

Written evidence submitted by the Northern Ireland, Department for the Economy (departmental response) relating to the Investment in Northern Ireland inquiry INI0015

Please find attached the Northern Ireland, Department for the Economy's Departmental response.

1. Steps the UK Government can take to encourage investment in Northern Ireland, including through the Shared Prosperity Fund, Levelling UP Fund and Internal Market Act.

STRATEGIC POLICY DIVISION

Northern Ireland has been very successful over the last decade in driving up yearly Business Expenditure in R&D investment by 446m to 630m between 2008 and 2019, however these increases have not been matched by similar rises in Government R&D (including UK Research and Innovation) or investment in Higher Education R&D. In the same period annual Higher Education spend rose by only £77m per annum to £222m and for Government the increase was even weaker rising by only £14m to £30m per annum in 2019.

Help from Department for Business, Energy and Industrial Strategy and Innovate UK to increase Higher Education and Government investments in R&D could have significant impact both on the Northern Ireland economy and the UK Government levelling up agenda.

Strengthen connections between Northern Ireland and UK research institutions. It would be helpful to see an increase in the presence of UK catapults in NI. Currently there is only one present, Digital Catapult.

Build on the success of funding models such as The Strength in Places Fund - a UK Research and Innovation programme that helps areas of the UK to build on existing strengths in research and innovation to deliver benefits for their local economy. It aims to: support innovation-led regional growth; enhance local collaborations involving research and innovation. There have been two waves of funding. In the first wave Northern Ireland secured full funding for the Artemis Technologies led Decarbonisation of Maritime Transportation through zero emissions sailing. In the second wave Northern Ireland secured Strength in Places Fund investment of £42m for the Smart Nano NI Consortium bringing together organisations from across Northern Ireland to form a unique cluster of expertise in smart and nano-manufacturing.

EUROPEAN FUND MANAGEMENT

The UK Government has opted to replace EU Structural Funds with UK-wide Funds administered directly using powers under the Internal Market Act. Historically, under the European Social and European Regional Development Funds the Department had c£70 million per annum to invest, primarily in these policy areas. In the 3 UK-wide Funds administered to date there has been no meaningful role for the NI Executive and relevant policy Departments. This has led to significant risk of duplication of funding and activity as well as a high likelihood that gaps will emerge. This could be addressed should the UK Government adapt the administration of the impending UK Shared Prosperity Fund. Appropriate engagement with NI policy Departments is required to ensure that there is no reduction in the amount invested in these key areas and that maximum benefit and value is derived from this investment.

BUSINESS ENGAGEMENT DIVISION (BED)

Domestic aviation is particularly important for Northern Ireland, as we are geographically remote from the rest of the United Kingdom and hence do not have the same viable rail and road options available to other parts of the Great Britain (GB) mainland. Maintaining air connectivity is vital to NI's business and societal needs. It is a key enabler of Foreign Direct Investment and affords direct access to economic markets in GB and beyond. As an island destination, direct, convenient and competitive air connectivity is critical to achieving inbound tourism growth in both visitor numbers and tourism revenue.

Sir Peter Hendy published the Final Report of his Union Connectivity Review on Friday 26 November 2021. Recommendations 13-15 relate specifically to air connectivity. To encourage investment in NI, it would be helpful if UK Government, through the Department for Transport as civil aviation is a reserved matter, and HM Treasury, implemented these in full.

ENERGY GROUP

Maintaining similar regulatory regimes for aspects of the energy sector between NI and GB can support investment through the efficiency provided by a broadly similar regime having non differential barriers to market entry.

ANALYTICAL SERVICES DIVISION

Ensure discussions on Article 10 of the Protocol are concluded as quickly as possible and in a manner that supports NI trade and investment, providing certainty for the future. Until these discussions are concluded, when support from funds such as the Shared Prosperity Fund and the Levelling Up Fund has to comply with the EU's State aid rules, there is a risk the necessary EU State aid approvals will not be in place in good time. This could mean that NI applications cannot be progressed or that the EU's approval of these will be delayed or that lesser amounts of support will be provided to NI applicants (than could be offered to similar GB projects). NI applicants may also be dissuaded from applying because of the uncertainty over which subsidy control regime applies (i.e. the UK's or the EU's) and the financial risks of having to repay unlawful State aid, if the necessary State aid approvals are in not in place.

CITY DEAL PMO

Focus funds to be complementary to 10X and City Deal priorities

Seek improved UK/NI Government and Council collaboration – Shared Prosperity Fund would have benefited from greater collaboration to help the drive for more strategic collaborative projects

INTERNATIONAL TRADE AND INVESTMENT DIVISION

Department for International Trade Hub in Belfast

Department for International Trade has an expansive global network. A key priority for the new Department for International Trade Belfast Hub should be to ensure Northern Ireland businesses and agencies are able to utilise this global presence with its sector and in-market expertise to maximise exports and attract high quality Foreign Direct Investment.

I welcome the establishment of the Department for International Trade Hub in Belfast and the opportunities this presents for business here. We are keen to work with the Government to ensure the Department for International Trade Hub in Belfast adds value and presents opportunities for businesses here. The official level engagement with Department for International Trade to date has been most welcome and will continue to be important if we are to maximise the benefits for NI businesses and ensure those businesses are clear on the respective roles and remits of the Hub and Invest Northern Ireland. We would, however, welcome a greater level of definition from Department for International Trade about what it hopes to achieve through its presence on the ground in Northern Ireland.

The Department for International Trade presence in NI could also be advantageous in facilitating collaboration on policy development, particularly as we look to frame our trade and investment policy and promotion to support our technology, innovation and green ambitions through 10X. Department for International Trade will have a level of expertise in specific sectors and we hope the team in Belfast will be able to facilitate our access to this as we develop and refine our approach to exports and investment – particularly in our 10X priority clusters.

TELECOMS

The Department for the Economy is in engaging with the Department for Digital, Culture, Media and Sport to determine how much funding will be provided to Northern Ireland under Project Gigabit, the Government's £5bn broadband infrastructure project. At present, the scheme is making capital available, but no resourcing allowance has been allocated, which will be essential for efficient and effective delivery.

2. Steps the UK Government can take to ensure investment, including foreign direct investment, is economically effective.

STRATEGIC POLICY DIVISION

Investment should follow a detailed analysis of previous and existing funding interventions to avoid duplication and to ensure funds are targeted to where they can be most effective. It should follow lessons learned from administration of European Regional Development Funds. Accountable Departments, projects and administering bodies will have valuable insight into how to maximise funding potential.

Engage with wider UK policy leads in Devolved administrations to ensure investment addresses levelling up and regional strengths & weaknesses.

R&D and innovation underpin UK industrial strategy so focussing on those investments that boost these areas will have positive impacts for the economy.

Working closely with Innovate UK on new ideas and interventions to support delivery of UK target to get to 2.4% of Gross Domestic Product on R&D by 2027 - currently NI at 1.9% UK at 1.9%.

Not all innovation in business requires large scale investment. Indeed, Northern Ireland has suffered badly recently due to Department for Business, Energy & Industrial Strategy/HM Treasury investment through Industrial Strategy Challenge Fund being at a scale which disadvantages Small to Medium Size Enterprises dominated regions. 2019-20 saw Northern Ireland receiving just £3m out of £1.3bn of Innovate UK Funding (a 90% fall from previous year).

BUSINESS ENGAGEMENT DIVISION (BED)

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ANALYTICAL SERVICES DIVISION

A piece of research by Queen's University Belfast for the Department for the Economy discusses spillover effects of Foreign Direct Investment. The report demonstrated that the average spillovers from Foreign Direct Investment in Northern Ireland are greater than the average effect for the UK, and it is important to recognise that the average effect for the UK is positive. The results highlighted the potential benefits accrued to Northern Ireland of attracting Foreign Direct Investment, and that the returns in terms of productivity are significant.

<https://www.economy-ni.gov.uk/publications/spillovers-inward-investment-comparison-northern-ireland-rest-uk>

Analysis undertaken by the Department for the Economy's Economic Modelling Branch examined the level of investment within NI and analysed this within a national and international context. It attempted to draw out some of the reasons why NI appears to have a relatively low investment rate and, using results from a Computable General Equilibrium (CGE) model, explore some of the implications for Government intervention in this area.

<https://www.economy-ni.gov.uk/sites/default/files/publications/economy/Research-Bulletin-20-4-investment-levels-i-northern-ireland.pdf>

See comments above in relation to Article 10 of the NI Protocol. While NI has to operate two subsidy control regimes, there are legal uncertainties and financial risks that dissuade investment.

CITY DEAL PMO

The UK Government Department for Levelling Up, Housing & Communities (formerly known as MHCLG) is the lead Department for City and Growth Deals. Deals are part of UK Government's levelling up agenda. UK Government has allocated funding to Councils who, as Deal Owners, are responsible for determining their local priorities.

UK Government role in NI City Deals is set out in the NICS City Deal Governance and Funding Arrangements document.

Department for Levelling Up, Housing and Communities engages at a high level on the development of Deals and provides feedback to City and Growth Deals on innovation and digital proposals including on draft Outline Business Cases before they are approved. This feedback supports the development of more robust Outline Business Cases and can include useful linkages and alignment with related projects and activities across the UK.

INTERNATIONAL TRADE AND INVESTMENT DIVISION

Attracting inward investment has been an important part of NI's economic development model since the restoration of devolved government in 1998. It has brought significant value to our economy, both in terms of the direct benefits accruing from job creation, but also the wider economic spill-over benefits associated with technology and knowledge transfer, agglomeration and capital investment in R&D. Our value proposition has been built around a young talented workforce, advanced telecoms infrastructure, high skilled business clusters, a pro-business environment, proximity to major markets and competitive operating costs.

The Department's ambition is that Northern Ireland becomes a magnet for inward investment over the coming decade, consistent with its position as one of the most successful small advanced economies in the world. That will require a strategic reset in our approach to Foreign Direct Investment, including how we prioritise our resources and the conditions we attach to our support, which we will not shy away from.

The UK Government recently published its export strategy “Made in the UK, sold to the world”, which seeks to encourage businesses across the UK to see exporting as a natural business goal, and therefore be a force for levelling up across the UK – this is to be welcomed.

However, as the International Trade Committee highlighted in September, the Government could also do with setting out its strategic approach to attracting Foreign Direct Investment in support of the levelling up agenda, and how the Office for Investment function will function as an integral part of a coherent overall investment strategy. In this context it is vitally important that Northern Ireland’s competitive strengths and investment opportunities continue to be recognised and promoted as an integral part of the UK approach to investment (and trade) promotion. I believe firmly that working in partnership with UK Government, under the Global Britain brand, we can navigate a course that secures more investment, jobs and prosperity for all our people.

3. The economic effectiveness of investment under the New Deal for Northern Ireland and New Decade, New Approach funding.

CITY DEAL PMO

City and Growth Deals are included in New Decade New Approach.

INTERNATIONAL TRADE AND INVESTMENT DIVISION

Through the ‘New Deal for Northern Ireland’ funding Invest NI received £8m over 2 years to expand its footprint in key locations around the world. It will support the establishment of between five and ten new Invest NI offices in locations including Great Britain, Europe, the Americas, India, Middle East and Africa (IMEA) and Asia Pacific. It will provide vital market intelligence and on-the-ground expertise for Northern Ireland companies to maximise their ability to succeed in new markets and grow through increased trade

SKILLS AND EDUCATION GROUP

As part of the New Deal for Northern Ireland, a £15m allocation was made the Department for the Economy to provide a range of upskilling opportunities between April 2021 and March 2024. This has been matched with funding from the NI Executive, and the Skill Up programme launched earlier this year, with the goal of providing 15,000 individuals with qualifications from entry level to masters in fully accredited learning in priority economic areas including digital, green technologies and manufacturing. All courses are delivered online, lasting no longer than six months. An interim evaluation of the effectiveness of the programme will take place in spring 2022.

4. The potential effect of City Deals on economic growth in Northern Ireland.

ENERGY GROUP

Belfast Region City Deal Phase 1 is implementing Advanced Manufacturing Innovation Centre (AMIC) and I4C Innovation Centre – both of these facilities will provide the opportunity for Small to medium Size Enterprises in the advanced engineering innovation sector to develop product, advance capability and scale business opportunity. In addition, Belfast Region City Deal Phase 2 is growing the capability at AMIC by extending into a Hydrogen Accelerator to focus on technology underpinning the hydrogen economy. The I4C link to AMIC will deepen to be a test bed and commercial interface for innovation sector and industry.

ANALYTICAL SERVICES DIVISION

See comments above in relation to Article 10 of the NI Protocol. While NI has to operate two subsidy control regimes, there are legal uncertainties and financial risks that are impacting negatively on the development of the City Deals projects.

CITY DEAL PMO

City and Growth Deals involve NI Executive match funding and UK Government (HM Treasury) funding on an equal basis. Deal Owners are normally expected to contribute at least 10% and to leverage further funding from project promoters and private sector over the life time of the deal, which is 15 years. UK Government City and Growth Deal funding is only for investment in innovation and digital projects. NI Executive funding is typically focused on infrastructure, regeneration, tourism and skills projects.

On 04 May 2020 the NI Executive approved the following:

- £562m to match HM Treasury funding for the City and Growth Deals in NI;
- £55m to match Inclusive Futures Fund (IFF) increasing the Derry City and Strabane District Council City Deal by £110m; and
- a new £100m Complementary Fund (CF) for Belfast Region City Deal, Mid-South West Growth Deal and Causeway Coast and Glens Growth Deals.

City Deals funding provides a once in a generation investment opportunity for the Northern Ireland economy. City Deals total investment, including leveraged contributions from councils, universities and the private sector, is estimated at £1.5bn. Total value

of projects for which DfE will be accountable is anticipated to be over £750m. This investment should contribute significantly to economic recovery and growth across NI.

While the economic impact of some Deals is still being quantified, the Belfast Region City Deal and the Derry & Strabane City Deals jointly have an ambition to create 27,000 new and better jobs.

Acceleration of delivery of City and Growth Deals is a key priority for the Department for the Economy and the Executive. It is captured within New Decade, New Approach, the Economic Recovery Action Plan (ERAP), the Tourism Recovery Action Plan and the Department's 10X vision (Decade of Innovation).

A City or Growth Deal is a bespoke package of funding agreed between UK Government, the Northern Ireland Executive and local Councils to help drive sustained and inclusive economic growth at a sub-regional level.

Deals are owned by Councils. They design and develop an overall growth strategy, set a strategic vision and ambition and then work with partners to identify projects which they consider can deliver that ambition.

There are four City / Growth Deals in Northern Ireland. The four Deals are:

- i. Belfast Region City Deal - £1 billion - £700m from UK Gov and NI Executive plus £150m from partners and £150m anticipated from the private sector;
- ii. Derry City and Strabane District Council - £210m plus partners (amount tbc);
- iii. Mid-South West £252m plus partners (amount tbc); and
- iv. Causeway Coast and Glens £72m plus partners (amount tbc).

Some of the innovation and digital projects have the potential to attract Foreign Direct Investment as well as create and grow local companies.

To succeed in what will be an extremely competitive post-COVID market, we must continually respond to changing consumer demands. Regenerative tourism continues to offer the potential for sectoral growth, from the over £1bn in visitor spend in Northern Ireland in 2019. The delivery of the City and Growth Deal programme will support the development of world-class experiences across Northern Ireland, promoting regional dispersal, new jobs with enhanced career pathways and sustainable tourism.

5. Steps that business can take to invest effectively in Northern Ireland.

ERPL WLB&EU EXIT

Investment creating jobs where people can work flexibly would be helpful in maximising productivity, reducing economic inactivity, etc.

ENERGY GROUP

Businesses should invest in areas within focus of the 10x Economy and especially those sectors supported by the £1billion UK Net Zero Innovation Portfolio funding support. Businesses should collaborate with the innovation sector and join consortia led by academia/R&D.

CITY DEAL PMO

We would encourage businesses to engage with the developing City Deals projects to ensure that they will deliver the needs of industry.

When operational, City Deal innovation centres will provide access to cutting edge research and equipment which will enable companies be more informed about investing in innovation, de-risk investment by being able to trial equipment before investing. These facilities will support investment by local and Foreign Direct Investment companies.

SKILLS AND EDUCATION GROUP

Businesses can avail of a number of programmes which aim to address skills gaps and/or increase employment opportunities in Northern Ireland:

Pre-Employment

Assured Skills; The Assured Skills programme is a demand-led, pre-employment training programme which helps individuals gain the skills they need to compete for **guaranteed job vacancies**, with both new Foreign Direct Investment companies and expanding locally based businesses. The Programme provides **industry-focused training** which equips participants with the transferable skills that companies from across many sectors are seeking, including; data analytics, financial services, business consultancy, software development and cyber security, enabling them to compete for guaranteed job opportunities, whilst also offering

assurances to investors who are creating new employment in Northern Ireland that the skills they require to be successful will be available.

In conjunction with the local Further Education Colleges and Higher Education institutions, targeted training is developed to meet the skills needs of growing and new companies. These companies play a key role in influencing the content of the training, the selection process for places on the Assured Skills academies, and subsequently interviewing those participants who successfully complete the Academy for potential employment.

Post-Employment

Skills Focus; Local businesses with fewer than 250 employees can upskill or reskill their staff through the Skills Focus programme. Courses, with accredited qualifications at Level 2 and above (up to Level 7), are delivered by the local further education colleges across a range of areas including customer service, health and social care, leadership and tourism. Initial funding for the scheme had been at 75 per cent with businesses making up the other 25 per cent. However, this 25 per cent cost to businesses has been removed until 31 March 2022, to support companies throughout the pandemic and in economic recovery.

InnovateUs; Businesses with fewer than 50 employees can avail of the InnovateUs programme, to acquire skills to engage in innovation activities. It offers a tailored training solution designed to meet the needs of each business and can be delivered on a flexible basis in the workplace, at the college or, during the pandemic, via on-line learning. The programme upskills employees, enabling the small businesses to increase their innovation capabilities and potential to move on to additional forms of innovation and development. InnovateUs is fully funded by the Department and delivered by the six local Further Education colleges.

6. Steps the UK Government can take to encourage investment that addresses the skills gap and increases employment opportunities for people with few or no qualifications.

STRATEGIC POLICY DIVISION

The DfE Women in Science, Tech, Engineering and Maths Steering has developed a draft action plan due to be published in January 2022. This will outline the pathway to driving increased participation in the in demand Science, Tech, Engineering and Maths skills to support NI's economy. It will recognise key intervention points throughout the educations, skills and employment pipeline.

We have recently undertaken a Cyber-GAP (pilot). The objective of the pilot is to address the skills shortage within cyber security, by supplying the skills funnel with a cohort of candidates, based on their aptitude, rather than their academic abilities. Cyber security is a fast growing, yet fairly new industry and profession (circa 40-50 years old). This combination of 'fast growing' and 'relatively young' brings both market opportunities and threats.

The cyber security pilot allows all NI residents aged 16 or over, with a GCSE (or equivalent) in Maths and English, to test their aptitude for a career in cyber security and to train for an entry level role within this sector. The aim of the programme is to increase awareness of this fast growing industry as a secure career choice and to break down barriers to entry into this industry e.g. academic, gender or financial barriers.

The pilot builds the cyber resilience of businesses, who have relied heavily on digital transformation to adopt new ways of working and aids the reskilling of the workforce in this fast growing profession and industry, through harnessing the opportunities presented by raising awareness of cyber security as an essential business practice.

EUROPEAN FUND MANAGEMENT

The Department historically has used ESF funding to address skills gaps and increase employment opportunities for those people with no or low levels of qualifications and those with multiple barriers to employment. The approach taken by the UK Government to the administration of the Levelling-up Funds to date has demonstrably led to significant risk of duplication with existing provision and funding. Furthermore, the lack of meaningful engagement in designing and implementing these funding streams could lead to further gaps in key areas. Appropriate engagement with NI policy Departments is now crucial to ensure that there is no reduction in the amount invested in these key areas under the UK Shared Prosperity Fund and to ensure that this Fund and initiatives such as Multiply are delivered in a way that maximises benefit and value.

ENERGY GROUP

Support for investment in skills which will help deliver Net Zero objectives, including training and skills in renewable gas technologies such as development of the hydrogen economy and in low carbon heat technologies. Also training for operatives engaged on installation of electricity, gas and telecoms infrastructure to increase the availability of skilled installers in these sectors. Provide advanced technology based training facilities with digital twinning capabilities to instil market leading competencies in training programs.

ANALYTICAL SERVICES DIVISION

See comments above in relation to Article 10 of the NI Protocol. While NI has to operate two subsidy control regimes, there are legal uncertainties and financial risks that dissuade investment in skills and that increases employment.

SKILLS AND EDUCATION GROUP

Whilst Universities are not the first 'port of call' for people with few/no qualifications, it should be an eventual destination for many.

For this to happen we'll need both connected pathways (Level 2 to Level 6 skills development, Further Education to Higher Education, etc.) alongside flexible delivery (for example, using approaches such as stackable learning, flexible modes of learning, etc.).

University Access programmes and similar models provide a working example of good practice in this area that can be expanded upon. Potential mature students with few or no qualifications have often had a difficult history with education and Access provides a supportive framework for re-engaging them from both a curricular and pastoral perspective. It is important to remember that these students often have commitments including childcare and employment to cover living expenses so flexible delivery is a must. Any benefits that may offer support in these areas (e.g. stipend, subsidised childcare etc.) would be helpful for driving engagement.

Providing a clear regional structure for articulation routes with exit points from National Qualifications Frameworks level 3-7 is important.

Apprenticeships are also a good option to consider here as they will help mitigate many of the challenges above, provide role models and mentorships through the organisations students work for. Again, we need to have an apprenticeship model with exit points at multiple levels, which we do not currently have.

7. The potential impact on investment of GB regulatory divergence from NI.

STRATEGIC POLICY DIVISION

Where there is regulatory divergence between NI & GB it can be a barrier to trade & investment, and whilst some sectors may see some opportunity, unless we have permanent and complete solutions to the problems created by the Protocol then the Northern Ireland economy will suffer in the longer term.

The Ireland / Northern Ireland Protocol is causing friction to trade in goods in the UK internal market and could also prevent NI consumers from enjoying the same advantages from international trade deals as consumers in other parts of the UK. Long term solutions are vital to protect the interests of NI businesses and consumers.

ERPL WLB&EU EXIT

In terms of employment law - we have made no assessment of potential impact on investment if employment protections were to be lower / higher than GB.

ENERGY GROUP

Regulatory divergence can result in reluctance by investors to consider investment in a smaller market such as NI which may have differences in the regulatory regimes for some sectors such as energy compared to the GB market, e.g. when company business processes are established for investment in the GB market, and require significant change for entry to the NI market, investment may not be advanced due increased costs.

ANALYTICAL SERVICES DIVISION

Research was undertaken for DfE by Retail Economics to assess the impact of tariffs and other regulations on the cost of sourcing retail products for the NI market from GB, EU and Rest of the World under a No Deal scenario and under a Free Trade Agreement scenario. It analysed the potential tariff costs for eight retail sub-sectors, and included an assessment of the challenges facing retailers operating in NI and considered the options available for retailers to avoid/reduce the new regulatory costs.

[Assessing the impact of EU Exit on the cost of retail goods in Northern Ireland | Department for the Economy \(economy-ni.gov.uk\)](#)

Analysis was undertaken to examine the direct long term impact on Northern Ireland's economic performance as a result of the Protocol and the new trading relationship between the UK and EU. This analysis represented an update to work previously undertaken by the Fraser of Allander Institute that examined the Direct Trade Impacts of EU Exit Scenarios on Northern Ireland.

Note that this analysis did not take account of the specific provisions outlined in the UK Government's recently published Command Paper on the Northern Ireland Protocol and as such should be considered within that context.

[Direct economic impact of Northern Ireland \(NI\) Protocol on the NI economy | Department for the Economy \(economy-ni.gov.uk\)](#)

Both papers were published on 14 December 2020 before the UK EU TCA was signed.

When the Trade and Co-operation Agreement was agreed, the UK and the EU subsidy control regimes started to diverge and this is expected to influence the investment decisions of companies. In particular, whilst it will take some time for evidence to emerge, because support for manufacturing investment will fall under the EU's State aid rules, while the NI Protocol applies, it is expected that GB will be a more attractive location for some manufacturing, when the subsidy being offered by a public authority is material in the company's decision making.

TELECOMS

From a telecoms perspective, Northern Ireland has benefited from the environment being aligned to GB. There is some evidence that where regimes are different, it makes the region less attractive. Where there is uncertainty in regimes, it leads to perceived higher costs in management and consequentially lower returns on investments.

8. Steps the UK Government can take to support the decarbonisation of industry in Northern Ireland and stimulate investment in a sustainable economy.

STRATEGIC POLICY DIVISION

The Department for the Economy is currently developing a Circular Economy Strategic Framework for Northern Ireland which will provide a first step in setting out a clear vision and ambition for a Circular Economy in Northern Ireland. A Circular Economy is a systemic approach to economic development that reduces the overall demand for resources by designing things differently, keeping materials in use for longer and reducing the overall demand for raw materials while reducing waste generated by creating products that retain their value throughout their entire life cycle. By keeping technical and natural materials in circulation for longer at their highest value we retain their embodied carbon and consequently reduce Green House Gas emissions. The Circular Economy Strategic Framework will inform upcoming economic, environmental, and social policy development, raise awareness within the private and public sectors as well as the third sector of what a Circular Economy is and the opportunities it provides. UK

Government should consider where investment in Circular Economy infrastructure at a UK level would reap economies of scale and help support decarbonisation across all regions of the UK.

ENERGY GROUP

This could include a range of financial support mechanisms, to encourage investment in energy efficiency and to support the uptake of low carbon technologies. In relation to development of the hydrogen economy, consideration of support for development of hydrogen storage would help deliver this technology and help balance of supply and demand in areas such as decarbonisation of the natural gas network. Also support towards funding/ partial funding of hydrogen trials for heating and business processing.

Investment in maturing carbon capture technologies across all scales and sectors should be a focus. In particular, given the size of the NI agricultural sector, bio-energy carbon capture and storage (BECCS) or direct air carbon capture and storage (DACCS) are of particular importance as carbon negative technological interventions. (Focus on NI will allow a test bed/proof of concept approach for the rest of the UK for food issues in the decades ahead.)

Clear link in the circular economy between agri waste produced and repurposing in the energy sector in the form of bio and synthetic fuels. NI can be a net exporter of SAF (sustainable aviation fuel) if R&D sector is adequately supported.

CITY DEAL PMO

City Deals projects include innovation centres that will be conducting research and development around zero carbon. UK Government could provide funding support to accelerate the diffusion of these innovative zero carbon opportunities into industry.

TOURISM LIAISON AND POLICY BRANCH

It is my ambition that Northern Ireland is an optimal place to work, live, visit and invest.

As such sustainable Tourism is a valuable driver of the 10x Economic Vision - Northern Ireland's Decade of Innovation. My Department is currently developing a Regenerative Tourism Strategy. This strategy will have a strong focus on how we will develop and manage tourism effectively and responsibly. We want to build on our unique journey of regeneration so that we will be greener and sustain and invigorate our people, our place and our natural environment for generations to come.

9. Delivery of the prosperity agenda of the Good Friday Agreement.

CITY DEAL PMO

City Deals investment, which is approximately £1.5m in total, aims to support inclusive economic growth and will therefore have a positive impact on prosperity of NI.

10. Relationships between schools and local Universities.

ENERGY GROUP

There needs to be increased relationships with schools and universities to promote the understanding of the importance of geology and geothermal energy in the delivery of a sustainable low carbon heat. Currently only one secondary school offers geology as a subject. Geology is not taught in any university in NI. This means that the skills required to promote and grow the geothermal sector in NI are not available locally.

SKILLS AND EDUCATION GROUP

Local universities are autonomous institutions and are therefore responsible themselves for relationships with local schools. However, Queen's University Belfast has established a Stakeholder Group across the tertiary education sector, including representatives from the schools sector, to examine issues of a joint strategic nature. Any outcomes emerging from this group could indicate the success or otherwise of these relationships.

Also relevant is the Department's widening access in Higher Education strategy, Access to Success. As part of an overall widening access plan, Universities that charge higher than the basic Higher Education course fee are required to undertake outreach activities, typically in primary and post-primary schools, to promote fair access to Higher Education. An example of this is Ulster University's Schools Outreach Programme. University staff visit schools in low income socially deprived areas and engage with students to raise awareness of Higher Education and motivate and inspire students – ensuring that personal backgrounds do not determine future prospects.

11. Assessments of the understanding of the importance of education.

ANALYTICAL SERVICES DIVISION

Research by the Ulster University Economic Policy Centre (UUEPC) on future skills demand shows the importance of education, not least on employability and wages. The Skills Barometer 2019 states that graduate earnings are broadly similar to non-graduate earnings at age 21, when many young people qualify from three-year undergraduate degree programmes. However, graduate earnings increase significantly over the first two decades of their careers. National Qualifications Frameworks level 4-5 qualifications are also associated with significant wage growth through qualifiers' 20's and 30's. Therefore, there are significant lifetime benefits associated with continuing to tertiary level education (i.e. Further Education or Higher Education), and young people should be encouraged to stay in education for as long as possible. Please note - a new update of the Skills Barometer will be available in the next few months.

<https://www.economy-ni.gov.uk/publications/northern-ireland-skills-barometer-2019-update>

12. Status of technical, vocational education and apprenticeships.

CITY DEAL PMO

Skills pipeline critical to the success of innovation and digital projects, and tourism.

SKILLS AND EDUCATION GROUP

Apprenticeships

The Higher Level Apprenticeship (HLA) programme delivers off the job training at levels 4 to 7, through Northern Ireland's 6 Further Education Colleges, 3 universities and the College of Agriculture, Food and Rural Enterprise (CAFRE). Participants must be contracted for at least 21 hours per week, to include the time spent on off the job training, and must meet course specific entry requirements set by the individual training providers. HLAs are not subject to age restriction. Latest published data shows programme occupancy of 1,264 in academic year 2019/20. The forecast outturn of the programme in financial year 2021/22 is £5.2m.

The ApprenticeshipsNI programme is employer-led training provision, with employers creating apprenticeships in line with their business needs. Apprentices, in paid employment of 21 hours or more, follow a national training framework which leads to the attainment of industry approved competence and knowledge based qualifications, at Level 2 or 3, in conjunction with Essential Skills qualifications (where appropriate).

The Directed Training Element is delivered by both Further Education Colleges and non-statutory/contracted training suppliers.

For employees aged under 25 years, the Department undertakes to pay the full costs of training included in the ApprenticeshipsNI framework for the duration of the apprenticeship and contribute 50 percent of funding for those aged 25 years and over in the economically important sectors needed to rebalance the economy. The age eligibility criteria is currently under consideration.

The current budget allocated to ApprenticeshipsNI is £10,237m plus £11,600m European Social Fund funding.

Latest published data shows programme occupancy of 8841 at 30 April 2021.

NI Traineeship

The NI Traineeship programme is the new vocational education offer at Level 2, designed to deliver a full level 2 outcome, equating to a minimum of five GCSEs at grades A*- C, including English and maths qualifications at Level 2 alongside vocational training and structured work placement learning to support progression into employment or higher levels of education and training .

The programme is available to young people over 16 who are not in employment and is delivered solely by the Further Education Colleges throughout Northern Ireland, with support for work based learning being provided by local employers.

The NI Traineeship was introduced on a phased basis with 22 Traineeships available in September 2021. Additional occupational areas will be available when the programme is fully operational. The programme is demand led and there are circa 750 participants enrolled. The anticipated budget for the 2021/22 financial year is £3.2 million with future funding in proportion with the level of programme activity.

Skills for Life and Work

Skills for Life and Work - an Entry Level/Level 1 youth training programme - commenced delivery in September 2021. The programme delivers professional and technical qualifications alongside essential skills, employability and personal development across 104 weeks (156 weeks for participants with a disability) and is delivered through a work based learning approach.

Training provision is available across Northern Ireland, with 16 non-statutory training organisations and four colleges delivering training. Offering 19 occupational areas and a new broad-based professional option, the programme has capacity for up to 1500

participants each year, and is primarily aimed at young people aged 16 and 17, with extended age eligibility for young people with disabilities or who are care experienced.

As at the end of November 2021, there are over 1,000 participants on the Skills for Life and Work programme.

13. Identifying sectors of investment and employment potential

STRATEGIC POLICY DIVISION

A Circular Economy requires reskilling and upskilling according to the emerging and enabling professions that will accelerate the transition from a linear to circular economy. The Circular Economy Strategic Framework will include a jobs & skills spotlight chapter which will seek to identify any emerging professions and skills needs of specific business sectors and material flows in Northern Ireland. The Framework will baseline existing circular jobs within Northern Ireland and review with key stakeholder groups the main employment challenges and opportunities to accelerate circularity.

10X Economy vision has identified the following 5 sectors as being of focus for NI: ICT/D Digital, ICT and Creative Industries; Agri-Tech; Fintech/ Financial Services; Advanced Manufacturing and Engineering; Life and Health Sciences.

ENERGY GROUP

Advanced manufacturing materials engineering is recognised as a priority cluster in development of the 10x economy. Investment in this sector will lead to high level engineering positions across design, testing, manufacturing and governance. Fuels of zero emission or synthetic nature will lead to employment needs in the advanced materials handling industry and operations and maintenance regimes. Digital twinning for design and testing sectors will lead to greater software developer and electronics employment.

ANALYTICAL SERVICES DIVISION

Research by the Ulster University Economic Policy Centre (UUEPC) shows employment growth estimates by sector/sub-sector. The Skills Barometer 2019 provides jobs forecasts across sectors and occupations from both a high growth scenario and baseline scenario. Please note - a new update of the Skills Barometer will be available in the next few months.

<https://www.economy-ni.gov.uk/publications/northern-ireland-skills-barometer-2019-update>

Furthermore, research by the Ulster University Economic Policy Centre (UUEPC) shows how changing technology will impact on future employment and the nature of work.

<https://www.economy-ni.gov.uk/publications/intelligent-futures-report-impact-automation-northern-ireland-economy>

<https://www.economy-ni.gov.uk/sites/default/files/publications/economy/Research-Bulletin-20-11-covid-19-and-fourth-industrial-revolution.pdf>

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