

**Minutes of the 171st Meeting of the Board of InterTradeIreland, the Trade and Business Development Body.**

**Tuesday 28<sup>th</sup> February 2017 – InterTradeIreland (12.15pm – 14.00 pm)**

Present:

Board Members:

Mr Ken Nelson	Chairman
Mr Paul O’Sullivan	Vice Chair
Mr Micheál Briody	
Mr Timothy Cairns	
Mr Terry Crossan	
Ms Rosemary Delaney	
Mr Paul Greenfield	
Mr Patrick Joy	
Ms Ann Rudden	
Ms Joanne Spain	
Mr James Spratt	

In Attendance:

Executive:

Mr Thomas Hunter McGowan	CEO
Mr Aidan Gough	Director of Policy and Strategy
Ms Margaret Hearty	Director of Programmes and Business Services
Mr Laurence Lord	Director of Corporate Services
Ms Orla McGlennon	Board Secretary

#### 171.1 Apologies

An apology was received from Prof Terri Scott.

### 171.2 Opening Remarks

The Chairman welcomed all Board members to the meeting. He thanked Sub Committee members for re-organising their meetings to accommodate the On Board Corporate Governance Training to be held following the Board meeting.

### 171.3 Conflict of Interest

The Chairman asked members to declare any conflicts of interest relating to today's agenda. The Chairman declared a potential conflict of interest arising from his position as CEO of LEDCOM, which as a member organisation of Enterprise Northern Ireland and is involved in the delivery of the Co-Innovate programme. Mr Greenfield declared a potential conflict of interest arising from his position as Chairman of the Peace IV Working Group and as Board member of the East Border Region which is involved in the delivery of the Co-Innovate programme.

No other conflicts were declared.

### 171.4 Authorisation of the 31<sup>st</sup> January 2017

The minutes of the 31<sup>st</sup> January 2017 Board meeting were agreed as a true record of the meeting, approved by the Board and authorised by the Chairman.

### 171.5 Chairman's Business

The Chairman encouraged all Board members to attend the On Board Corporate Governance training to be held immediately after the Board meeting.

He advised that the Board meeting on 30<sup>th</sup> May would be held in Belfast possibly at Belfast City Council's iFactory premises. It was agreed that the Sub Committee meetings would be held in the morning, followed by InterTradeIreland company presentations and a lunch with key stakeholders. The Board meeting will be held in the afternoon.

The Chairman informed the Board that the InterTradeIreland Senior Leadership team had been invited to present to the Invest N.I. Board on the 22<sup>nd</sup> June 2017.

### 171.6 Matters Arising

Mr Gough reported on the level of multiple applications for InterTradeIreland supports. He advised that 1,127 companies had been assisted over the period from 2014 to 2016. Of these, 115 companies participated in more than one InterTradeIreland initiative. 24% of businesses receiving a Trade Accelerator Voucher had then progressed to the Elevate programme. 17% of companies receiving Elevate support made successful applications to the Acumen programme and 14% of Acumen companies progressed to the Fusion programme. Mr Gough advised that there were no major concerns with individual companies receiving multiple supports.

The CEO advised that all other matters arising had been addressed or would be considered during the meeting.

The Chairman thanked the CEO and Mr Gough for their updates.

#### 171.6 CEO Report

The Board noted the CEO's report.

#### 171.07 Board Sub Committee Reports

##### *Innovation Sub Committee Report*

Mr Spratt reported back from the Innovation Sub Committee meeting held on 31<sup>st</sup> January 2017. The Committee considered twelve new Fusion applications. Ten projects were approved, one project was deferred and one project was rejected.

The Board noted the decisions of the Innovation Sub Committee and the Chairman thanked Mr Spratt for his report.

##### *Trade Sub Committee Report*

Mr Joy reported back from the Trade Sub Committee meeting held on 31<sup>st</sup> January 2017. He advised that the Committee considered thirteen new Acumen applications. Eleven projects were approved and two projects were rejected due to potential displacement issues. One rejected project from the December 2016 Sub Committee meeting was noted in the Acumen decisions register.

The Board noted the decisions of the Trade Sub Committee and the Chairman thanked Mr Joy for his update.

#### 171.08 For Consideration, Discussion, Decision &/or Approval

##### *Operations Directorate Progress and Activity Report*

Ms Hearty presented the Operations Directorate Progress and Activity Report. She informed the Board of the forthcoming Venture Capital Conference which takes place in the Ballsbridge Hotel, Dublin on 8<sup>th</sup> March. She advised that an apology had been received from Minister Mitchell O'Connor who was due to open the event. Over 320 companies have registered to attend the event which gives early stage companies the opportunity to meet with active investors on a one to one basis. The Conference will showcase the current sources of equity funding and give entrepreneurs the opportunity to network with venture capitalists, business angels and investors. Speakers for the event include investors from the investment community and a representative from the European Investment Fund.

Ms Hearty advised that all programme budgets and targets are on track. There is a strong pipeline for all of the main programmes however with impending budgetary constraints and uncertainty many

projects in the pipeline may be at risk. She advised that application levels are on par with previous years. However, they expect a rise in applications for innovation supports given the message to companies to think about innovation in planning for Brexit. Ms Hearty confirmed that the application process is open year round for programmes.

Mr O’Sullivan advised that at the Innovation Sub Committee meeting held that morning, he was impressed with the report from the Managing Agents of the Fusion programme. There had been a strengthening in the quality of applications being submitted compared to previous years and the success of the Fusion programme was evident.

The Chairman thanked Ms Hearty for her report.

### *InterTradeIreland Challenge Programme*

Mr Alan Morrow, Operations Manager, Innovation Programmes joined the Board meeting for this agenda item.

Mr Morrow advised that the Challenge programme provides SME’s with a proven, reliable and repeatable innovation process to bring ideas to market quicker and with less cost. The programme aims to address deficiencies in innovation leadership, management and strategic planning ability. Innovation activities have been identified as key priority for both Governments. Research has shown that more than 60% of companies on the island are not innovation active. In addition, few of those that are active have either an innovation strategy or process to manage innovation.

Mr Morrow presented three case studies which highlighted the positive contributions resulting from the companies participating on the Challenge Programme. He reported on the impressive impact of the Challenge programme to date.

Challenge has:

- Generated £11.8m in Business Development Value;
- Created 49 new FTE jobs;
- Safeguarded a further 240 jobs and
- Delivered a Return in Expenditure of £13.15:1 in net additional Business Development Value.
  - 93% of businesses state that the Challenge programme has given them an innovation system that their management and staff have bought into.

Mr Morrow advised that the programme had evolved over the years and the proposed options in the economic appraisal had been reviewed and recommended to the Senior Leadership Team. The preferred option includes:

- A 3-year programme with 1 year to complete
  - 150 SMEs attending a 2-day workshop to develop an innovation plan
  - 90 SMEs benefitting from a minimum of 6 days one to one coaching;

Ms Hearty informed the Board of the continuing evidence of need for the programme and the positive impact of the programme to date. She advised that the economic appraisal has also considered options for supporting additional coaching/mentoring activity through the programme (in excess of the 90 businesses proposed) subject to Invest N.I. and Enterprise Ireland contributing to the cost of delivery. This would be subject to approval at Board level by the two agencies. Ms Hearty reported that the Challenge programme is included in the 2017 Business Plan.

The Board discussed the proposal and approved expenditure for the roll-out of Phase II of the Challenge programme. The Board were informed that this would involve a procurement exercise for a Delivery Agent through a competitive tendering process.

The Chairman thanked Ms Hearty and Mr Morrow for their work in this area.

### *Governance and Financial Matters*

Mr Lord presented the Governance and Financial Matters report. He advised that at the November 2016 Board meeting, the Board approved the Body going to competitive tender for its out-sourced Internal Audit function. An invitation to tender for this work will be issued in the near future.

The Board were informed that the Body's financial procedures call for Board members to be invited to sit on assessment panels where the tenders being evaluated exceed £20,000 (excluding VAT). Mr Lord pointed out that it is not mandatory that such panels include a Board member. Any Board member wishing to sit on a tender assessment panel should contact the relevant Director. Board members wishing to participate in these exercises are required to first complete formal training in tender evaluation which will be arranged, if necessary.

Mr Lord provided a summary of the Body's financial outturn to 31<sup>st</sup> January 2017.

The Chairman thanked Mr Lord for his report.

### *Tenders and Variations to Letters of Offer/Appointment*

Mr Lord advised that as discussed earlier in the meeting, there was one request to go to competitive tender for a delivery agent for the Challenge programme. The Board approved the request to go to tender for a Delivery Agent for the rollout of Phase II of the Challenge programme, over a three-year recruitment period plus one year to complete.

### *Communications Update*

Mr Lord presented the Communication Update. He outlined that the report highlights selected recent communications activities and progress against annual targets.

He advised that the Communications Sub Committee had met prior to the Board meeting and would report back to the March Board meeting.

PR around the appointment of the Chairman and new Board members is underway and any Board members that would prefer their appointment not to be promoted in the media were asked to advise the CEO or Board Secretary as a matter of urgency.

The Board noted the Communications update and the Chairman thanked Mr Lord for his report.

### *Business Monitor Results Q4 2016*

Mr Gough presented the results of the Business Monitor Q4 2016. He advised of the significant PR coverage that had been generated. The results indicate that businesses are moving into challenging times from a position of relative strength. The number of companies across the island reporting stability or growth in the last quarter has remained fairly constant at 84%, however exporters continue to fare better than non-exporters. Highlights this quarter also include:

- 54% of firms with 50+ employees are experiencing growth compared to 37% of businesses with less than 10 staff;
- 34% of businesses are at full capacity compared with 40% last quarter;
- 25% of businesses plan to extend their workforce in the next 12 months
- 98% of businesses have not made plans to deal with Brexit

Mr Gough reported that the construction sector is reporting difficulties in recruiting skilled staff. Employment figures reported in the survey show a large increase in employment levels. Around half of businesses have seen their costs for supplies, consumables and energy increase in the last six months with those in N.I. most likely to be affected.

Mr Gough advised the results reveal that companies across the island are experiencing similar challenges, most notably – rising costs particularly energy costs.

The Board noted the Business Monitor Results Q4 2016.

The Chairman thanked Mr Gough for his update.

### *Co-Innovate Programme Update*

Ms Dianne Dundas, interim Co-Innovate Programme Manager joined the Board meeting for this agenda item.

Ms Dundas advised that the Co-Innovate programme, funded by Interreg, was developed specifically to increase the proportion of SMEs engaged in cross border research and innovation. The eligible regions are Northern Ireland, the border region of Ireland and Western Scotland. InterTradeIreland as the lead partner will work with local Enterprise Agencies in N.I., the local Enterprise Offices in Ireland, Scottish Enterprise and Highlands and Islands Enterprise to deliver the programme. Co-Innovate for the first time brings together the key development agencies in these areas.

Ms Dundas reported that SEUPB had issued a Letter of Offer to InterTradeIreland for €16.7m. Over the past few months, InterTradeIreland has been recruiting permanent Co-Innovate staff members. With the exception of the Innovation Expert, all posts have been offered and accepted with staff due

to commence throughout the month of March. The Scottish partners are also in the process of recruiting staff and it is hoped that they will have all appointments made by the end of April 2017.

Under the terms and conditions of the Co-Innovate Letter of Offer, InterTradeIreland is required to submit signed Partnership Agreements with all the partner organisations as well as a revised implementation plan. This work is nearing completion and documentation will be submitted to SEUPB prior to the deadline of 11<sup>th</sup> March 2017.

Ms Dundas reported that a number of procurement exercises are underway, in advance of the first workshop scheduled for June. InterTradeIreland awarded the interim Innovation Expert Contract for Services to Team BDS to develop the messaging and workshop content. A tender to procure Innovation Speakers (to deliver sectoral workshops) is currently being advertised and due to close on 14<sup>th</sup> March. A tender for the procurement of experts to recruit companies and conduct Innovation Ready Reckoners in the border counties of Ireland is due to be advertised in the near future. The terms of reference for a Management Information System for the programme are at final draft stage, as is the tender to procure experts to conduct Business Status Reviews. Ms Dundas reported that she is working closely with the Communications team and the Project Management Committee to agree the Co-Innovate brand and work is progressing on the Co-Innovate website design and launch of the programme.

The CEO thanked Mr O'Sullivan for his participation on the interview process for the recruitment of the Co-Innovate Programme Director. He advised that Mr Neil Ryan had been appointed to the position and is due to commence on 6<sup>th</sup> March. Mr Ryan would provide a monthly Co-Innovate programme update at future Board meetings.

The Board discussed the Co-Innovate programme and highlighted the importance of incorporating the InterTradeIreland brand in Co-Innovate. Mr Lord advised of the need to follow the stringent Interreg V communications guidelines.

The Board noted the Co-Innovate programme update and the Chairman thanked Ms Dundas for her update.

### *Brexit*

The CEO introduced the discussion on Brexit. He advised that InterTradeIreland had piloted Brexit breakfast briefings for SMEs where information and advice are given to help businesses prepare for any new trading relationships that emerge from Brexit negotiations. Events have been held in Dundalk, Monaghan, Cookstown and Lisnaskea and further events are planned for Cavan, Athlone and Claremorris. Mr Hunter McGowan informed the Board that InterTradeIreland in partnership with ESRI is carrying out research using previously unavailable data which will focus on the potential impact of changing market conditions (in light of Brexit) on levels of cross border trade. He commended the cross directorate team for their work in this area. At a recent meeting with representatives from the Bank of England, they were very impressed by the advanced nature of the research undertaken.

Mr Gough gave a presentation on Brexit. He advised that a key objective for the Body is to ensure that cross border trade continues to grow and to assist SMEs to adjust to any new trading relationships that emerge from Brexit negotiations. He informed the Board of the different cross border trading relationships and the effect Brexit may pose, including:

- Potential loss of 4 freedoms:
  - Freedom of goods;
  - Freedom of movement for workers;
  - Right of establishment and freedom to provide services; and
  - Free movement of capital.
- Possibility of tariffs;
- Possibility of non-tariff barriers and
- Exchange rate volatility.

Mr Gough advised that there will be no changes to trade agreements for at least two years and new trading relationships are likely to be introduced. He informed the Board that previous models could be considered e.g. Norway, Swiss or Canadian model but a bespoke British model is more likely. A default scenario in the absence of an agreed settlement would be revision to the World Trade Organisation (WTO) regulatory trading framework. The World Trade Organisation (WTO) is the only international organisation dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.

Mr Gough reported on the varying levels of WTO tariffs by products and sectors and highlighted the high level of tariffs for the agri-food sector particularly livestock, meat and dairy products. He reported that some sectors will not be significantly impacted by tariffs. For businesses on the island there is much uncertainty and research indicates that:

- 98% have no plan in place;
- 91% of cross border traders have no experience dealing with tariffs;
- 25% expect sales to decrease rising to 42% in manufacturing and
- 80% say TV news is their only source of information on Brexit

Mr Gough advised of the impact of Brexit on InterTradeIreland supports including the need to:

- Provide reliable information flow;
- Consider new support activities; and
- Review criteria for existing supports.

InterTradeIreland's response to date has involved providing information, advice and support for businesses likely to be effected by Brexit. Companies will be encouraged to:

- Manage exchange rate volatility
- Find the WTO tariff for their product
- Innovate within their business – create new and unique innovative products
- Consider diversification
- Plan for the future – take a planned approach to exporting based on innovation, diversification and scenario planning and
- Continue to target new entry markets.

Mr Gough advised that InterTradeIreland's support includes:

- Brexit team;
- Specialist advisor;
- One to one advisory service;



- Brexit readiness vouchers;
- Sectoral advisory panel;
- Events; and
- Research.

The Board discussed the issue of Brexit. It was agreed that many companies have no experience of dealing with tariffs and our role should involve assisting companies to prepare for Brexit. There is an opportunity for InterTradeIreland as a voice of authority in this area. All Board members agreed to the Executive’s approach to assist SMEs adjust to any new trading relationships that emerge from the Brexit negotiations.

The Board asked that a copy of the Brexit presentation be emailed to Board members for information and that a Brexit update should be included at Board meetings going forward.

The Chairman thanked Mr Gough for his presentation and commended the team involved.

#### 17.09 AOB

The Chairman thanked Board members and the Executive for their contributions at the meeting.

.....Authorised by:

Mr Ken Nelson  
Chairman, InterTradeIreland  
28<sup>th</sup> March 2017