

# Written Ministerial Statement

The content of this ministerial statement is as received at the time from the Ministers. It has not been subject to the official reporting (Hansard) process.

## Office of the First Minister and deputy First Minister

### ECONOMIC PACT: BUILDING A PROSPEROUS AND UNITED COMMUNITY

Published at 10.00 am on Thursday 3 March 2016

#### Mrs Foster and Mr McGuinness: (The First Minister and the deputy First Minister):

We are today announcing the publication of the second progress report on the implementation of the Economic Pact document, *Building a Prosperous and United Community*.

The pact was published by the Government and the Executive in June 2013 and sets out a series of measures consistent with rebalancing the economy and building a shared future, as well as unlocking projects to boost growth.

The measures set out in the pact included a mechanism for taking forward the devolution of corporation tax, as well as £100 million in additional borrowing for shared future projects. It was also confirmed that Northern Ireland would continue to benefit from 100% Assisted Area Status to drive investment and business expansion.

In July 2014 we published *Building a Prosperous and United Community: One Year On* reflecting on the progress made after one year. Whilst this set out the significant progress that had been made over the previous 12 months, for example in enhancing access to finance, it was also recognised that further action was necessary.

This 2016 Progress Report reflects on the progress that has since been made across all areas.

In respect of the economic outlook the local economy continues to grow. Employment has **increased by 46,000 since 2010. Our private sector has been driving these improvements, growing by 6% since the end of 2012 and adding 12,000 jobs in the last year alone.** A major contribution has been made by Invest NI which in 2014-15 supported 14,000 new promoted jobs, created 9,410 jobs and £1.4 billion investment in the economy.

Since the One Year On update was published the legislation has been enacted to allow the devolution of corporation tax rate-setting powers to the Assembly. Through the Fresh Start Agreement in November 2015 the Executive committed to a commencement date of April 2018, and a devolved rate of 12.5 per cent. This will enable the rebalancing of the economy towards greater private sector led and value added growth more quickly than would otherwise be possible.

The Executive also recognises the need not to add unnecessarily to the cost of doing business. Informed by the findings from the Review of Business Red Tape the Executive has agreed a 5 year programme of regulatory reform designed to reduce the burden on business and support economic growth, while continuing to provide necessary protections for workers, citizens and the environment.

However, sustainable improvements in economic growth can only be achieved if progress is also made in terms of a shared society. In this respect, work continues on the projects under *Together: Building a United Community (TBUC)*. This is an ambitious framework that includes commitments on education, housing, regeneration, sports, youth development, community interaction and interfaces.

There has been continued progress on the projects to be funded from the additional borrowing facility, including integrated primary schools and further education facilities. In addition, Ravenhill Road was the first shared neighbourhood scheme completed and others are now underway.

The other TBUC measures are also proceeding such as the summer camps pilot programme where the feedback has been positive from the 101 camps held in 2015 by the 4,200 participants. As a consequence we have approved the proposals for a further series of summer camps this year.

Together these projects will help increase the availability and quality of shared education places and increase the opportunities for people across different communities to live together.

Moving forward, the Executive remains committed to working together to continue to rebalance the economy and build a shared future.

We will continue to work on the ongoing economic pact measures and on the commitments set out in the Stormont House and Fresh Start agreements so that these agreements are implemented in full.

# **Building a Prosperous and United Community: 2016 Progress Report**

March 2016

- **Building a Prosperous and United Community: 2016 Progress Report**

The Northern Ireland economic pact, *Building a Prosperous and United Community*, was published in June 2013 in advance of the UK hosted G8 summit held at Lough Erne. The economic pact set out a series of measures consistent with the Executive's Economic Strategy and the joint Government and Executive aims to rebalance the Northern Ireland economy and build a shared future.

This document seeks to update on progress made across the economic pact since it was signed in 2013 with a focus on the work since the *One Year On* update published in July 2014.

Since the *One Year On* update was published Parliament has passed legislation to allow the devolution of corporation tax rate-setting powers to the Northern Ireland Assembly. This could bring benefits for an estimated 34,000 companies of all sizes in Northern Ireland. The legislation includes a commencement clause and devolution of the powers remains subject to the conditions set out in the Stormont House Agreement. Through the Fresh Start Agreement in November 2015 the Executive set out its intention to have a Northern Ireland rate of 12.5 per cent from April 2018.

The British-Irish Visa Scheme launched for China in October 2014 and was expanded to India in February 2015. By allowing Chinese and Indian nationals to visit both the UK and Ireland on a single visa the scheme assists tourists and business visitors who wish to visit both Ireland and Northern Ireland.

In November 2015 the Government announced two Northern Ireland routes were amongst those to benefit from start-up support from the Regional Air Connectivity Fund. The Executive is currently exploring ways to support air route development in Northern Ireland and is expecting to make an announcement before the end of the financial year.

In 2013-14 the Executive commissioned a Review of Business Red Tape to put forward recommendations for reducing the regulatory burden on business and support economic growth, while continuing to provide necessary protections for workers, citizens and the environment. The Executive has agreed a five year programme of regulatory reform designed to support growth of the Northern Ireland economy and contribute to its overall competitiveness.

The MoD announced in February 2016 that it would be gifting 59 surplus properties in Lisburn to the Executive. These properties will be used to increase the provision of shared housing. The MoD will continue to explore whether it might be possible to transfer further surplus military assets in the future on a case by case basis.

The Green Investment Bank has now committed to invest over £70 million to projects in Northern Ireland.

The Joint Ministerial Taskforce on Banking and Access to Finance has made good progress on its priorities, including promoting the effectiveness of national finance initiatives including through the British Business Bank (BBB). This has helped deliver approximately £60 million in finance to businesses in Northern Ireland. The Taskforce also worked to successfully secure local bank lending data for Northern Ireland which was published for the first time in July 2014. Recent data has shown that new quarterly lending to SMEs in Northern Ireland has increased from £300 million in Q3 2010 to £355 million in Q3 2015 and

that the third quarter of 2015 saw a similar number of SME loans approved as in the corresponding period the year before with 9 in 10 applications approved.

The Government and Executive remain committed to working together to continue to rebalance the economy and build a shared future. These objectives are further supported by the Stormont House and Fresh Start agreements.

- **Rebalancing the economy and building a shared future**

### **Economic outlook**

1. The Northern Ireland economy continues to grow, though this growth is not as strong as has been the case in recent years. There has been some mixed performance across sectors and it is clear that the local economy will remain exposed to both the benefits and headwinds which the global economy continues to grapple with. Growth in Northern Ireland exports of 4 per cent in the last year shows that Northern Ireland is well positioned to take advantage of opportunities on the global stage.
2. The labour market continues to perform consistently well. Importantly for the Government and Executive's joint aim of rebalancing the local economy the number of people in employment has increased by 46,000 since 2010 and the number of private sector jobs has increased by 12,000 in the last year alone. An added boost is that the wages people are taking home are also increasing – up over 5 per cent in the last year – with increases driven by the private sector. This week three hundred manufacturing jobs and a supply chain stretching across Northern Ireland and the wider UK have been safeguarded by a multimillion pound deal between Transport for London and Wrightbus for nearly 200 New Routemaster buses.
3. While business and consumer confidence remains high in Northern Ireland, many commentators expect the economic challenges to remain for the global and local economies alike. The Government and the Executive will continue to work together to help rebalance the local economy and build on the foundations of recovery to support further growth and jobs in the years to come.

### **Investment to build a shared future and support jobs**

4. The economic pact, *Building a Prosperous and United Community*, included a number of measures aimed at contributing to the Executive's strategy to improve good relations, *Together: Building a United Community (TBUC)*, which was published by the Executive in May 2013.
5. These measures included the Government making additional borrowing of up to £50 million in both 2014-15 and 2015-16 available to the Executive to provide support for specific shared housing and education projects.

6. The *Building a Prosperous and United Community: One Year On* report set out that the Government had agreed to an Executive request to reprofile the borrowing available to cover an additional year to 2016-17. The report also set out that the Executive would commit additional capital funding from 2017-18 onwards to ensure the successful completion of projects.
7. There has been continued progress against the *TBUC* headline actions, including the Shared Neighbourhoods Programme which mainly uses the additional borrowing and other funding provided through the economic pact:

7.1 Shared Neighbourhoods: The first social housing development at Ballynafoy Close on the Ravenhill Road has completed and houses have been allocated. A further four schemes have commenced; Ravenhill Avenue, Belfast; Felden Mill, Newtownabbey; Crossgar Road, Saintfield; and Burn Road, Cookstown. A further five schemes are planned for 2016: Embankment Ballynafeigh, Belfast; Dromore Street, Banbridge; Main Street, Dundrum; Market Road, Ballymena; and Antrim Road, Ballynahinch.

The Northern Ireland Department for Social Development (DSD), in conjunction with the Northern Ireland Housing Executive and Housing Associations, are seeking to identify additional schemes for inclusion to the programme.

A number of these schemes are making use of the additional borrowing provided as part of the economic pact (Ballynafoy Close, Ravenhill Avenue, Felden Mill and Crossgar Road); with £7.7 million being used to contribute to the creation of up to an additional 600 properties in a shared environment.

7.2 Shared education campuses: The shared campuses programme is aimed at providing support for the delivery of shared education of children and young people through shared facilities, enhanced facilities and shared campuses where schools are co-located or share infrastructure.

The Northern Ireland Department of Education (DE) announced the first three successful projects to progress in planning under the Shared Education Campuses Programme in July 2014, a shared STEM and sixth form facilities in Limavady and two shared education campuses, a primary one in Moy and a post primary one in Ballycastle. Economic Appraisals are being progressed and arrangements for ownership, governance and management are being developed. Following a second call for applications, six proposals covering over 20 schools were submitted and are currently being considered by the Minister for Education.

The Strule shared Education campus site (recently rebranded, formerly Lisanelly), which is additional to the ten shared sites committed to in *TBUC*, is being progressed using £40 million from the shared future borrowing facility. Over the last year steady progress has been made on phase one with site wide demolition nearing completion and construction of the first premises on site, Arvalee School and Resource Centre, underway. A design team has been appointed to take forward plans for future phases of construction. Procurement of the main works contractor will follow later in 2016-17. As a result of the commitments made in the pact, borrowing of £15 million will be made available in the 2016-17 financial year to fund further stages of development.

**7.3 United Youth Programme/Youth Initiative:** The Government transferred €50 million from its territorial cooperation budget to PEACE IV. The European Commission formally adopted the PEACE IV programme on 30 November 2015 and calls for proposals for projects will begin in 2016. The intention is that this additional funding will have a focus on young people, shared space and civic leadership.

The PEACE IV programme will complement work being taken forward under *TBUC*, however, further work on the detail of the Youth Initiative proposal is required. This initiative will support the roll out of the full United Youth Programme. United Youth will offer young people, primarily those not in education, employment or training, the opportunity to participate in structured activity, volunteering and leisure opportunities, along with a dedicated programme designed to foster good relations and build a united and reconciled society.

A pilot project to test elements of the United Youth Programme ran from February to August 2014. The Executive has funded a further 13 pilots, from the summer of 2015 until March 2016, involving 12 lead organisations, 17 partner organisations, and over 300 young people. The purpose of these pilots is to test a range of approaches with a view to developing a service design framework for the United Youth Programme post 2015/16, and to test an Outcomes and Principles Framework.

**7.4 Interface barrier removal:** Work to date has reduced 59 barriers to 52 with parts of three other structures removed. Engagement has been initiated on 40 of the remaining 52 structures. Specific action plans have been developed covering 24 structures.

**7.5 Summer schools and camps:** One of the four key priorities set out in *TBUC* is 'Our Children and Young People' and a headline action under this priority was to develop a Summer Camps Pilot Programme consisting of 100 summer camp projects to be run throughout summer 2015. This Programme is about building positive relations among young people

across all parts of our community with the Camps operating on both a local and regional level and open to young people aged 11 to 19 years. A budget of £1.2 million was made available for the 2015 Programme.

101 camps have been progressed since the start of summer 2015 with approximately 4,200 young people taking part. Feedback received has been positive and indicates that the camps have provided opportunities for young people to have in-depth and meaningful engagement with people from a different community in a safe and fun environment.

The interim evaluation report of the 2015 pilot was completed in November 2015 with the final report due in early March 2016. Ministers have approved proposals for a 2016 programme, which has been informed by the interim evaluation and extensive engagement with stakeholders including young people who participated in the 2015 summer camps. It is anticipated that the application process for the 2016 programme will start in early March 2016 and be completed by 30 April 2016.

Urban Villages: The first two Urban Village locations were announced in March 2014 as Colin Town Centre, Lisburn and Lower Newtownards Road, now known as Eastside in Belfast. Three further locations were announced in 2015 - Markets/Donagall Pass/Sandy Row and, Ardoyne/Ballysillan in Belfast together with Bogside/Fountain in Derry/Londonderry. Engagement is ongoing with local communities, Government Departments and local Councils to inform the development frameworks for each Urban Village.

7.6 Cross community sports programme: The Northern Ireland Department of Culture, Arts and Leisure (DCAL) has completed a 12 week pilot youth sports programme in two areas of Belfast involving young people engaged in a range of sporting and creative activity with a strong good relations focus. A second phase of activity is underway in both areas.

Community engagement has commenced on scoping the potential of extending the programme in the Lisnaskea area. DCAL is also considering the potential to run a sports programme in an Urban Village area. The revised cross community youth sports programme will be informed by lessons learned from the pilot.

8. There are also a number of other projects that will use the additional borrowing made available through the economic pact:

8.1 Southern Regional College - Craigavon Further Education College: This will be a completely new further education campus for the Southern Regional College which will replace two existing campuses in Portadown and Lurgan.

A site has been secured for the new campus and the Integrated Consultancy Team was appointed in August 2015 to take the project through the detailed design and planning processes.

Some £22.5 million of the borrowing has been allocated to support the development of the campus.

8.2 Integrated Primary Schools: The business case is now approved for the new build, seven class base school and nursery for Corran Integrated Primary School in Larne. The design of the new school is ongoing and it is anticipated that the project will start construction in 2016-17 with completion before the end of 2017.

The project for the new seven class base school and nursery for Omagh Integrated Primary School is shortly to commence the procurement phase for the build. Site work is anticipated to start early in 2016-17 and be completed in 2017.

The Education Minister has approved a development proposal for the expansion of Portadown Integrated Primary School from seven class to 14 class. The project also includes the provision of a double nursery unit.

These projects will deliver new, state of the art facilities for these integrated schools at a total estimated cost of some £13.5 million, including £8 million of the borrowing made available for shared future projects.

8.3 Shared mixed tenure housing scheme: DSD is working with Housing Associations and the Regional Development Office to advance the necessary business cases for two new developments that will include shared social housing, privately owned and privately rented accommodation. These sites are being facilitated by £15 million borrowing provided under the economic pact.

8.4 Housing, environmental improvement: In Portadown £300,000 of borrowing will finance the improvement of shared space between existing estates which is due to commence on early in the new financial year.

9. In total this brings the additional capital borrowing requested by the Executive and provided by the Government to £100 million. The Executive has committed additional capital to ensure the successful completion of these projects.

### *Structural funds*

10. *Building a Prosperous and United Community* indicated that the Government was committed to revising the allocations of Structural Funds envisaged by the EU criteria. The Government confirmed the allocations to each part of the United Kingdom in 2014. The allocation to Northern Ireland was €513 million (current prices).

11. The purpose of EU Structural and Investment Funds include promoting competitiveness. Two Investment for Growth and Jobs Operational Programmes using the Northern Ireland allocation were adopted in December 2014. In addition a further €552 million of funding is also available through the European Territorial Co-operation objective to support further PEACE IV and INTERREG VA Programmes in the 2014-2020 period.

## **Boosting growth**

### *Corporation Tax*

12. The Government remains committed to making the UK one of the best places in the world to do business. Since 2010, the Government has cut the main rate of corporation tax from 28 per cent to 20 per cent giving the UK the joint lowest rate of corporation tax in the G20. The Summer Budget 2015 announced that the main rate of corporation tax will fall further, to 19 per cent in 2017, and then to 18 per cent in 2020.

13. Through *Building a Prosperous and United Community* the Government committed to continue work on corporation tax devolution. Following the Stormont House Agreement, Parliament passed the Corporation Tax (Northern Ireland) Act 2015, which provides the legislation to devolve the power to set a rate of corporation tax in Northern Ireland to the Northern Ireland Assembly. The Stormont House Agreement also set out that the powers will be commenced subject to the Executive demonstrating that its finances are on a sustainable footing for the long term.

14. The Fresh Start Agreement, published in November 2015, paves the way for the completion of the devolution of corporation tax powers. Through the agreement the Executive set out its intention to have a Northern Ireland rate of 12.5 per cent from April 2018.

15. HMRC is continuing work on preparations for the implementation of the Northern Ireland corporation tax regime. In December 2015 a Memorandum of Understanding (MoU) was signed with DFP. The MoU includes provisions on developing IT and administrative systems as well as on recharging costs incurred by HMRC on implementation.

### *Fiscal Powers*

16. The economic pact also recognised a need to examine the potential to devolve additional fiscal powers and increase the financial accountability of the Executive. The Government remains willing to consider any proposals the Executive might come forward with for additional fiscal powers.

## **Providing targeted support to the private sector**

### *Assisted Area Status*

17. *Building a Prosperous and United Community* set out that the Government will ensure that Northern Ireland continues to benefit from 100 per cent Assisted Area Status for at least the medium term.
18. The Government published the UK Assisted Areas Map for 2014-2020 in April 2014. This included 100 per cent Assisted Areas Status for Northern Ireland and came into force on 1 July 2014.
19. The Executive, through Invest NI, will continue to use the Selective Financial Assistance (SFA) Programme post 2015 to drive investment, business expansion and job creation, with SFA increasingly used to secure new first time investments and follow-on expansions from SMEs. In the period 2013/14-2014/15 Invest NI provided almost £140 million of assistance through SFA towards a total planned investment of over £1.5 billion which supported 18,215 new jobs through 835 projects delivered across Northern Ireland.

### *Enterprise Zone*

20. The economic pact set out that the Government would be willing to consider designating a range of sites in Northern Ireland as Enterprise Zones with access to Enhanced Capital Allowances (ECAs), should the Executive propose them. ECAs support investment and expansion by offering 100 per cent relief on expenditure on qualifying plant and machinery in the first year of business.
21. The Chancellor's 2014 Budget announced that businesses located within the Executive's proposed pilot Enterprise Zone near Coleraine will benefit from ECAs until 2020. The Executive has now determined the location of the pilot Enterprise Zone near Coleraine which will benefit from ECAs. The Government intends to introduce the necessary legislation in the coming weeks and is working closely with the Executive to finalise the administrative steps required to ensure the ECA offer becomes operational in the coming months.
22. As set out in the *One Year On* publication, the Government remains willing to discuss funding further proposals for ECAs within Enterprise Zones with the Executive. The Government also remains willing to permit the Executive to increase the number of areas which benefit from ECAs even further, should they agree to meet the incremental costs and proposals are compliant with state aid considerations.

23. It remains for the Executive to bring forward any broader proposals for Enterprise Zones recognising that other benefits associated with Enterprise Zones in England, such as business (non-domestic) rates, are the responsibility of the Executive.

*Reducing business red tape*

24. The Executive has carried out its own Red Tape Review and in November 2014 DETI published *Making Life Simpler: Improving Business Regulation in NI*.
25. The review made 44 recommendations, including the adoption of a regulatory budget scheme and appointing an independent Northern Ireland better regulation champion.
26. Building on the recommendations in the Review report, along with other key factors, the Executive has agreed to a five year Action Plan of regulatory reform. It is currently being finalised, with the intention of the DETI Minister publishing it in the near future.

*Research and Development (R&D)*

27. Through the economic pact the Government committed to provide up to £3 million of funding to support the building of a facility to test space propulsion systems in Northern Ireland, subject to agreeing the business case for investment. In February 2016, the UK Space Agency approved a funding proposal from European Space Propulsion (ESP) to part-fund a Mono-Propellant Chemical Propulsion Test Facility as part of the overall UK Government commitment. The project is scheduled to commence in 2016.
28. The UK Space Agency has also committed funding of €5.5 million through the European Space Agency to adapt an electric propulsion engine designed by Aerojet to fit European satellites. ESP, which is owned by Aerojet Rocketdyne, will undertake to increase its industrial footprint in Northern Ireland, maximising the value of these Government investments.
29. The economic pact also recognised the importance of Bombardier as one of Northern Ireland's largest private sector employers. The October 2013 update highlighted that the Government and the Executive had approved the business case for an engine nacelle R&D project at Bombardier Aerospace in Belfast.
30. Since the *One Year On* report, Invest NI and BIS have worked with the European Commission regarding state aid requirements. Following this work Invest NI and BIS have committed to provide £6.57 million and £4.38 million respectively towards the £110 million project, which aims to directly create over 230 jobs in Northern Ireland.

31. Aerospace companies based in Northern Ireland, as with those in other parts of the UK, are permitted to bid for funding committed to support collaborative aerospace R&D, supported by the Aerospace Technology Institute. The Government funding is matched by industry and in total, around £1.1 billion has already been committed to aerospace research work (c. £550 million Government grant). The 2015 Spending Review protected and extended this funding by six years to 2025-26, with an additional £900 million of Government investment. Taken with the previous commitment and industry match funding, this represents a joint funding commitment worth £3.9 billion over 13 years from 2013.
32. Examples of companies based in Northern Ireland which have benefitted from this funding include:
  - 32.1 Bombardier, which is contracted to receive approximately £9.5 million funding for six projects looking into engine nacelle technology and the development of wing technologies.
  - 32.2 Datum Tool Design Ltd, Event Map, and Queens University Belfast, are receiving £121,700, £140,000 and £1 million respectively for the Airbus-led Factory of the Future for Aircraft Wing Manufacture and Assembly project.

### **Promoting Northern Ireland as a great place to invest**

33. Over the course of 2014-15, Invest Northern Ireland support has delivered 13,785 new promoted jobs; created 9,410 jobs and £1.4 billion investment in the economy.
34. Northern Ireland's standing as a great place to do business has continued to grow and in 2014-15 there were a record 25 new investors in Northern Ireland securing over 1,000 new jobs and over £63 million investment.
35. There has been a number of notable successes for our local companies including: 540 new jobs by Randox over four years following a £29 million capital investment; 403 new jobs in Belfast and Londonderry by Kainos; 484 new jobs in Newry by First Derivatives Group; 348 high quality jobs in the Almac Group over the next 5 years following a £54 million investment; £27 million investment and 209 new Jobs in Dungannon by Dunbia NI; 130 new jobs and £14 million investment in five R&D projects by Ballymena Company Wrights Group; and 80 new jobs by Lisburn company Decora Blinds.
36. 2014-15 was also a successful year in terms of externally owned companies: PricewaterhouseCoopers (PwC) are set to create 807 new jobs with over £40 million investment; Moy Park have announced a £170 million expansion that will provide 628 new jobs across Dungannon, Craigavon and Ballymena; Ernst and Young are to create 486 jobs in a major development in Belfast; Deloitte are set to further expand in Belfast creating 338 high quality jobs; and Baker &

McKenzie have chosen Northern Ireland as the location for its new Global Services centre creating 256 quality jobs.

37. Additionally, in December 2014 it was announced that Citi would be creating 600 new jobs in Belfast. Citigroup was one of the companies which met with the Prime Minister during the investment conference hosted in Belfast in 2013.
38. Following an Investment Seminar, which was co-hosted by the Secretary of State for Northern Ireland, for High Commissioners and Ambassadors in November 2013, a number of Ambassadors have visited Northern Ireland. The Swedish Ambassador visited in October 2014 and both the Turkish and Latvian Ambassadors have now also visited. The Government continues to explore other opportunities for promoting investment and trade through London-based Ambassadors. Additionally last year the Secretary of State spoke alongside the Northern Ireland Minister of Enterprise, Trade and Investment, at an investment meeting at the Japanese Embassy.
39. UK Trade & Investment (UKTI) part funds the British Film Commission (BFC) to enable its activity to promote overseas film coming to the UK; and Northern Ireland is a key territory for their film and high-end television remit.
40. Along with the BFC's other regional and national screen agency partners, NI Screen take part in all key BFC inward investment focussed events. Additionally the BFC supports NI Screen in attracting and supporting major film and television projects in Northern Ireland.
41. The Government has also cooperated with the Executive through Innovate UK to stimulate businesses across Northern Ireland. For example the Knowledge Transfer Partnerships (KTP) programme aims to improve the competitiveness of businesses through an innovation project managed by a recently qualified individual working within a business with support provided from academia. Currently almost 8 per cent of all KTP projects are with companies operating in Northern Ireland.
42. Innovate UK is also a major funding partner of the Centre for Secure Information Technology (CSIT) based at The Institute of Electronics, Communications and Information Technology at Queen's University. This is a world class facility, which has adopted an entrepreneurial approach in the area of cyber security.

#### *Trade Cooperation*

43. The Government is considering possible further joint trade activity following the success of the first ever UK-Ireland joint trade mission in February 2014 to the Singapore Airshow. This involved Ministers from London, Belfast and Dublin.

### Defra – DARD cooperation

The UK Department for Environment, Food and Rural Affairs (Defra) works in close partnership with the Northern Ireland Department of Agriculture and Rural Development (DARD) to continue opening more markets for animals and animal products and help to build resilience in the agri-food sector. This partnership approach is embedded in strategic groups covering the main agri-food sectors, and through regular engagement between respective Chief Veterinary Officers.

For example, extending UK access to China for pork products has been a shared priority, jointly agreed and discussed in these forums. Joint working groups were established between Defra and DARD colleagues. These groups were supported by industry, to push this objective forward and complete the complex processes required to secure approval for Northern Ireland pork processing establishments to export to China and to extend the scope of UK market access.

This close collaboration was supported by Foreign and Commonwealth Office colleagues in Beijing, with the UK Agricultural Counsellor working closely with the Northern Ireland Bureau Director to progress negotiations. This work laid the foundation to enable ministers to conclude negotiations over terms for pork products in November 2015, with current work ongoing to finalise the technical processes that will enable Northern Irish pork to be exported to the growing Chinese market.

44. Invest NI has appointed a Relationship Manager tasked with driving UKTI / Invest NI engagement to mutual benefit. Recent successes include a UKTI ExploreExport event which took place in November 2015 at Titanic, Belfast. The event presented 225 Northern Ireland business delegates with the opportunity to meet on a one-to-one basis with UKTI Commercial Officers from 39 international markets and benefit from their experience and knowledge of market opportunities.
45. Invest NI hosted a UKTI 'Doing Business in' Mexico Seminar and 'Meet the Buyer' event in October 2015. In total, 48 NI companies had 70 one-to-one meetings with Mexican buyers over the course of the three days. A second multi-sector trade mission to Mexico is planned for March 2016 and recruitment is underway. This mission will offer Northern Ireland companies the opportunity to exhibit as part of the UKTI's pavilion at ANTAD EXPO 2016.
46. UKTI, Enterprise Ireland and Invest NI have built a strong working relationship over the last three years, encouraging greater collaboration and partnership between the UK and Ireland. A UK-Ireland trade networking event took place at Arab Health, Dubai, in January 2015. This was followed by a networking reception at GITEX (Dubai) in October 2015 for the ICT sector. Work continues on a range of initiatives, sharing knowledge and information and organising joint trade activity. Organisations such as the Enterprise Europe Network have been approached to build on brokerage events already in place and to widen

our scope for collaboration. It is expected that this ongoing activity will strengthen the economic ties between our countries, and support high-value jobs and sustainable growth.

47. Invest NI's aerospace and trade teams worked with UKTI to bring a senior delegation of the UK-China Aviation Working Group to Northern Ireland as part of the Group's UK programme in October 2015.
48. As part of the Exporting is GREAT (EiG) campaign, the EiG truck will be visiting Northern Ireland between 16-20 May 2016; with the focus on attracting more new SMEs to export. The operational elements of the campaign will be co-ordinated by Invest NI, in collaboration with Government departments.

#### *International relations strategy*

49. The Executive Bureau in Beijing has been developing representative ties between the Executive and the Chinese Government, identifying new markets for programme work, establishing contacts for products and services and securing Chinese Government support for collaborative projects involving Ulster University and Queen's University Belfast.
50. The Bureau also facilitated the signing of a number of business and educational agreements between Chinese Provinces and the Executive. Additionally, it managed visits to China for the Agriculture and Economy Ministers and secured meetings with leaders in the central and provincial governments. In response, the Chinese Foreign Minister formally launched the Chinese Consulate in Belfast. It is the third Chinese Consulate in the United Kingdom, alongside Edinburgh and Manchester, and it is hoped that it will be delivering Consular services later in 2016. The Confucius teaching centres across Northern Ireland schools continue to develop with many children of primary and secondary school age receiving tuition in the Mandarin language and on Chinese history and culture.

#### *Export Finance*

51. UK Export Finance (UKEF) offers a range of products and services to support UK exporters. Since introducing new products aimed at the needs of the smaller exporters in 2011 (for example the Bond Support and Export Working Capital products, which increase access to finance by releasing cash flow for exporters) UKEF has seen increasing numbers of exporters making use of its services.
52. UKEF is also working closely with UKTI, the British Business Bank and private sector financial intermediaries to ensure that market gaps in the provision of finance for SME exporters can be filled in a simple, easy to access way, including by making use of digital processes wherever possible. UKEF is

working closely with the banks to pilot simplified working arrangements that would also speed up turnaround times for smaller exporters and has consulted on simplifying its anti-corruption requirements to make them easier to understand for smaller companies.

53. In September 2015 UKEF and General Electric (GE) signed a memorandum of understanding with UKEF confirming its appetite to consider providing financing support for nearly £8 billion of projects, and GE (with a site in Lisburn) pledging ongoing support for, and agreeing to promote UKEF's products to, its UK supply chain.

54. UKEF and the Canadian Export Credit Agency (EDC) will consider joint support for customers who buy the Bombardier C-Series aircraft. The UK share in initial deliveries will be 32 per cent as the wings and some fuselages will be manufactured in Belfast. This support will flow from Bombardier to its supply chain as each delivery takes place.

55. UKEF continue to provide an adviser to the Executive. Located within Invest NI the advisor works to:

55.1 Encourage greater promotion and utilisation of UKEF schemes with banks that have signed up;

55.2 Encourage those banks who have not signed up to UKEF schemes to sign up, promote and utilise the schemes; and

55.3 Promote UKEF in Northern Ireland to ensure products are widely known and available to eligible exporters.

56. UKEF is working closely with Bank of Ireland and First Trust Bank as they both make progress towards signing up to participate in UKEF schemes. The UKEF list of participating banks includes local Northern Ireland banks, with Ulster Bank participating in the Bond Support Scheme and Danske Bank NI having recently signed up to be a participating lender for the Export Working Capital Scheme.

*Providing a boost to tourism in Northern Ireland*

57. The British-Irish Visa Scheme was launched in China in October 2014 and extended to India in February last year. The scheme allows Chinese and Indian nationals to visit both the UK and Ireland on a single visa. By doing so the scheme assists tourists and business visitors who wish to visit both Ireland and Northern Ireland.

58. The Government continues to work closely with the Republic of Ireland to identify further opportunities to expand the joint visa work and thus encourage tourists to visit both nations.

59. Northern Ireland has exceeded the Executive's 2014 aims of increasing tourism revenues to £676 million and visitor numbers to 4.2 million, by achieving £751 million in tourism revenue and 4.5 million in visitor numbers. Latest published figures report that for the first nine months of 2015, there were 3.5 million overnight visits in Northern Ireland and expenditure associated with these visitors stood at £599 million. These figures keep Northern Ireland on track towards reaching the longer term goal to make local tourism a £1 billion industry by 2020.

- **Unlocking projects to boost the Northern Ireland economy**  
**Pushing forward with infrastructure projects**

*Using UK Government guarantees as a means to unlock key projects*

60. Through the economic pact the Government will, where possible, apply its Infrastructure Guarantee Scheme flexibly to ensure that locally or regionally significant projects in Northern Ireland will be eligible.

61. Two projects from Northern Ireland have prequalified under the UK Guarantees Scheme: the Islandmagee Gas Storage Facility in County Antrim and the arc21 Residual Waste Project.

*Planning Reform*

62. The economic pact recognised the need for reform in the Northern Ireland planning system so it does more to support economic development. Some helpful progress on this has been made in delivering reform.

63. A major element of the reform programme was successfully completed in April 2015 when responsibility for operational planning transferred to the newly formed 11 district councils. The Northern Ireland Department of the Environment (DoE) has retained responsibility for strategic planning and for planning policy including primary and subordinate legislation and the formulation and circulation of authoritative guidance on planning.

64. A number of specific initiatives were pursued in support of the transfer of operational planning responsibilities to councils. These aimed to improve the policy, operational, procedural and legislative framework within which the planning system operates and impact on how the councils operate their new planning powers. These included initiatives to improve and shorten the response times for planning consultees, preparing a new simplified single planning policy statement, and introducing new guidelines to facilitate pre application discussions, especially for major projects.

65. During 2015-16, a key focus was to consolidate the new planning system and support the new councils in their new decision making role as well as providing a fit for purpose policy and legislative framework for the planning system. In September 2015 DoE published the *Strategic Planning Policy Statement for Northern Ireland* (SPPS) in final form following a period of extensive engagement with key planning stakeholders. This publication sets out the Department's regional planning policies for securing the orderly and consistent development of land in Northern Ireland under the reformed two-tier planning system. The provisions of the SPPS must be taken into account by councils in the preparation of Local Development Plans, and are also material to all decisions on individual planning applications and appeals.

*Maximising the potential of Belfast Port*

66. Belfast Port continues to make a significant contribution to the local economy, directly as a source of employment and income and indirectly as an enabler of trade, investment and tourism.

67. The Executive aims to maximise the contribution Belfast Port makes to the Northern Ireland economy and will continue to work constructively with the Harbour Commissioners to explore how best to achieve this. The Department for Regional Development (DRD) is working to bring forward a Strategic Framework for the ports of Northern Ireland. The Framework will encourage competitive, market leading performance that facilitates economic growth and prosperity while supporting the Executive's strategic priorities.

68. The Government has continued to support the Executive. In October 2014 Government Ministers met with the Northern Ireland Minister for Regional Development to discuss the Port of Dover reforms and the Government has shared details of the reform plan with DRD.

*Unlocking revenue from the Executive's assets*

69. The Executive has continued to implement the Asset Management Strategy through a number of implementation workstreams. As noted in the Fresh Start Agreement these include the Reform of Property Management, interventions to deliver savings through improved asset management and the realisation of capital receipts and re-financing.

70. During the financial year 2014-15 a total of £28.1 million capital receipts were achieved, bringing the total for the 2011-12 to 2014-15 budget period to £76.6 million, against a target of £71.8 million. In the current financial year £24.3 million (capital) was realised up to February 2016. The target for 2015-16 is £25 million, with a number of property asset disposals still in the pipeline for the remainder of the financial year.

*Building on Northern Ireland's strong communications infrastructure*

71. The Government and Executive have taken forward a successful programme of work to create a high quality communications infrastructure.
72. Phase 1 – a £23.6 million contract for delivery of Broadband Improvement Project was signed with BT in February 2014. The contract is supported by public investment of £19.3 million comprising £4.4 million allocated from the Government under the Broadband Delivery UK's Superfast Rollout Programme; £7.75 million from the Executive; £7.15 million from the European Union; and supplier investment of £4.3 million.
73. Phase 2 – a £16.1 million contract for extended delivery of Superfast Rollout Project was signed with BT in February 2015. The Government allocated an additional £7.05 million under Phase 2 which is matched with £7.05 million from the Executive; and supplier investment of £3 million.
74. Over 24,000 premises under Phase 1 will gain access to superfast broadband (at speeds of greater than 24 megabytes per second) by March 2016. By the end of Phase 2, a further 39,000 premises will gain access to superfast broadband by December 2017.
75. In December 2015, the Government introduced a Basic Broadband Scheme to meet the Universal Service Commitment providing homes and businesses with at least 2 megabits per second.
76. Belfast and Derry/Londonderry were successful in their bids for superconnected city status, and from April 2015 the Connection Voucher Scheme Challenge Fund was extended to cover SMEs in all 11 Supercouncil areas. Over 24,000 vouchers were issued to SMEs before the challenge fund was exhausted in October 2015.
77. The Government has secured a legally binding landmark agreement with the four mobile network operators to guarantee mobile voice and SMS text coverage to 90 per cent of the UK's landmass by December 2017. In Northern Ireland some of the key expected benefits will be:
  - 77.1 Coverage access to all four operators (in one location) to increase from 79 per cent to 89 per cent of landmass;
  - 77.2 Partial not-spots to be almost halved, reducing from 19 per cent to 10 per cent of Northern Ireland landmass; and
  - 77.3 The total number of mobile not-spots to be reduced by two-thirds, so that 99.7 per cent of the Northern Ireland landmass will have coverage from at least one operator.

78. The Mobile Infrastructure Project (MIP) is also being delivered in Northern Ireland. The Government is investing in building mobile masts in remote rural locations that have no coverage and where it has not proved economic for the private sector to roll-out. Once built, MIP masts will provide 3G and 4G coverage by all four mobile operators. MIP is finishing at its scheduled end date of March 2016 and it is expected that nine masts will have been built by the end of the project in Derry City and Strabane; Fermanagh and Omagh (two masts); Mid-Ulster District (four masts); Lisburn City and; Castlereagh District and Armagh City, Banbridge and Craigavon District.

*Air Travel*

79. Budget 2014 announced that Start-up support will be added to the scope of the Regional Air Connectivity Fund and will encourage airlines to set up new routes from regional airports. In November 2015 the Department for Transport announced 11 routes that would receive Start-up support. These included a route from City of Derry Airport to Dublin. A route based in Carlisle flying to Belfast City Airport was also included.

80. DETI is exploring ways to support air route development in Northern Ireland designed to encourage the introduction of new routes which would support inbound tourism and economic development. It is anticipated that there will be an announcement by the DETI Minister on the way forward before the end of the financial year.

*The provision of surplus MoD assets to boost growth and build a shared future*

81. The *One Year On* report set out that the MoD had identified properties from surplus accommodation that could be used to increase the provision of shared housing. DSD has since developed proposals for the use of 59 surplus properties in Lisburn which will now be gifted to the Executive. The MoD will continue to explore whether it might be possible to transfer further surplus military assets in the future on a case by case basis.

82. Work continues regarding military assets already gifted to the Executive; OFMDFM is working through the sale process for the Shackleton site; DSD is leading on the redevelopment of the St Patrick's Barracks site in Ballymena; the Stakeholder Liaison Group for the former St Lucia Barracks in Omagh continues to discuss interests in the site. OFMDFM has initiated a Public Sector Interest Trawl for its holding in St Lucia and DSD plans to update the draft master plan for St Lucia which will take account of the outcome of the trawl.

*Helping business to access the finance they need to thrive*

83. The Joint Ministerial Taskforce on Banking and Access to Finance was established and met during the last Parliament. Good progress was made on Taskforce priorities, including promoting the effectiveness of national finance initiatives; including British Business Bank (BBB) programmes. The BBB's programmes available to Northern Ireland's SMEs provide additional sources of finance to the range of funds already provided by Invest NI. In that regard, Invest NI has put in place a £170 million Access to Finance Initiative to ensure that companies with high growth potential are not constrained through lack of access to finance. Through the suite of funds, Invest NI is able to offer a continuum of funding for businesses seeking between £1,000 and £3 million over a series of funding rounds.
84. The Taskforce also worked to successfully secure local bank lending data for Northern Ireland which was published for the first time in July 2014. The data reveals that the lending environment in Northern Ireland has improved since the aftermath of the economic downturn. Data published by the British Bankers' Association shows that new quarterly lending to SMEs in Northern Ireland has increased from £300 million in Q3 2010 to £355 million in Q3 2015, having peaked at £462 million in Q1 2015, the highest quarterly amount recorded in the five year series. The data also highlighted that the third quarter of 2015 saw a similar number of SME loans approved as in the corresponding period the year before with 9 in 10 applications approved.
85. In addition to securing detailed sectoral information on bank lending to SMEs, and the success rate of SMEs applications for bank finance, household borrowing data is now produced. In April 2015 borrowing by individuals and businesses in Northern Ireland across more than 200 postcode sectors was released for the first time. This data has been developed further and in July local banks published their own data for the first time, with GB banks publishing their Northern Ireland lending profile alongside their GB lending. This provides significant breadth and depth to the bank lending data now available in Northern Ireland, which can help stimulate increased local lending.
86. The Executive's independent Economic Advisory Group (EAG) has produced an Access to Finance Update Report which sets out the current situation around access to finance for SMEs in Northern Ireland. It considers progress against each of the 13 recommendations made in the original EAG Report, along with a broader review of new evidence available in relation to both bank finance and other types of finance for early stage and growth businesses.
87. The report states that SMEs are in much better shape financially than even a couple of years ago and that bank lending has largely returned to its pre-

downturn level, with almost all viable businesses who seek finance able to access it.

88. Whilst the availability of finance for SMEs is now clearly in a much better position than it has been for some time, the report concludes that there are still some areas where further activity is needed.
89. The Green Investment Bank (GIB) has invested in a number of projects in Northern Ireland, including committing in November 2015 £47 million of equity to a new £107 million energy from waste plant in Belfast, adjacent to Bombardier Aerospace's wing production facility in the city's Harbour Estate.
90. The Bank also invested £20 million in a £81 million project to construct a now completed combined heat and power plant in Derry/Londonderry. As set out in the *One Year On* report other investments have included two anaerobic digestion projects in Cookstown and Banbridge where GIB's investment totalled £1.5 million and £1.7 million in projects worth £3 million and £3.5 million respectively.
91. The Green Investment Bank will continue to support viable projects in Northern Ireland and is currently considering a number of other investment opportunities.
92. The British Business Bank (BBB) is a Government owned economic development bank that makes business finance markets for smaller businesses work more effectively and dynamically, allowing them to prosper, grow and build UK economic activity, including in Northern Ireland. BBB manages Government business finance programmes (loans and equity investments) for smaller businesses within a single commercially-minded institution
93. The BBB has been working closely with the Ministerial Taskforce on Banking and Access to Finance and making significant progress in increasing its activity in Northern Ireland. New finance facilitated increasing from £8 million in 2013-14 to £13 million in 2014-15 and in the six months to September 2015 £9 million of finance was facilitated.
94. The BBB hosted an event in Belfast on 26 February 2015 to discuss the variety of funding options available for smaller businesses in Northern Ireland. The Secretary of State was the keynote speaker at the event, held in collaboration with DETI and Invest NI, and brought together over 150 members of the business community and both the traditional and alternative finance sectors.

95. The BBB's Enterprise Finance Guarantee Scheme delivered £4.65 million during 2014-15 and £3.79 million so far in 2015-16, bringing the total Northern Ireland funding from this scheme to nearly £39 million.
96. The BBB's Investment Programme facilitated delivery of £7.3 million in 2014-15 to 111 businesses; and £7.9 million to 86 businesses so far in 2015-16. This brings the total Northern Ireland funding from this scheme to £18.2 million.
97. The Start-Up Loans programme has a number of delivery partners in Northern Ireland which include The Prince's Trust, Enterprise Northern Ireland, GLE and X-Forces. The programme has issued 463 loans worth over £2.4 million to businesses in Northern Ireland.
98. The BBB has now closed three transactions under its new ENABLE programme, (two ENABLE Funding and one ENABLE Guarantee) which are designed to incentivise both bank and non-bank financial institutions to lend more to smaller firms. Although it is still early stages, the ENABLE funding programme has already started facilitating financing Northern Ireland SMEs.
99. At the Chancellor's March 2015 Budget, the BBB released a Request for Proposal (RFP) for the £100 million pilot of the new 'Help to Grow' programme, which will support the provision of growth loans to established smaller businesses wishing to scale up. The pilot is open to finance providers across the UK, including those in Northern Ireland. The BBB is currently seeking delivery partners for the pilot, and is talking to a number of financial organisations. Proposals are now being assessed to make sure the pilot identifies scalable solutions that meet the needs of growth businesses. The first loans will be made in the first half of 2016 and, subject to a successful pilot, full delivery will follow, helping to leverage new lending to address a funding gap of up to £1 billion for high growth businesses.
100. At the recent Autumn Statement the Government announced plans to designate Experian, Equifax and CreditSafe under the Small and Medium Sized Business (Credit Information) Regulations 2015. These Credit Reference Agencies will receive SME credit information from designated banks, which includes the major lenders in Northern Ireland, and provide equal access to this information. This is a key part of the implementation strategy for the Government's reforms to improve competition in finance markets for smaller businesses across the UK.

- **Broader context and next steps**

101. The Government and Executive remain committed to working together to continue to rebalance the economy and build a shared future. An Executive announcement on additional ways to support air route development is expected in the coming weeks and the Executive will publish an agreed way forward on tackling red tape.

102. The aims of rebalancing the economy and building a shared future are also supported by the Stormont House and Fresh Start agreements. Through the Stormont House Agreement the Government made available additional spending power of almost £2 billion whilst the Executive committed to a series of medium and longer term reforms.

103. The Government and Executive will continue to work on the ongoing economic pact measures and on the commitments set out in the Stormont House and Fresh Start agreements so that these agreements are implemented in full.