

Northern Ireland Assembly and Business Trust

Economy Briefing from Mr Simon Hamilton MLA,
Minister of Finance and Personnel

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(Chairperson: Mr Phil Flanagan MLA)

Mr Phil Flanagan MLA: You are all very welcome to this Assembly and Business Trust briefing, which will focus on the economic challenges and opportunities available to businesses in 2013-14. I am delighted that today's briefing will be delivered by the recently appointed Minister of Finance and Personnel, Simon Hamilton MLA, who, I hope, has brought his crystal ball with him so that he can figure all of that stuff out. I would like to congratulate Simon on his recent appointment and wish him all the best in his role. His predecessor, as we all know, will be a hard act to follow in terms of his stand-up performance, but Simon's success in his role as a Minister will not be measured on such trivial matters, I am sure.

I am told that, prior to taking up his ministerial post, Simon has been a very active supporter of the Assembly and Business Trust, attending fellowships at Firmus Energy and La Mon House Hotel and Country Club, as well as taking part in an educational visit to Wrightbus and attending briefings here in Parliament Buildings. You will all have noted the change of time from a breakfast briefing to an afternoon session. One of the main purposes of that was to encourage and facilitate more MLAs to be here, and I am delighted to see that there is quite a large number of MLAs from all parties present in the room. We often talk about how we need to get MLAs and businesses communicating better together, and these are useful and informative briefings for doing that.

In my term of office as the Chair of the Assembly and Business Trust — this is my first formal event that has not been a board meeting or a visit and my first briefing session here in Parliament Buildings — I look forward to further developing the trust's relationship with Simon. Following the briefing there will be an opportunity for all of you here to put your questions directly to Simon. I am now going to pass you over to Simon Hamilton MLA, Minister of Finance and Personnel.

Mr Simon Hamilton MLA (Minister of Finance and Personnel): Thank you, Phil, for your introduction. So, a man walks into a bar — *[Laughter.]* No, it is not the stand-up Simon.

I am very pleased to be here this evening. This is a fantastic crowd. I have been at many Assembly and Business Trust events, and it is great to see so many people here and so many familiar faces that I have interacted with at events like this and, indeed, other events run by other business organisations across Northern Ireland. I was told earlier today that we had a full house today; that is great to see. The purpose of the trust is to get as many people from the business sector here in Parliament

Buildings. Being told you have a full house is slightly better than what I was told by the CBI in advance of my first major speech in office. Ian Coulter, the chair of the CBI rang me the day before and said, "It has been tremendously successful. We have only had two days to prepare for this and already you are a sell-out". I thought, "Hang on a second. I am a few days into the job, and I am a sell-out already. That is not great in unionist politics, so just leave that to one side".

It is very good to be here. It is a great job that I have. I am enjoying myself. I am not sure whether I should say that I am having fun in the Department of Finance and Personnel. DFP is sober and serious. You are not meant to have fun there, but I am enjoying it, and that is because I think it is the most important role and Department in government because of the great things that you can do when you have control of finance, reform and the various and many other things that we have responsibility for in DFP. It is also a great time to be in charge of DFP. We have already seen some positive movement in our economy in the last number of months, particularly in the last couple of weeks. I am sure it is a mere coincidence that I am in the job for six weeks and the data is moving in the right direction.

I think that we are all a little cautious about declaring that the worst of the downturn is over and that we are absolutely through all of the worst of the problems that we faced over the past number of years. I, for one, will not stand here and tell you, who are experiencing the problems and challenges that the downturn has posed to your businesses and continues to pose and which will have ramifications for many years to come, that it will all be positive from here on in. I think that we are moving in the right direction. We are in the foothills of recovery, but I think there will still be bumps along the road. I think that we will see some good news, but we will still see some bad news. We have even seen that over the past week or so. You are getting good data on unemployment, which is now down below the UK average again. It is showing the best figures for employment for six years, since 2007. We have now seen two consecutive months in which the Ulster Bank's purchasing managers' index has shown an increase and, indeed, an acceleration in business activity throughout Northern Ireland in the past month — again, the best figures since 2007. I know that house prices are not absolutely essential with regard to economic recovery, but, when things are going badly and they are falling, we look at them and say that that is a sign of a bad economy or one that is struggling. The residential property price index, which is published by Land and Property Services in my Department, has shown for the first quarter, again, since 2007 an increase in house prices. Albeit that it is small at 2%, it is still an increase. The more significant figure that it showed was a 10% increase in activity in the housing market between quarter 1 and quarter 2 of this year. We can dispute whether it is important that house prices are rising — we certainly do not want to see them going back to where they were — but we want to see activity in the market. That is important and essential. It is something that we can all welcome. It is also significant that, in each of those three key economic indicators, we are posting our best figures in six years. Six years ago — 2007 — was the start of many or all of the problems that we are experiencing, so the fact that we are showing the best data since 2007 is significant. It marks a turning of the corner of where we are economically in Northern Ireland.

There is a temptation — there will probably be exhibitions of it in Stormont — because we see the economy moving slowly in the right direction to lull ourselves into a false sense of security about where we are, particularly in public spending terms. There is a perception that, if the economy starts to go in the right direction — we could argue about the extent of the problems that we have had in public sector spending over the past number of years — it will simply be a case of economic recovery leading rapidly to a surplus of cash coming in from London that we can spend to boost our economy: that will not happen. The 2015-16 spending round, which has already been published, shows, at best, flat expenditure. We have some slight decreases in resource expenditure that have been overtaken by some slight increases in capital spend. If you look at the long-term position up to 2015-16, the Office for Budget Responsibility's projections for beyond that period and listen to what the Prime Minister, the Chancellor and others at Westminster are saying, it is very clear that the current

position of less spending overall will continue right up until at least the end of this decade and, perhaps, even further. So, the picture will be less spending overall. There will be less resource expenditure available to us here at Stormont, which is where it really starts to affect people out there — whether you can make sick people better, how you look after the elderly who need care, how you educate your children and so on. That is where a lot of that expenditure will start to hit. If there is less resource expenditure, we will feel that we will hear about it as representatives out there on the streets listening to people who come into our constituency offices. That poses a real challenge. Also, even though we are likely to have more capital expenditure at our disposal, it is a different type of capital expenditure. I want to come back to that different type of capital expenditure and the opportunities that, I think, it presents for business in Northern Ireland. I will come to that in a specific context in a few minutes' time.

All in all, there is less expenditure, less resource expenditure and more but different capital, which all adds up to the need for us in the public sector, Stormont and the Northern Ireland Executive to be much more innovative moving into the future, so that we can deal with the changing and altering public expenditure landscape on one hand and the ever-increasing public expectations about what we up here in Stormont can do for people on the other. That is a huge challenge for government, and sometimes we have difficulty getting our heads around it. In the time left to me, I want to talk about how and why we, in the public sector, should become much more innovative and focus much more on creativity and how we can become a dynamic and vibrant public sector — every bit as much as we want to see a dynamic and vibrant private sector.

In thinking about public sector innovation, I appreciate that using the words "public sector" and "innovation" in the same sentence does not always ring true in some people's minds. It seems almost to be a bit of an oxymoron, as though the public sector is not capable of being creative, does not have the capacity to be innovative and, because it is not motivated in the same way as the private sector is to create wealth, it is not naturally designed to be innovative. There is a lot of truth to the perception that it is not as innovative as it should be, but, when you look at the evidence on a global basis, you see that it is not the case that the public sector is not innovative and does not have the capacity to be innovative. Great events, great things and moments in human history often owe their origins to public sector expenditure and investment. Things like the development of the internet, the moon landing, the iPhone, the iPad, global positioning systems (GPS) and touch-screen technology, which have made Apple's products so innovative, actually owe their origins to public sector research expenditure or, indeed, publicly funded grants to get those developments off the ground in the first instance. To say that the public sector is not capable of being innovative or supporting innovation within the private sector is not true.

When I talk about public sector innovation, it is in some ways not much different from what the private sector would consider as innovation, although, obviously, it is somewhat differently tailored. What I am talking about is how we can change our structures, get more out of our people, change our processes and avail ourselves of different types of finance so that we can collaborate a lot more and a lot better across the public sector; spend more of our money on prevention and stopping problems becoming problems at all, focus much more on outcomes rather than on the inputs that we inject, use technology to make sure that the citizens out there, who expect so much from government, have a better experience of their government and use alternative models of service delivery so that we can get those better outcomes and, sometimes, do so in a way that boosts our private sector and economy. That is why I think that public sector innovation is critical to our economy and the development of our economy in Northern Ireland.

I have spent some time looking at regional economies similarly shaped to Northern Ireland's. Look at some of them: Denmark, Sweden, Finland and Singapore. They have characteristics similar to Northern Ireland but, just as they have a competitive economy, they have a public sector that is very much focused on innovation and on being creative, dynamic and vibrant, every bit as much as they

are focused on having an innovative and creative private sector. That is important for our economy, because sometimes it can present opportunities for business, industry and our economy that can manifest themselves in how we deliver our services and in some of those alternative models of service delivery, which can create the space and opportunity for private sector and third sector companies, charities, community and voluntary organisations to step in and deliver some of the services that we want to see. Out there, people want to see the service delivered to achieve the outcome. They are not that fussed on who delivers it; they just want to get the service delivered and the outcome achieved. There is a job for us to do in partnering with those in the private sector, the third sector — the community, voluntary and charitable sectors — to ensure that those different service delivery models are grasped and implemented and we achieve better outcomes for the people who put me and our colleagues here in the Northern Ireland Assembly.

Sometimes, the motivation for us to be innovative is incredibly similar to that of companies, even though we are not motivated by wealth. In the public sector, we have similar motivations to innovate to those of people in the private sector. That is largely due to changing circumstances and external pressures that force you to change and to be innovative.

I mentioned before how we are in a changing public expenditure landscape. That is seen, as I said, as less spending overall, less resource expenditure and more, but different, capital. I want to talk a little bit about the capital picture, because that presents an opportunity for our private sector to partner with the public sector to achieve the shared objectives that we have and the agreed objectives that all of us here at Stormont are focused on.

What we are seeing now is an increase in capital expenditure, but the nature of that capital expenditure is changing. A large element of capital expenditure in the next three financial years — around £200 million worth, in fact — will be called "financial transactions capital". That is a great wheeze by Treasury to get round some of its borrowing problems and the way in which that borrowing is classified on the public sector balance sheet. Nonetheless, that money is still available to us in Stormont to spend on infrastructure products, which are obviously so very important to our economy not just in boosting the ailing construction sector but in providing better infrastructure and the benefit that that brings.

The conditions that are placed on spending that £200 million over the next three years are that we, as the public sector, partner with the private sector to put projects on the ground. When you think about it, that does not sound too difficult. We have done this sort of thing before: we have had PPPs and PFIs, although we have had different experiences in some circumstances. So, it is not, you would think, completely alien to Departments up here at Stormont to partner with the private sector, but I have to say that it is already proving challenging to get Departments away from a dependency on simply getting conventional capital, which is a mindset that they have had for so long.

Unlike the case with resource expenditure, sometimes, the mentality in the system is that it would be better waiting for a number of years to get money in a simpler, more straightforward and more conventional way without any requirement to work with the private sector. They think, "Sure, we can wait three years, and people out there will not miss the fact that they do not have that infrastructure in their area". That simply is not good enough for me when there is £200 million waiting for us to avail ourselves of it. I want to see Departments thinking innovatively and creatively about how they can tap into that money, so that they can get infrastructure built out there, which, in the first instance, boosts the construction sector and, in the longer term, provides payback for us by having better infrastructure and what that can provide for our economy.

I really believe that Northern Ireland is perfectly placed to be at the forefront of international best practice when it comes to public sector innovation. I do not think that you get anywhere in any walk of life by just saying, "I think that we want to be a little better". You have to say that you want to become best in class, best in the British Isles and best in Europe, and then, eventually, you want to become

best in the world. I do not think that that will happen overnight; it is a long-term process. We need to start the process of aspiring to eventually become the most innovative public sector in the world. In saying that, I realise that some people think, "That sounds great. I buy into it. I think that it is a good idea, but I just do not believe that it will ever happen". I want to spell out to you the four reasons — I call them the four pillars of public sector innovation — why I think Northern Ireland is perfectly positioned to become the most innovative public sector in the whole world. Yes, it will be challenging, and, yes, it will be difficult. It will take a change of mindset in culture and attitude as much as anything else, and it will take a lot of time. However, we have all the essential attributes to become one of the best, if not the best, public sectors in the whole world when it comes to innovation and how we deliver our public services.

The first pillar and attribute that we possess is our size. We tend to think that Northern Ireland's size is a problem. We are too small to register and too small to have an impact. Nobody listens to Northern Ireland, because it is far too peripheral and far too small. We do not have any natural resources, and we do not have any big say in the world. That is all true. We are small and peripheral, and we do not have any natural resources to speak of. Well, I will maybe talk to Phil separately about the potential of some of our natural resources, but that is not what gives us our strength: our strength is that we are small. We see that clearly in the business community. Northern Ireland is just a big village. Everybody knows everybody, and it does not take too long into a conversation with somebody to find out that you are somehow related to them or to somebody they worked with. It is a very small place, and that is a strength. It is a strength, too, when it comes to innovation, because small states and countries have to look outward and have to be export-orientated, competitive and open. The same is true when it comes to the public sector. We have to be outward-looking or we will not survive. Being small gives us the capacity to be motivated in a way that big states are not. A big state with a big bureaucracy and big internal market that does well in the world irrespective of global trends does not have to think in these ways. Being a small country, however, means that we have to be agile, outward-looking and thinking about doing new things in order to survive. A key point about being small is that it gives you the capacity to do things and then to scale them up in a way that other countries cannot do.

The second attribute, asset and pillar is experience. I am not saying that we need to be innovative in a vacuum here. We are being creative and innovative in our public sector. Our problem up here is that we do not tell people outside half enough that we are being creative and innovative in the public sector.

In my Department of Finance and Personnel, we have developed, in partnership with the private sector, some of the best shared services you will find anywhere in IT, HR and other corporate services that are provided across not just the Civil Service but the broad public sector. What we do in that field would stand up to scrutiny and compare more than favourably with what anybody else is doing around the world. In fact, it is so good that the Government in the Irish Republic come up and take a look at and learn from what we do.

We are in partnership with the Cabinet Office in the UK, again to pass on some of the lessons that we have learned, so that they can benefit. We are really good at this sort of stuff. We took a chance a number of years ago to invest heavily and work with people in the private sector, who themselves then benefited from that public expenditure, and they are drawing in other business from outside Northern Ireland. So, we are using the public sector and the public pound to develop our private sector companies so that they can export the experience that they garner from having public sector contracts in Northern Ireland.

Our work in connected health again uses the small size of Northern Ireland and the investments that we have made in telecoms. We are at the forefront in developing that, and it is great to see the partnership between our universities and Departments to capitalise on the commercial potential of

connected health. Those are two areas where we are already being innovative and creative in the public sector, so this is not alien to the Northern Ireland public sector.

The third pillar is our circumstances now. We have gone through difficult times with our public spending, and we continue to face difficulties in the years to come. However, we are not in as bad a position as some others. That is not to deny the position that we have been in or will continue to go through, but we are not as bad as 50 miles down the road in the Irish Republic. They are embracing reform. Although I say embracing, reform and the need to innovate have been thrust on the Irish Government because the platform is not just burning beneath their feet — it has caught fire to their ankles and is spreading up their legs. They have to reform now. They do not have the chance that we have because of our circumstances and the benefit that we get from having an annual subvention of £10.5 billion from Westminster. That gives us a little bit more time than they have to get our head around the need to innovate in the public sector. The Irish Republic is reforming because it has to reform; we can still reform and innovate because we want to.

It is not, though, a set of circumstances that will be there forever. Time will run out, and we cannot ignore the need to start to innovate much more in the public sector today or it will eventually catch up with us. We have to change now, or we will be changed by circumstances in the future.

The fourth and final pillar is our structure. Although public sector innovation is not alien to Northern Ireland, it is not alien around the world either. We do not have to go too far to see those who are trying to innovate. If you go to London and look at what the Cabinet Office is doing on procurement, digital delivery and IT, they are coming up with incredibly radical things. Francis Maude is an extremely radical Minister in the coalition Government and has come up with really good, bright ideas. However, they have a difficulty in getting those ideas implemented. The reason why I think they have a difficulty, having spoken to people who have operated in it and will testify to this, is that it is all right sitting in the Cabinet Office coming up with a bright idea, but you need money to get it implemented and the money comes from the Treasury. If the Treasury is not on board from the start, if it does not get it — anyone who has dealt with the Treasury knows how difficult it is to deal with; it is a tough negotiator because it has the iron fist of having all the money in its back pocket — if it is not on board with your project right from the start, you have no chance of getting it delivered. We have a benefit in our structure here, and I have announced the creation of a new public sector reform division within DFP, which we are starting to populate. Having that reform function in the same Department as our finance function gives us a benefit through our structure above and beyond what the likes of the Cabinet Office and Treasury and indeed what some other Governments around the world have.

Those four pillars — our size, our experience, our circumstances and our structure — will, I think, stand us in good stead if we embrace the idea and the need for innovation in the public sector. We possess all the attributes and assets necessary to become the best and most innovative public sector in the world if we set ourselves that goal and move towards that goal. However, I am conscious that, as you want to move there, it is important to know where you are today. If you want to be best in class, best in the British Isles, best in Europe and the best in the world, you have to know what the best in the British Isles, the best in Europe and the best in the world are doing today so that you can benchmark yourself against what they do.

In order to help me find out what is good about what we are doing — there are some things that we are good at, and there are things that we are not so good at — and where we have room for improvement, I am meeting officials from the Organisation for Economic Co-operation and Development (OECD) in the next week to discuss this very subject matter and to learn from them about international best practice. Anyone who knows about the OECD will know that it is an organisation of 34 western countries everywhere, from the US to Japan to the Nordic countries, Germany, France, the UK, Ireland. It is a repository for best practice internationally in exactly what I am talking about. Yes, it deals with private sector and the economy in general, but it also looks at public governance. I will meet officials from that section, and I want to learn from them about

procurement, e-government, public expenditure and innovation in the public sector in general. I want to know who is doing things well around the world: it could be Finland for one thing, it could be Belgium for another, and it could be Japan for something else. I want to learn from international best practice. I want to benchmark what we already do in Northern Ireland against what the best in the world is doing. It is only by testing ourselves against the best in the world that we can become the best in the world. I hope not just to learn from international best practice but potentially, in the future, work with the OECD to look at what we do well and tell us what we do well. Others around the world, including OECD member states, can then learn from what we do well. We can export the talent and the expertise that we have in the public sector but also learn where we are not doing so well and set ourselves milestones along the road to becoming the most innovative public sector in the world. That is an essential ingredient in getting us to that final destination: marking and benchmarking ourselves against the best in the world.

Public sector reform and the need for innovation are not easy, but we cannot ignore the need to do it. The changing public expenditure environment coupled with rising public expectations means that, if we do not embrace this now, if we do not look at our structures and get more out of our people, if we do not use different forms of finance and change our processes, the benefits that we have will very quickly evaporate in an ever-changing world. All of us in Stormont and everybody whom I meet from the business community want to see this place be the best that it can be. We know how good we are and how good we can be; we need to start going out there and telling not only our own people but the world that we are good at these things and not be afraid where we are not great to learn from others.

This is an area that I am deeply passionate about. It is absolutely essential, in dealing with the changing public expenditure landscape that we face, that we reform, innovate and change. We have the capacity to do it here, but I will need the help of colleagues here, the business community and a broad range of stakeholders across Northern Ireland to do that. We have the capacity to do it, and I look forward to having the support hopefully of everybody here and further afield to achieve that lofty but absolutely essential aim. Thank you.

Mr Flanagan: Simon, thanks very much for that very forward-looking speech. We will move straight into questions and answers. There is a portable mic, which I will take round. I ask people to introduce themselves and their organisation before putting a question to the Minister. Who is first?

Mr Bill McKendry: I am a self-employed business management consultant. This is purely a comment to start.

Simon, you talked about innovation in the public sector and the private sector. There is not a lot of innovation in the political classes in Northern Ireland. You came back here yesterday to the same old, same old. Talking about innovation and some opportunities that there may be, the reality of all you have to do here is spend the money that comes from London; you do not have to raise it. One opportunity to raise money is water rates, but you keep kicking the can down the street. You might want to comment.

Mr Hamilton: I take your initial point on board. Whether we like it or not, we live in a divided society. Being a divided society and living through the recent past, as we all have in this part of the world, we know how difficult it is. Much as I would like to click my fingers and have all our problems go away, unfortunately, it is not as easy as that. We still live today with the legacy of our very deeply divided past. Unfortunately, from time to time, that manifests itself in this place and, far too often, on the streets of Northern Ireland. I would far rather that our politicians were up here arguing about those issues than it was happening out on the street. Sadly, it still happens far too much out there, but I think that we would all accept that we have moved on immensely in the past 10, 15 or 20 years compared with where we were.

You can almost run a sweepstake at events at which I take questions in my job about how quickly it will be that the issue of water charges will be raised. I am always tempted to say that the funding of water is a matter for the Minister for Regional Development, but that would be ignoring the importance of the issue and the general point about raising revenue.

I would not deny that the £250 million that it would raise if we were to levy water charges today would not be useful to the Executive. It would be useful; we could use that. You could have an argument about how effectively we would spend all that £250 million. I do not think that, given the way in which we spend the money that we have, all of it would be spent as effectively as it might be. However, certainly having £250 million to plough into capital projects, so long as we could get those delivered, would be of immense benefit to the Northern Ireland economy. However, the reality is that the decision has been taken over this Budget period not to introduce water charges. I think, on balance, it is the right decision and the best one to have taken because, although it would be nice to have that additional expenditure, we have to ask ourselves where that would come from. It would come from my constituents, Phil's constituents, Judith's constituents and other people's constituents, who are already having difficulties, in many cases, paying the bills that they have. If you take, say, £300 on average out of every household, that is £300 that they have to get from somewhere else in their budget, which is under pressure because the cost of living is going up, they have maybe been subject to a wage freeze or they have been subject to a wage cut in many circumstances, particularly if they work in the private sector. That money has to come out of their budget from somewhere. That is then money that they are not spending in the economy. Therefore, in the current circumstances, it is not the right thing to do for the economy in Northern Ireland.

Ms Joanne Stuart (Attrus Ltd): I am from the Northern Ireland Science Park and am vice-chair of the Northern Ireland Assembly and Business Trust.

Thanks very much for your talk, Simon. It was reassuring to hear the things you said, particularly around how we can maximise every pound spent by the public sector to the benefit of the local economy. Obviously, one of the areas in your remit is procurement, and the public sector spends billions every year. I wanted to hear a little about innovation in procurement, particularly around the small business research initiative (SBRI), which will help businesses here to develop innovative products and services. As you said, they could be the foundation for the technology that Apple, for example, has developed. How are we rolling that out and doing more with that in Northern Ireland?

Mr Hamilton: I am glad to hear that you are the vice-chair of the Business Trust and that somebody sensible is keeping Phil in line.

You are right: procurement is a huge part of DFP's responsibilities. I will be frank and honest: I hear concerns expressed about procurement far too often, even in the six weeks since I have been appointed, not to think that there is something not quite right about how we do procurement in Northern Ireland. It is worth noting that there is a balance to be struck in procurement. We need to achieve value for money, and I obviously have a responsibility to ensure that every pound we spend up here is spent wisely and is not spent frivolously and unnecessarily on procuring things that are too expensive when cheaper options are available. We have value for money on one hand versus the desire to drive a lot of the business, as best we can and within the rules, towards small and medium-sized enterprises or indigenous businesses. I also think that there is another balance to be struck in how we encourage innovation. Sometimes it is not possible to use procurement to innovate, but there is plenty of scope to do that.

If you look at the evidence, you see that the balance is not too bad. The figures show that local SMEs get around 75% or 76% of the total, which compares very favourably to other regions of the United Kingdom. That is probably as much a function of geography as anything else, but it is a fact nonetheless. It is starker when you look at capital projects, with 97% or 98% of capital projects going to local construction firms. It is hard to get much better than that. So, we are not too bad in getting

the work to local firms, indigenous companies and SMEs. However, there are issues about our process, and there is certainly a deficit in getting more innovation out of the public pounds that we spend.

As you were talking, I jotted down "SBRI". A few good examples have already been driven through in that area, and DETI has used it to develop the various tourism apps. There is even greater potential for some of that through the opening up of the data we possess in the public sector. That will allow people who sit in bedrooms and design apps to realise the commercial potential of the data that we have. I think that there is also work going on with the chicken litter solution between DARD and DETI. So, there is a bit of work going on in this area but probably not enough. I appreciate that there may be a need to fuel some of that work and nudge people towards SBRI and set some funding aside to do that. I am keen to look at how that might be achieved.

If we spend over £3 billion across the broad public sector, it is not simply good enough to say that we got the goods, the service or the capital project built; we have to ask what the economic value is for Northern Ireland, and that value is beyond x% of that £3 billion going to local firms. We must ask how we used that money to create new processes and new products that allow those companies to grow. We have the scale and, if it works in Northern Ireland, those companies can go out and export to England, the Irish Republic, Wales, Europe and the rest of the world. That is where we have to start to assess the economic value of the pounds we spend through procurement.

Mr Danny Kinahan MLA: Thank you very much, Simon. I welcome the event this afternoon and hearing that we are funding better to make it work for ourselves.

On a different angle, do you have plans to use our links to the rest of the world? We have Ulstermen, Northern Irishmen and Irishmen who have links to and love of this Province and want to help employ people and create the jobs here?

Mr Hamilton: I know that you are very global in your outlook, Danny. You and any others who are involved in doing business around the world know that no matter where you go you will find people from this part of the world. It is a great thing to go abroad and find someone and quickly get talking to them; you might find that you are related to them or you know their best friend or something like that. That is great, but there is a weakness in that because we are exporting some exceptionally good talent. Instead of looking at it purely as a weakness, let us look at it as a strength. There are people in top banks, financial institutions and technology companies who are naturally predisposed to Northern Ireland and want to help it. They can do favours, but they cannot do "favours favours". There are open doors in some of those companies that we can push at. DETI has already taken forward Northern Ireland Connections, chaired by Roy Adair, I think, which is exactly tailored towards that point.

There are thousands of people all around the world who have a connection not just to Ireland but to Northern Ireland and still have family here. In some ways, they still have a stake in Northern Ireland and in how we develop as a country. DETI is taking that work forward, which is at its early stages, and it is having some of its first meetings. Arlene was at a meeting in New York last week, so it is already in hand and being taken forward. It is something that we should exploit.

Mr Roger Pollen (Federation of Small Businesses): Thank you for your speech, Minister. I have one quick question on corporation tax. The Scottish referendum will take place in 12 months' time, and the general election will take place about seven months after that: can you set out your position on that at this stage?

Mr Hamilton: Corporation tax is the other one in the sweepstake. *[Laughter.]* Someone is waiting to see what the third one is in the bingo.

I am clearly on record as being in support of the devolution of corporation tax powers to Northern Ireland and for us to reduce corporation tax rates down to at least 12.5%. Everyone here knows the arguments why it is a good thing to do for Northern Ireland. We have very limited fiscal levers that we can use at a macro level to boost our economy, and corporation tax is a major one.

I have never argued that it is simply about corporation tax. It is no good attracting companies to Northern Ireland and getting them to invest here if we do not have the skills, the infrastructure and the telecommunications in place that they can exploit. We have been working to put those fundamental skills and infrastructure foundations in place, but there is much more to do beyond that.

We have a very good product as it is. An assessment carried out by UK Trade and Investment said that Northern Ireland is the second most attractive place for inward investment in the whole of the UK. For a little place like ours, that is quite an achievement when you think about who we are fighting against to attain that position. We should be quite proud of what we have achieved without corporation tax powers.

Imagine then if we had the ability to say that we have not only tremendously well-educated, highly skilled people in a range of sectors but a telecommunications infrastructure that has great broadband speed and connectivity into the east coast of the United States that is quicker than that between the east coast and the west coast. All those things make Northern Ireland and Belfast a centre for investment in ICT and financial and legal services. If then say that we have a low business tax as well, that will produce a gear shift in the type of companies that we will attract to Northern Ireland.

I would also argue that it is important to be able to say that we have an open and innovative Government as well. If you look at examples around the world, that is something else that countries have to offer. They have Governments that are open and receptive and work with business to improve their economy. We already have that; I hope that we have it. We certainly have a very good relationship with business, but it can always be developed and improved.

We are probably closer to getting corporation tax powers than many of us imagined that we might be. It is disappointing that the right decision has not been taken by now, but there are many things in the economic pact that was agreed between the First Minister, the deputy First Minister and the Prime Minister back in June, such as enterprise zones, access to finance, borrowing powers and additional fiscal powers. There is also work for my Department and others to do on those fronts. Corporation tax powers are, however, the most important bit. The Government are committed, once the referendum is out of the way, to taking a decision very quickly and implementing it. The risk was always that a decision would be taken and would be favourable but that it would run into the sand just before an election.

Work is ongoing and will continue on the processes that have to be gone through, particularly on things like legislation. We cannot just declare in late September that we are going to do this and then work on legislation, consult and get it through all the stages in the House of Commons and House of Lords and still get it into a Finance Bill before the election. So, a lot of work has to take place between now and then.

There is a risk that, because it is parked until September next year, we say "That is it; we will not pick it up until then". I am not saying that we have to stand up and shout about it all the time; we have won the argument, I think. It is now about doing some of the nuts and bolts work to ensure that, when September comes around and — fingers crossed — we get a favourable decision, we are ready to go. Then it is over to us. We have asked for it, and we will have to do something with it. We will have to continue to invest, and that poses a real challenge for me. We have to continue to invest in skills and infrastructure, so that we can add to the mix to attract people to come to Northern Ireland and invest in it. Then we have to decide from where we will take the money to pay for it all, but we will leave that for another day.

Mr Gordon Best (Quarry Products Association Northern Ireland and Construction Industry Group): Simon, you have been a great friend of the construction industry over the last number of years and have attended many meetings of the all-party group. You know the issues and the predicament in which the industry finds itself. I return to the issue of procurement. The current situation is that we have had close to £1 billion worth of construction work delayed, at a time when workers jump on aeroplanes to England and fill them up on Monday mornings. Even our young engineering students have had to go further afield to seek a career and a lifestyle because we cannot give them work here. As chairman of the procurement board, what will be your actions and objectives over the next year to speed up the delivery of major infrastructure projects?

Mr Hamilton: You rightly identify a two-headed problem. One is finance. You are right: we have had a lot of delay. Government was extremely fast to cut away at capital expenditure and believed that people will not miss not having a new capital project in place. That was a mistake, and it would have been better to deploy that money. It is a difficult balance for the Chancellor to strike, but he would have been better employing some of that money to keep some capital projects going to keep people away from the dole queue. Then perhaps he would not have had to borrow so much money to pay the growing welfare bill. However, we are starting to see a better situation developing with respect to capital amounts. As I mentioned before, there has been a 1.5% increase in our capital budget in 2015-16. We cannot predict but, as best we can see, that will continue. As I have said, the nature of that will change. We will not be given a wad of conventional capital and told to get it out the door. We will be required to be a little more creative than that, and that, obviously, poses a challenge.

Funding is only one side of the problem; the other side is, clearly, delivery. We have spent a lot of time going over some of the very big capital projects that are not moving forward. The fact that the A5 is not moving forward gives us an opportunity to spend that money and additional, conventional capital that we have received from Westminster on some significant infrastructure projects. In the October monitoring round, I will announce, after Executive agreement, a reprofiling of the A5 money and the additional capital that we have received from the Treasury. We will be investing not in one big project but probably in quite a lot of projects that will have a beneficial impact right across Northern Ireland, certainly for people in your sector.

I appreciate that there are problems with delivery, but this is not just about the A5 project not moving forward. There seems to be a more fundamental problem in getting big capital projects moving. You can see that in the context of the A5, where the project has stopped, has not moved forward and there is no prospect of it moving forward in the short to medium term, but we do not have projects to lift off the shelf and get moving very quickly.

I keep hearing the phrase "shovel-ready". There is no such thing as a shovel-ready project. That suggests that you have gone through procurement, but, if you have hit the button on procurement, then you really are going for it. If you back off when you have procured it, you are in trouble. What we need is procurement-ready projects. A piece of work led by the Strategic Investment Board is going on at the moment to look at how we can get things through the system much more quickly. From the commissioning of a project to the actual delivery of a project, it takes, on average, about six years in Northern Ireland. It takes about four years in places such as Scotland and in Great Britain in general. Those two years are absolutely critical. Even the four-year time frame shows that these are big projects that are difficult. We are not doing it right.

Although I do not know what will be recommended in the SIB review, there are two things that I would like to see. The first is that we start to prioritise capital projects by saying which are the capital projects that we really want to see moving forward and start to move them through the early stages that are required to get them as ready as they can be. There is a bit of cost in doing that because there are legal issues that you have to take into account and perhaps you will have to vest some land, but, at least, you would move things to the state where they are ready if more money were to become available or if another project were not to move forward. When I talk about prioritisation, I do not think

that it is best to list number one to 20. Sometimes, political judgements will have to be made, and there will be moments when you do not have the cash to do number one but you could do numbers two and three. So, I do not think that we should be prioritising in that sense but should have a big set of priority capital projects that we can move forward, get ready and lift from.

The other thing we need is at the core of why we are not delivering projects quickly enough. We need some centralisation of our infrastructure spend. This is the direction of travel that Scotland has moved in. If you go to places such as Canada and Australia — I would like to — you will see that they have centralised their procurement, delivery and commissioning of big infrastructure projects to the extent where they now have huge pipelines moving forward using various forms of financing. Even at a political level, they have Ministers who are responsible for delivering infrastructure. That is their job in some of these jurisdictions. I would like to see much more of a centralisation in the accountability of delivering the major infrastructure projects that, we all agree, are absolutely essential for our economy. If we do not do that, we will continue to fail to deliver big schemes in a timely manner.

Mr Aidan Langan (Enterprise Equity): I would speculate that somewhere in your sweepstake is the activities of banks.

Mr Hamilton: That is the sweepstake full. That is all four corners in the bingo card now.

Mr Langan: There are some signs that, on lending, the banks are making some progress in getting back into the game, but it is interesting to note that, both in GB and in the Republic of Ireland, the banks have taken steps to help to fix the balance sheets of SMEs by investing in companies as opposed to just lending to them. There is the Business Growth Fund in GB and there are funds in the South of Ireland that the Department of Finance has persuaded, for want of a better word, the banks to invest in. It seems to me that, although we have a peculiar mix in Northern Ireland of UK-based banks and Irish-based banks, we are not getting the same activity here. Do you think that, in your new role, you have any levers that might persuade them to do that?

Mr Hamilton: The one thing that threatens the ability of our economy to take off and head in the right direction is the inability and failure of many good, sound businesses and companies that have viable propositions to get access to finance to allow them to grow. That is probably the biggest threat to economic recovery in Northern Ireland. That is not a threat that is unique to Northern Ireland. You see it in other jurisdictions, but it is more acute here precisely because of the reasons that you outlined.

I have taken and will continue to take the attitude with the banks that we need them to function properly. They have not been functioning properly, and many are still not functioning properly, but we need them to because what we invest as a Government in the economy is nothing compared with what banks can do to get economic potential moving and growing in Northern Ireland. We need them to do their job. We do not want them to overheat and behave the way that they did in the past, but we want them to do good, sensible and prudent lending to the good, viable businesses.

You probably do not go into the door of your local bank any more, and that is part of the problem. You may go to your local bank and say that you have a great product that you think can sell to this market, that market and the other market and go global, and the bank will start to look at your accounts and say that you have bad debt and property overhang that is causing a problem and will not lend to you because you are a risk.

I know that there are reasons why the banks are not doing what we want them to do in some circumstances. I think that they have a lot to answer for with regard to why we are in that position. We can cry over those problems as much as we want, but it is not going to get us anywhere. We need to get more finance out there to good, viable propositions so that the economy can grow.

You rightly identified that we as an Executive and I as Minister have absolutely no authority over our banks and we have this unique banking structure in Northern Ireland, where none of them is headquartered in Belfast. Decisions are taken in an entirely different context. Yes, they look at Northern Ireland and the circumstances here, but they are not paying the attention that, I think, they need to. You see that it is not only in our banks that decisions about Northern Ireland's economy are being made in London, Dublin or Copenhagen. Even when our own Government has been making interventions in banking, it has not been mindful of the particular circumstances that we face in Northern Ireland.

Some of the national lending initiatives that have been announced over the past number of years were not good, even at a national level, but, sometimes, those that have not worked in Northern Ireland have not worked because they have not been structured with Northern Ireland in mind. The conditions are for companies that are far too big in the Northern Ireland context, or they are not dealing with the essential problem, which is that we have this property overhang. It is not cheaper credit, which funding for lending is heading towards, that is, inherently, the problem in Northern Ireland, it is this: how do you deal with this? Our problem is a more Irish problem than it is a British problem, in that sense. How do we deal with that particular problem? How do we get our Government to recognise that? I am able to say that they have now recognised that. They have not done anything about it yet, but they have recognised it. Arlene and I are going to represent Northern Ireland on a joint ministerial task force. We will be there with the Secretary of State who, hopefully, will be on our side, a Treasury Minister and a Minister from the Business Department. The right people will be in the room at the right time. We are will look at the national lending initiatives and some of the targets that you talked about, which, nationally, banks are setting for businesses but are not necessarily applicable here. We will look at how we can tailor those initiatives for Northern Ireland.

At least they have acknowledged that what they have done to date has not been focused particularly on Northern Ireland. Hopefully, we can use the task force that has been created as a result of the economic pact, to do precisely what you are talking about.

Mr Flanagan: We will take the last question from John. Hopefully, we will get this done before the Division Bell closes it down on us.

Mr John Rooney (Rooney Fish): I am John Rooney; I am involved in seafood processing. You talked a lot about innovation. In the seafood sector, we have a lot of innovation with companies in all processing sectors. You talked about the South of Ireland being pushed into doing things, and things like that. Last week, I sent an e-mail to the Minister about the South of Ireland and Scotland, where they are pushing forward. I commented that, once again, Northern Ireland will pick up the crumbs. We are picking up all of the crumbs. Due to EU rules, we had to diversify and do different things. We are trying to push forward with different types of processes, but we are mainly in shellfish, because we are not allowed to fish fish. When we have been innovative in a lot things, all we have hit is a brick wall. There is red tape. All I ever hear about are auditors, auditors and more auditors. We are never going to get anywhere if somebody cannot make a decision and have some common sense. Part of the biggest problem in Northern Ireland at the moment is common sense. We are trying to be more innovative and do different things; in fact, we are doing things.

If you go for a grant, there is another headache. I have one story that I have to tell about that. We went to do some market research, and three of us were having a meal. Subsequently, the girl in the office received an e-mail in which she was asked who ate what. Wanting to know who ate what items on a bill of €30 or €40 is going a wee bit too far. That is a sample of the brick walls that we are hitting when trying to get things done. We need to make change, but we need to make change quickly, because we are way behind. The South of Ireland is crucifying us on sales in Europe, Asia and all over. I am all over Europe, and I am in Asia, but the South is far ahead of us. We have been doing

exhibitions with Invest NI and different ones. Invest NI is doing its best, but Scotland and the South of Ireland are just over the top of us.

Mr Hamilton: If you were there, John, the auditors would have known that you had the fish. I have never said and never will say that we get all of that right. I am realistic enough to know that, even if everybody in government starts to switch on and see that they need to work with the private sector to be as innovative as they can. I think we have huge potential to be innovative at work, particularly working in partnership with the private sector. The private sector is driven to create wealth and be creative, because if it is not creative then it will sink and disappear without trace. There is a lot for us to learn from working in partnership, but it requires a change in attitude on government's part, on the private sector's part and on wider society's part to realise that.

The narrative and orthodox view for a long time — it is tied up in the corporation tax debate — is that the problem in Northern Ireland is that our public sector is far too big and our private sector is far too small. I think half of that is absolutely right; our private sector is too small and we need to grow it. It is hard to tell whether our public sector is too big or not, because you have a distorted picture with such a small private sector. I was talking about international best practice in some of those countries like Denmark, Finland, Norway and those places. I should never talk about Norway, actually, because Norway has just had a change of Government overnight. One of the biggest debates that they had during the election, because they have so much oil and gas, is what they should do with the huge surplus that they have so that they do not overheat their economy. That is the sort of problem that I would like to have in government, I have to say.

A lot of those countries that have innovative economies and Governments do actually have quite large public sectors, but they make them much more creative, innovative and dynamic. That is a huge challenge for us. We have the big public sector, but it is not innovative enough. We need to change the view to see that the public sector in Northern Ireland is already a huge driver in the economy. Yes, it could be better or could be doing more, but it is already a significant player in the economy in Northern Ireland. We owe the comparatively high standard of living that we enjoy in Northern Ireland to, in large measure, the massive subvention of £10.5 billion that we get every year from Westminster, so the public pound that we were talking about before is what drives our economy in a lot of ways, but it could be better.

The task that I want to lead on — *[Interruption.]* — saved by the bell. I need to work in partnership with others in government. I can try to persuade others, but I need them to get on board with it. What you are talking about is obviously a very particular sector in terms of DARD. What I have created the public sector reform division for is to work in partnership with officials in DARD to identify some of that potential that you are talking about to be innovative, creative and to get a better deal for the public pound, but also to get you and people within your business and every business the opportunity to grow and become better and innovative and creative yourselves.

Mr Flanagan: Thank you all for coming, participating in the event and listening to what Simon had to say. I also thank Simon for taking time out of his very busy schedule to come and update us with what was a very interesting speech. I found it very interesting. I may not agree with everything he said, but I definitely found it interesting.