Government, you can track right down to how many are being targeted at local companies.

Mr McKay: We have had the debate about jobs promoted and job created. There is also the issue about the assistance that is offered and what money follows through. It is important that the Committee get figures on what has been given. I understand absolutely that there is a new corporate plan and that it will take time for that to roll out. However, it would be good to have an overview of what offers were followed through on completely in the past five years. That would be beneficial.

Mr A Hamilton: OK.

Mr McKay: Paragraph 5.2 of the Audit Office report refers to benchmarks:

> *"Invest NI told us that it intends to use a mix of research using published information from similar agencies ... and qualitative data possibly drawn from ... surveys to establish benchmarks."*

Has that been followed through on?

Mr A Hamilton: I gave a presentation to the Invest NI board last month that set a framework for how we will proceed to benchmark ourselves in two distinct areas: efficiency and effectiveness. How we take forward that work was approved by the board.

It is fair to acknowledge the work that the Audit Office has done. Quite apart from this report, there is a lengthy benchmarking report from PwC that fed into it. There was a lot of information in there on benchmarks, such as admin costs versus programme costs, and admin costs as a percentage of jobs created. Those are the sorts of benchmarks that we took from that report and put into the proposal that went to the board. We now move to the next step to find someone who will be able to provide the benchmarking data for us on an ongoing basis so that we can track data in the same way in which we track our job performance.

Mr McKay: Paragraph 5.10 refers to the new assistance model, which was at an advanced stage at the time of publication. It states:

> *"Invest NI envisage that funding will be weighted towards the customer segments which will make the greatest contribution to GVA, R&D and export growth."*

That comes back to the point that I made about small businesses with fewer than 50 employees or 10 employees. Are those businesses not the least likely to tick the box on research and development? Is the assistance model not weighted towards larger businesses and FDI? Perhaps that adds to the argument that small businesses should be treated separately, with a real unit as opposed to a virtual one.

Mr A Hamilton: I cannot remember the numbers, but I think that targets have been the right way in which to treat the small business piece. I am a strong believer in maximising the efficiencies of shared resources and services, and then create targets for the people at the front end. Although we do not have a separate small business unit, I have a separate team of people focused on small business.

Mel can keep me right here, but on your question on R&D, a target in our corporate plan states that the percentage of our support going to small businesses must be greater than 30%.

Mr Chittock: Twenty per cent.

Mr A Hamilton: Twenty per cent. Last year was the first year in which we ran that, and we are currently running at almost 50%. Therefore, almost 50% of our R&D support is going into small businesses.

Mr McKay: Small businesses below —

Mr A Hamilton: Businesses below 250 employees, which is the EU definition. Strategically, I believe that we can achieve the objectives that were indicated in the independent review around maintaining the focus on small business more efficiently and effectively within a combined unit but one that has separate targets at the front end.

Mr McKay: How many small businesses benefited from that 50% of your R&D support?

Mr A Hamilton: I do not have those numbers, but I am happy to provide you with that information.

The Chairperson: OK, thank you, members. This has been a very interesting hearing for members and, I am sure, for you. This is an important and complex area that involves large expenditure. We all want to see the local economy perform strongly, and businesses being assisted by Invest NI in securing sustainable jobs and investment projects that will benefit everybody. We want to get the best possible deals out of those.

We look forward to seeing further improvement in Invest NI's performance, which will help to deliver the outcomes that we discussed. Through more transparent and realistic target-setting, we would also like to see it delivering public confidence in its results. Public perception is, I suppose, nine tenths of reality. I am sure that members around the table will have their own stories to tell about Invest NI from their constituents. Bad news travels fast, and I think that you alluded to that earlier, Mr Sterling. However, there is a lot of good news out there, and that is what we have to get out. I know that you are continuing to work on the targets that you have set and on the outcomes that you expect to achieve.

Mr Hamilton, If I were to give you 30 seconds as chief executive to sell the targets and the outcomes that you have set, as well as the benchmarking, what you would say that would sum up Invest NI's performance to date?

Mr A Hamilton: I should probably have kept my comments until the end. I will not repeat the comments that I made at the start, but this report shows that in the previous corporate plan period — I can bring you right up to date with some of the information that I have given the Committee today — the organisation's performance has delivered substantially on foreign direct investment. David mentioned some of the companies that are here that other countries around the world, never mind provinces, would die for to have in their grasp.

Our quality has gone up, our costs have gone down, and the brand names that we have attracted in the sectors that we have targeted have been exemplary. The benchmark, for me, is that with 3% of the UK population we have attracted 7% of the UK's foreign direct investment. That is a benchmark of our performance against the rest of the UK.

We have set ourselves a very strong target for indigenous company support and for driving and supporting small businesses. The changes that I have outlined in our approach to dealing with those companies are already receiving feedback. We are seen as a much more proactive than reactive organisation, which was one of the strategic goals that I set myself when I joined the organisation. You can see the benchmarks of where we have moved to in the form of the financial support that we have offered.

I have already said my piece about where research and development has gone. The final element is trade. It is the biggest objective for this organisation and for the Executive moving forward. I should applaud the Ministers and others who go out to visit foreign countries to profile what we are trying to do collectively to drive trade in overseas markets. Our big goal is to have our region much more outward-looking and internationally connected in order to increase exports from our companies and be able to do exactly what I was talking about at the outset, which is to close the productivity gap.

The Chairperson: You mentioned bringing costs down. What are you doing to bring down the cost of the jobs?

Mr A Hamilton: I do not want to get into the fine detail of the cost per job. However, it is something that we track very closely. The average cost per job from our projects in 2008-09 was over £11,000, and in the year just exited, it was £5,000. That gives you an indication of how significantly the project costs are reducing.

Some of that has been driven by the changes in the regional and state aid provisions. The additionality debate in here — we did not get into that today, and I do not want to open it now — was a strong debate that we had with previous Public Accounts Committees. It is about challenging companies to make sure that we were putting only the money on the table that was needed to close the project. That has been delivered.

My final point is about efficiency. On the benchmark that I gave earlier on — the administrative cost of running our organisation as a percentage of our programme cost — we are significantly better than the Scottish and the Irish organisations that were benchmarked.

If you look holistically at performance against targets, the efficiency of the organisation and the strategic direction that we are taking, there is undoubtedly more that we want to do, but we are in a much better place than we were.

The Chairperson: Thank you all very much. There were a number of requests for written information that the Committee Clerk will forward to you.