

MINUTES OF THE ECONOMIC ADVISORY GROUP MEMBERS' MEETING

29 February 2016, 08:30am, NETHERLEIGH

Present: See [Annex A](#)

WELCOME & APOLOGIES

EAG Chair Ellvena Graham welcomed members to the meeting. In addition the Chair welcomed Joe Reynolds, OFMDFM who joined the meeting for agenda item 2.

1. MINUTES OF LAST MEETING / MATTERS ARISING / PROGRESS ON ACTION POINTS

- 1.1 Members agreed the minutes of the December meeting without amendment. All actions were noted as complete or in-hand.

Apologies were noted from: Minister Bell, Mark Nodder, Michael Ryan, Gerry Mallon, Bridget Rosewell, Andrew McCormick.

2. PROGRAMME FOR GOVERNMENT

- 2.1 Joe Reynolds (JR) from OFMDFM gave a short presentation on the progress of PfG and an outline timeframe for the next stages of the process. The presentation addressed socio-economic imbalances remaining fixed across a range of areas with respect to levels of economic inactivity, including rural-v-urban; and school leavers/CSE – gender and religious imbalances.
- 2.2 JR outlined the cross-departmental and cross-sectoral approach to the new PfG consultation process which has been adopted. Discussion also focused on the move away from an activity-driven approach and how the programme has been developed on the basis of collaborative outcomes for the next incoming executive across 9 departments.
- 2.3 Political advisors and permanent secretaries have drafted a programme around 13 high level outcomes, with 21 key indicators which will be measured statistically (NISRA data). OFMDFM website portal development is underway, to enable real time live assessment of achievement of the outcomes.

2.4 Timeline –Following elections on 5 May executive has 2 weeks to resolve the PfG further to which a consultation period will be required with final agreement of programme by November 2016.

2.5 Members sought clarification as to the point at which EAG could contribute to the process.

JR suggested that the Group should feed any input via PSG/NICS Board (via DETI permanent secretary) on an ongoing basis, but would also have an opportunity to input during stakeholder consultation period (March/April) and at final stage of formal consultation period.

2.6 Clarification was sought in relation to the position of the budgetary process underpinning the outcomes.

JR confirmed that the 2016/17 budget was in place but that the June Monitoring exercise would provide an opportunity to begin to shift emphasis towards new PfG.

Discussion followed around how money could be freed up to invest in priority areas and the merit of a smaller number of themes leading to strategic incremental change but substantive actions, especially in relation to health change.

Members emphasised the massive challenge which lies within making budget impact meaningful. Members also expressed concern that the region was entering another year without a PfG in effect and the danger of ‘drift’. The potential for a 2017/18 budget to follow with an indicative budget for the subsequent 4 years was discussed.

Members expressed the need for a hard target around, e.g. economic inactivity, and the need to create delivery programmes attached to specific budgets in order to work systematically towards the inspirational targets (e.g. life expectancy) which have 10-25 yr lead-in.

The imperative to resist any move to short-termism was re-emphasised.

2.7 Clarification was sought on performance management alongside the new PfG. JR outlined to the Group the move to a NICS board structure. Each outcome will have a senior responsible owner with all permanent secretaries answerable to the Board for specific collaborative budget allocations. The need of a change in mind set is understood alongside the need for budget flexibility and managing accountability which when taken together present significant change in corporate culture.

Progress against individual indicators will be demonstrated throughout.

2.8 Members should provide any input through DETI PS during March/April.

Members undertook to issue a letter supporting the implementation of 25 year targets and reserving the right to input further in the process in a more detailed way.

Action 1: EAG to communicate its endorsement of the OFMDFM’s approach to the PfG – secretariat to draft.

3. COMPETITIVENESS REPORT

- 3.1 **Data revision:** NG advised that the Autumn/Winter update in response to data moves from 2008-'13 to 2009-'14 were significant given the move out of recession.
- 3.2 **Productivity:** NG advised that in terms of reviewing productivity by sector – issues around quality of data and sectoral definitions prevail and undertook to submit a 1-2pp productivity insert, as suggested at December meeting.
- 3.3 **Sectoral productivity data:** BK urged a need to exercise caution with regard to making broad productivity statements which do not necessarily reflect the position within specific areas, e.g. ICT sector and the inherent issues around statistics based on SIC codes. Whilst members agreed the need to address productivity within the summary report, they also considered the significant potential for it to be extremely distracting, especially in relation to investment decision making and lay-interpretation.
- 3.4 **Pyramid at fig 1.1:** Members discussed the pyramid at fig 1.1 and alternative approaches, including a suggestion by FR to consider inverting the triangle (hopper style/funnel). BK felt the essential conditions, as identified within the pyramid were not quite right and worth further consideration.
- 3.5 **Interpretation of report:** ME raised the challenges around the ease with which the wider executive may be able to draw out policy implications from the key issues being presented in the report, many of which are complex and require careful handling. Members agreed need for considered press engagement, to include economic commentators. In addition ME undertook to request that Invest NI's Inward Investment team review key findings with a view to identifying any potential issues.
- 3.6 **Chair's foreword** – FR urged the need for this section of the report to be more substantial and to highlight that the report is a first step in outlining where we are at, and then leads on to it becoming a diagnostic i.e. takes temperature, not a solution. Also absolutely essential that the narrative underlines the scale of the issues the region needs to address in terms of international competitiveness and how ferocious that is, for example in relation to PISA results/education.

NG: added that the report presented a direction of travel and the plethora of indicators going downwards throughout the main report were his key take-away.

BK: stressed that the need, as a regional economy, to specialise is ever-more essential and timescale is vitally important. Important that the Group is clear in terms of the tone of the report, who it is for and what it is for.

Members agreed the need to, in the Chair's Foreword, focus on what government can influence; welcome the report in the context of replacing "anecdotal spin" which

in the absence of regional data has ruled for so long, with a comprehensive evidence base.

3.7 Choice of Indicators

- DMcL raised a point in relation to physical infrastructure and the metric relating to direct air routes not reflecting ease of exit from ROI airports. Broad agreement that the metric included had limited value.
- NG: explained that the metrics used were 5 fairly arbitrary choices and that he wouldn't necessarily agree now – members were invited to review the selected indicators.
- FR suggested that competition between cities not necessarily regions is key -so looking at city infrastructure and competitiveness increasingly important. ME raised work undertaken by Belfast Council which compared Belfast against 60 cities and highlights what needs to be done and the local authority challenge which this presents.
- BK suggested that “Quality of life” was not best terminology, broad agreement that “Wellbeing” was preferable.

Next Steps

- Members to provide any additional feedback within a week
- Productivity insert to be provided within a 1-2weeks
- Chair's foreword to be re-drafted

Publication Schedule

- UUEPC to present to press / embargoed; EAG Chair and Deputy Chair to represent Group, DETI to support.
- Business bodies/business group to receive (embargoed) report with opportunity to provide feedback before press release.
- UUEPC to highlight anything which might be identified as unexpected or surprising.
- Headline Message: This is the 1st time NI competitiveness scorecard has been done; a template we will want to develop; a starting point.

Action 2:

- **Secretariat to liaise with Chair to re-draft Chair's foreword.**
- **NG to provide 1-2pp productivity insert. Members to make available any additional feedback within next 2 weeks.**
- **ME to seek input from Invest NI Inward Investment Team.**

4. NATIONAL LIVING WAGE

Chair welcomed Alan McClelland (AMcC), DETI ASU and Michael McKibben to the meeting.

AMcC presented findings from the work undertaken by DETI analysts in relation to National Living Wage and the impact on NI economy. Overall the immediate scale of financial impact sits at 0.5% of NI pay bill, with analysis undertaken across gender / working patterns/ public/private/Not for Profit. In addition impact by broad sectoral group, by occupational group and at sub-regional level was considered.

Members expressed particular interest in impact and the percentage increase to the private sector alone (distinct from the 0.5% overall).

Discussion also focused on impact on industry if analysis is projected 4-5years forward and Northern Ireland's viability as a competitive global location, e.g. particularly in the context of manufacturing. AMcC also outlined the analysis undertaken to model societal impact (e.g. ageing population and increased demand for carers) and the impact on SMEs who are unable to increase prices to compensate for increased cost, and the greater impact on supply chain companies.

Members also discussed the possible knock-on effect to non-eligible employees – i.e. pressure to apply percentage increase to those not impacted in order to maintain the current level of differential.

5. BREXIT

Shane Murphy provided the Group with an update in relation to the Oxford Economics (London) UK wide Brexit study. DETI has joined the study in order to avail of additional NI-specific analysis.

The OE report is due to launch 22/3/16, at which point Members will receive appropriate papers/briefing. Discussion focused on

1. Exit scenarios capable of being modeled
2. Projecting forward – how government might respond to each of the scenarios offered (popular-v- liberal; how to spend balance e.g. decrease tax to companies –v- popular vote winning).

SM suggested that key issues may be as much about 'type' of exit and government response. NI response mirrors exactly UK – but, given regional position, more impacted in terms of:-

- Trade impact
- FDI (if trade borders close FDI may be impacted and not follow)
- City of London
- Industrial structures – large manufacturing sector in NI means increased impact
- Does UK government continue to fund NI government in same way EU did?
- Migration

The NI report will launch at the same time as the main OE report, 22 March 2016 (in advance of 29 March pre-election period in NI). The potentially crucial impact on FDI was stressed, i.e. that 5 years uncertainty to negotiate an exit deal would be massively unsettling. Invest NI had done some work on calculation of dependency on EU market, versus UK market. Members also raised the North-Atlantic EU trade treaty as an added consideration, with NI dropping out if not part of EU.

In addition, Members discussed the moral dilemma related to security and conflict which may arise as power countries leave.

Members agreed that, as a region of UK, NI's ability to negotiate any deal to its regional trade benefit is limited due to very low level of influence in trade negotiations.

Members discussed that the rationale around the balance of payments and how that might be distributed could be considered naive with the impact on farmers in particular being especially relevant to NI.

Members agreed to write to Minister to request the final report when available.

Action 3: Secretariat to draft letter to Minister Bell requesting a copy of the final report, when published.

6. ANY OTHER BUSINESS

6.1 NI Economic Strategy Refocus

DMcL provided an overview of the DETI's position and the intention to undertake a refresh of the economic strategy during May-September to coincide with PFG framework in autumn 2016. The refresh would be conducted against the strong evidence base provided from recent analysis in areas of living wage impact; high growth firms; the competitiveness study and would correlate and align with PFG.

Members expressed interest in responding to the work as it unfolds.

6.2 New Department for the Economy (DfE)

DETI/DEL merger: Chris Stewart indicated that following strong stakeholder consultation, revision has taken place in relation to internal linkages and manageability.

Members expressed concern that FE and HE were not under same area and that this presented potentially major issues. Consensus that "tertiary" education policy should be dealt with together. CS outlined that further views would be taken on the remit of the new department (DfE) upon the appointment of the new DfE Minister, post May election. DfE comes into being on 08 May 2016, with potential for Minister confirmed 2 weeks post-election or more quickly, subject to PFG agreement.

6.3 Access to Finance Panel

Members noted receipt of Prof Griggs final report and agreed to formally close the work of the Access to Finance Implementation Panel as an EAG agenda item.

Chair to write to Prof Griggs expressing Group's appreciation of the work of the panel.

Action 4: Secretariat to draft letter on behalf of Chair, expressing Group's appreciation of the work of the Access to Finance Implementation Panel.

6.4 Members' Other Interests

Register of Interest form to be circulated with draft minutes and potential conflicts to be identified and addressed as a standing item at top of all future agendas.

Action 5: Secretariat to issue Register of Interests form to all Members.

6.5 Dates of Future Meetings

Members expressed desire to re-visit meeting schedule in order to seek accommodation of Members currently not available for June meeting. September and December dates remain, as below.

Action 6: Secretariat to re-issue poll for June Meeting further to which a revised schedule for 2016 will be issued.

- **September Meeting: 20th Sep., 08:30am (dinner previous evening Mon 19th)**
- **December Meeting: 14th Dec., 08:30am (dinner previous evening Tues 13th)**

There being no further business, the Chair closed by thanking Members for their contribution.

ANNEX A

EAG MEMBERS' MEETING – 29 February 2016

ATTENDEES

Neil Gibson	Ulster University Economic Policy Centre
Bryan Keating	MATRIX
Mark Ennis	Invest NI
Frances Ruane	Economic and Social Research Institute
Ellvena Graham	EAG Chair
Patricia O'Hagan	Core Systems
Bill McGinnis	Northern Ireland Adviser on Employment and Skills
Chris Stewart	DETI
Shane Murphy	DETI
Diarmuid McLean	DETI
Thomas Byrne	DETI
Gillian Gregg	EAG Secretariat (DETI)
Vicky Newman	EAG Secretariat (DETI)
Joe Reynolds	OFMDFM
Alan McClelland	ASU, DETI
Michael McKibben	ASU, DETI

ANNEX B

ACTION POINTS AGREED AT FEBRUARY 2016 EAG MEMBERS' MEETING

NO	ISSUE	ACTIONS ARISING	LEAD RESPONSIBILITY	UPDATE
1	Action 1: PfG	EAG to communicate its endorsement of the OFMDFM's approach to the PfG – secretariat to draft.	Secretariat	
2	Action 2: Competitiveness Summary Report	<ul style="list-style-type: none"> • Secretariat to liaise with Chair to re-draft Chair's foreword. • NG to provide 1-2pp productivity insert. Members to make available any additional feedback within next 2 weeks. • ME to seek Invest NI views with regard to Inward Investment interpretation of report. 	Chair/Secretariat Neil Gibson Mark Ennis	Ongoing. Complete. ME circulated to Group.
	Action 3: Brexit Report	Secretariat to draft letter to Minister Bell requesting a copy of the final OE report, when published.	Secretariat	Report published and made available to Group, 22/03/16.
	Action 4: Access to Finance Implementation Panel Final Report	Secretariat to draft letter on behalf of Chair, expressing Group's appreciation of the work of the Access to Finance Implementation Panel.	Secretariat	
	Action 5: Register of Members' Interests	Secretariat to issue Register of Interests form to all Members.	Secretariat	Complete. Form issued 24/03/16.
	Action 6: Dates of Next Meeting	Secretariat to re-issue poll for June Meeting further to which a revised schedule for 2016 will be issued.	Secretariat	Poll re-issued 24/03/16.