INVEST NORTHERN IRELAND

ANNUAL REPORT AND ACCOUNTS

2021-22

INVEST NORTHERN IRELAND

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2022

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on

18-07-2022

This document is also available on our website at www.investni.com

Any enquiries regarding this document should be sent to us at Invest Northern Ireland, Bedford Square, Bedford Street, Belfast, BT2 7ES or email communications@investni.com

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Overview

The purpose of the overview section of the Performance Report is to give you sufficient information to understand Invest Northern Ireland (Invest NI), its purpose, the key risks to the achievement of its objectives and how it has performed during the year.

Chair and Chief Executive Introduction

Preface

This year marks the 20th anniversary of Invest Northern Ireland. In that time, we have supported almost 15,000 businesses of all sizes – from entrepreneurs to multinationals, and everything in between - leading to £12.7 billion of investment and over 124,000 new jobs across Northern Ireland – two-thirds of those outside Belfast.

We have helped:

- secure almost 300 new inward investment projects;
- increase Northern Ireland's business exports by 46%;
- encourage more innovation, and investment in R&D; and
- companies to grow their teams' knowledge and expertise through skills development.

We've supported companies with tailored advice, webinars, workshops, programmes and property searches.

Our free business resource website NIbusinessInfo.co.uk has had over 41 million visits.

We've connected a network of Northern Ireland diaspora across the globe through NI Connections.

And through our strong regional office network and 24 dedicated international offices, our work helps deliver a stronger, regionally balanced economy and delivers lasting, real and positive change to people's lives.

Of course, we haven't achieved this on our own. Through our work and partnerships with companies and councils; colleges and universities; business and tourism bodies; and local enterprise agencies, we have all worked together to make Northern Ireland a great place for business.

At a time of global change and challenge, we now have the opportunity to come even closer together, to build on that momentum and ensure our place as one of the most successful small, balanced, sustainable economies in the world.

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Chair and CEO Review

Last year, we recognised and acknowledged the resilience shown by people, businesses and our own organisation through the first year of the COVID-19 pandemic. Whilst that resilience is still very much evident, this year there were also hopeful signs of recovery.
With COVID-19 still very much dominating society and the economy, our focus remained on continuing to support businesses navigate through the impacts of the pandemic and volatile local and global economies.

Although COVID-19 levels had receded to their April 2020 levels at the start of the year, many sectors of the economy remained essentially closed, as a result of many restrictions that remained in place, travel restrictions and the mandate for home working.

We continued to deliver both emergency support through the NI Executive's emergency support schemes and our own nine Recovery Schemes. We were subsequently asked to play a significant part in the roll-out of the NI Executive's High Street Voucher Scheme.

In the second half of the year, as the most severe impacts of COVID-19 receded, many economies eased restrictions in a controlled manner and a degree of international business travel restarted. Some physical events made a socially distanced, and controlled, return. Globally, this began in Asia Pacific, moving west. This meant we were able to recommence in-market activity in some of our target markets.

Against this background, in many sectors business output, activity and confidence grew as the world was seemingly adjusting to a post-COVID-19 environment, until it was hit by the humanitarian and economic shock of the war in Ukraine.

Despite the significant challenges faced by our customers, particularly in the first half of the year, and the impact of both the need to deliver the various COVID-19 schemes, including the High Street Voucher Scheme, we were on course to deliver against our targets.

In December 2021, we were asked to pause issuing any new Letters of Offer to customers, or commit to activity that would have a financial impact on 2022/23 budgets and beyond, whilst a budget consultation was ongoing. Whilst this pause was originally expected to last for a couple of weeks, unfortunately it extended through to the end of March 2022.

This effectively stalled performance across our three main performance areas – R&D, Skills and Jobs. Clearly, this limited some of our activity, with a consequential impact on some of our outcomes.

In these circumstances, the results we are presenting are remarkable and a real testament to the resilience of those businesses we have worked with, and our own team for their drive and determination. In total, we made over 2,500 offers to the value of £99m to nearly 1,900 businesses throughout Northern Ireland, which will see them invest over £572m. You can read more detail on our performance in the following Performance Review section.

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Following the resignation of our previous CEO, Kevin Holland, in late 2021, Mel Chittock was appointed Interim CEO to lead Invest NI through the current challenging environment, whilst a permanent CEO is recruited.

Preparing for the future

Increasingly influenced by global issues, our future economy will look very different. Our priority is to ensure that businesses are supported and best placed to take advantage of the opportunities which will emerge.

For Northern Ireland, the direction of travel in terms of the economy has been set out in the Department for the Economy's (DfE's) 10X Economic Vision, with its focus on Innovation, Inclusion and Sustainability, which was launched during the year.

To deliver against this ambition, Invest NI is building a strategy to ensure that our capacity and capability is strategically aligned to it, alongside a future Programme for Government and associated Economic Policy.

In the new economic environment, continuing to do what we have always done, in the same way, will not sufficiently address the future challenges.

We recognise that change is needed across our, and our partners, delivery model to drive the generational change needed to transform our economy in an increasingly restrictive public spending environment.

It will require new policy interventions, new support products and programmes, and the removal of others. A more competitive approach to funding will maximise the use of available budget and drive up the quality of projects we support and their ultimate economic impact.
Part of this will be supported by the various City & Growth Deals, bespoke packages of funding agreed between UK Government, the NI Executive and local Councils. Through these, some £1.5bn will be invested into Northern Ireland's economic infrastructure to drive economic growth at a sub-regional level.

We are playing a key role in these and welcome the signing of the Belfast City Region Deal in December 2021. This has the potential to unlock £1bn of transformative co-investment in 20 highly ambitious programmes, creating up to 20,000 new jobs.

We are also working closely with Derry City & Strabane District Council, Causeway Coast & Glens Borough Council and Mid-South West to progress their respective deals, which are at varying stages of development. As these deals accelerate, we expect our involvement in them to scale up.

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Our operating environment has changed a lot since the last Independent Review of Economic Policy in 2008 and, whilst we have a strong track record of success, we also recognise that there is a new economic landscape which requires a new and different approach.

We therefore welcome the review of Invest NI announced by Minister Gordon Lyons, MLA, in January 2022, to be led by Sir Michael Lyons, and wholeheartedly endorse the importance of independently assessing Invest NI's efficiency and effectiveness.

We look forward to continuing to engage with Sir Michael and his team as their review progresses and their recommendations are forthcoming.

Our recently launched internal transformation programme, Evolve, will ensure that, shaped by the review, we have the optimal structures, processes and supports in place.

At the beginning of the pandemic, we were on the cusp of introducing a hybrid work policy. Our learnings through the pandemic have helped shape our New Ways of Working which were introduced during the year. Alongside new initiatives around Values & Behaviours and Diversity & Inclusion, collectively, these will change the culture of the organisation, increasing staff satisfaction and supporting staff recruitment and retention.

Hopefully, we are nearing the end of the COVID-19 pandemic, although as last year showed us, we must always be wary of new strains emerging.

Locally, business optimism appears to be growing, with the latest Purchasing Managers' Index (PMI) of Invest NI customers in May 2022 showing that business activity is continuing to rise sharply and there is optimism for the next twelve months.

New orders rose for the twenty-first consecutive survey period in May, largely driven by services, which increased sharply as COVID-19 restrictions continued to ease. However, manufacturing new orders slowed to near-stagnation as many customers were increasingly reluctant to commit to new projects amid rapid price rises, with inflation currently at a forty year high, increasing fuel and transportation costs, and supply chain disruption resulting from the war in Ukraine. How long, and how damaging these are for both our local, and the global, economy is uncertain.

In addition, local businesses also face skills shortages in some sectors and the ongoing uncertainty resulting from the UK's exit from the EU.

However, if the current challenges faced by some local businesses can be overcome in a satisfactory way, particularly in relation to goods coming in to NI, there are real opportunities to be exploited.

In conclusion, we would thank the Economy Minister and DfE for their support through a very challenging year, and to my Board colleagues, particularly Padraig Canavan, Deborah Lange, Mark Nodder, Mark Sweeney and Judith Totten, as they finish their terms, for their valued contribution to Invest NI.

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To all those business we have worked with – thank you for the resilience and perseverance you have maintained through an extremely challenging period. There are signs of recovery.

And finally, to our staff – thank you for your ongoing agility and responsiveness and everything you do, every day, to deliver that strong, sustainable and inclusive economy we are working towards.

Rose Mary Stalker
Chair
Date: 08 July 2022

Mel Chittock
Interim Chief Executive
Date: 08 July 2022

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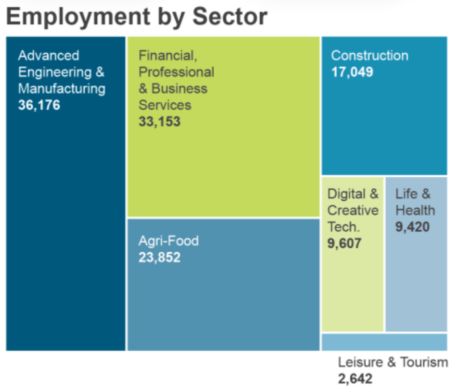
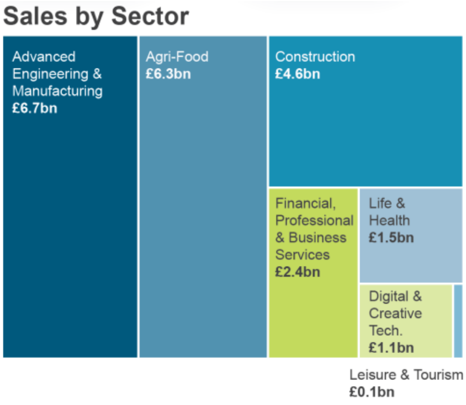
Our Impact

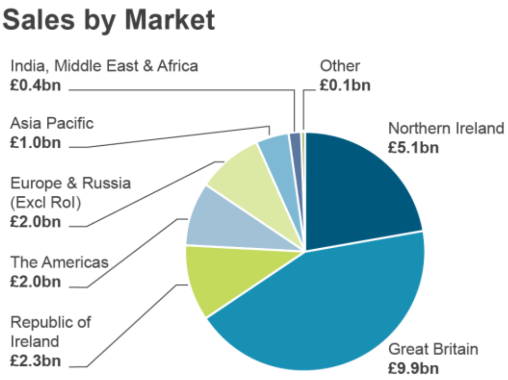
This year, for the first time, the annual performance of the portfolio of companies we work most closely with has been recognised and published as Official Statistics.

These show that, in 2021, those businesses we work closest with employed 131,899 people, dominated across four sectors Advanced Engineering & Manufacturing, Financial Professional & Business Services, Agri-Food and Construction.



Collectively, these 1,800 businesses generated total sales of £22.8bn, of which £17.8bn went outside Northern Ireland, with £7.8bn being exports.





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Performance Summary

To say that 2021/22 has been an extremely challenging year for Invest NI would be an understatement, as the ongoing impact of COVID-19 meant the continued delivery of the NI Executive's emergency schemes remained strategic priorities to maintain businesses.

By the time the NI Executive emergency support schemes operated and administered by INI closed, we had supported over 19,000 businesses through payments totalling £145m, whilst our own nine recovery schemes will see 883 businesses invest over £63m to drive their recovery plans.

In addition to continuing to deliver these schemes, we also delivered a significant element of the NI Executive's High Street Scheme in the lead-in to Christmas 2021, designed to provide a vital stimulus worth £140m to the local economy.

Despite this, we remained on course to deliver against our operational targets until we effectively lost the last quarter to sign up new projects.

In these circumstances, the results we have delivered can only be considered remarkable.
With our team, locally and internationally, continuing to adhere to the "work from home" requirements, we remained fully operational throughout the year, with digital delivery remaining the primary channel through which we delivered much of our activity.

As with the previous year, the number of offers we made to businesses fell slightly to just over 2,500. This is not a surprise given the wider economic conditions and the volatile nature of the economy through the year. Collectively these will see £573m invested in the local economy and almost 3,548 new jobs created, This was lower than we would have anticipated but was a result of the general slowdown or pausing of investment projects by some businesses as a result of COVID-19 and wider macro-economic issues. The significant number of businesses which used the Coronavirus Job Retention Scheme to put employees on furlough, also led to a reduction in the number of businesses undertaking skills development programmes.

Encouragingly, in the drive to get more people in to better jobs, 70% of the new jobs created will pay salaries above the NI Private Sector Median.

To support DfE's objective of a strong regionally balanced economy, 1,969 (77%) offers we made were either to projects located outside of Belfast or to those that have the potential to have an impact on multiple locations throughout Northern Ireland, which will result in £386m (69%) of investment being made and over 1,800 (53%) jobs being created.

The actual number of jobs to be created outside Belfast will actually be larger as some companies, such as Hinduja Global Solutions, one of our largest inward investors during the year, whilst headquartered in Belfast, is creating over 560 jobs, all of which can be home based, providing job opportunities across the whole of Northern Ireland.

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Our 2022/23 Business Plan will bridge the interim period between the end of our previous four-year Business Strategy and the development of our new longer term strategy from April 2023 onwards. This is to ensure that our new Business Strategy can be adapted to reflect the aims and objectives of the newly constituted NI Executive. It will also expand our collaborative work with DfE, and other stakeholders and partners, for example through the 10X workstreams interactions, to further sharpen our 10X delivery.

COVID-19 Schemes

We continued to deliver the emergency support schemes on behalf of the NI Executive and, by the time of the INI operated and administered schemes closed almost £145m had been paid to almost 20,000 applicants.

COVID-19 Scheme	Applicants Paid	Assistance Paid (£'000)
CRBSS Part A	5,186	76,182
CRBSS Part B	1,795	16,710
LCDSS	5,603	19,587
Micro-Business Hardship Fund	4,302	23,343
NSESS	2,492	8,722
Grand Total	**19,378**	**144,544**

When the UK Governments Coronavirus Job Retention Scheme, which had been a lifeline for many was wound down from May through to September, fears of a massive rise in unemployment and its consequences didn't materialise, another indicator of the resilience of our businesses. In fact, as we enter the new financial year, we appear to be continuing to experience a post-COVID-19 jobs recovery with payrolled employee numbers now higher than pre-COVID-19 for the eleventh consecutive month.

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We also continued to deliver our own nine COVID-19 Recovery schemes, which will see over 900 business invest over £63m across the schemes.

COVID-19 Response - Case Type	No of Offers	Total Assistance Offered (£'000)	Total Investment (£'000)
Coronavirus Equity Investment Grant	1	75	100
Digital Selling Capability Grant (DSCG)	93	1,174	2,554
Economic Recovery Innovation Grants (ERIG)[1]	282	1,714	3,933
Energy Efficiency Capital Grant	55	929	4,645
Micro-Business E-Commerce Grant (MBEG)	331	1,330	1,827
NI Domestic Airline Kickstart Scheme (NIDAKS)	8	4,561	4,561
Process & Organisation Improvement Grant (POIG)	31	1,140	2,341
Productive Investment Capital Grant (PICG)	102	13,492	42,941
Supply Chain Resilience and Development Framework (SCRDF)	9	154	308
Grand Total	**912**	**24,569**	**63,210**

Given our success in delivering these business support schemes, and in testament to our role in delivering the NI Executive's emergency support schemes, we were subsequently asked to deliver a significant element of the NI Executive's High Street Scheme, designed to give a significant boost to NI consumers and local retailers in the lead-in to the Christmas period.

Once again we responded with pace and agility, deploying over 300 staff at peak to review and assess 160,000 applications which had been rejected at the first stage check to ensure that as many citizens as possible received the payment quickly. By the end of the scheme, almost £140 million was paid to 1.4 million people.

Innovation

Driving higher levels of innovation is a key pillar of DfE's 10X Vision. Businesses with higher levels of innovation are more productive. This gives them a competitive advantage, meaning they export more, earn more and, ultimately, create better quality jobs.

The announcement by the world's largest professional services firms, PwC, of its £40m R&D investment in a new Advanced Research and Engineering centre in Northern Ireland, as part of its fastest-growing division, Operate, was a major boost to the economy. This investment alone will create almost 800 new jobs and helped us secure £78m of R&D commitments during the year.

It is not only large, established businesses which are driving R&D and innovation in its widest sense.

We continued to raise awareness of the value of innovation to all businesses, Our innovation awareness campaign - delivered through innovateni.com - ignites the spark for even the smallest

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business to commence its innovation journey and supports them along the way, through assessment and accreditation.

Through the campaign, 697 such assessments were undertaken, resulting in 391 achieving Bronze, Silver, Gold or Platinum certification.

Those 214 businesses achieving Silver certification were entitled to apply for, and received, an Economic Recovery Innovation Grant of up to £5k to help them progress from testing, developing and validating their ideas to commercialisation and implementation.

Investment & Jobs

With Northern Ireland's employment level currently being at its highest level since records began, and unemployment at its lowest, job creation, *per se*, is no longer the primary driver of economic development. Higher levels of innovation, exports, inward investment and increasing productivity will be the key drivers to meet our ambition.

In the midst of all the uncertainty last year, almost 250 businesses did initiate projects to grow their employment and committed to creating 3,500 jobs between them, 70% of which will pay salaries above the Private Sector Median.

As noted elsewhere, our attraction to internationally mobile businesses remains strong, with a further 15 new investors establishing in Northern Ireland including Asos, Workrise and Agio.

Many local businesses also committed to investments to support their growth ambitions, working closely with our strong regional office network, including:

- West Belfast based The Electric Storage Company which is expanding its team with 10 jobs in a £780,000 investment to help it meet the growing demand for renewable energy across Northern Ireland, the Republic of Ireland and Great Britain;
- Delilites is creating 45 new jobs as part of a £4.3m investment in Warrenpoint to support its growth in global markets;
- Belfast based clothing company Outsidein is creating 11 new jobs in a £600k investment to grow its business in international markets;
- Portstewart based marketing automation software company, Zymplify is investing £1.5million in its business and plans to create 26 jobs; and
- The Deluxe Group, a Portadown based bespoke manufacturing company, has created over 30 new jobs in a £2.8million investment to support its expansion in its key sectors including luxury property, cruise line and visitor attractions.

An increasing number of the projects we supported were with businesses operating in, or developing solutions for, sustainable economic development, another key tenet of 10X.

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Having the ambition to set up, and grow, a business has many challenges, not least securing the funding to do so. Our suite of Access to Finance funds enables businesses of all sizes to get that funding. Last year, 106 companies used them to secure £66m of vital funding to fuel their growth.

To create the pipeline of new businesses which will become our future stars, in July 2021, we published our Entrepreneurship Action Plan, which set out the objective of making Northern Ireland an exemplar location for starting and growing a successful business, for scaling such businesses and as a location of choice for internationally mobile entrepreneurs.

As part of this, we developed and launched our new promotional campaign, MyNewBusiness, to celebrate and promote entrepreneurship towards changing the culture in Northern Ireland with a focus on export led growth. The campaign directs users to a range of inspirational case studies, tools and signposting for entrepreneurs.

We also supported 60 innovative High Technology companies in their pre-commercialisation process and 11 High Potential Start Up businesses.

Skills and Capability Development

The general slowdown in business investment had a follow-on impact on our work with businesses to upskill their employees.

With many businesses either being effectively closed or operating at reduced capacity in the first half of the year with large numbers of staff on furlough, it is not surprising that fewer companies pursued investment in training and skills development.

A significant element of our skills support sits alongside DfE’s Assured Skills which was also closed to new applications during the year. The slow down or pausing of investment plans, was a further contributing factor.

Many businesses targeted organisational and capacity building for the post-COVID-19 environment and we had extremely high levels of interest in each of the Recovery schemes we had introduced to support them in these aspects.
One of the most dramatic implications of the pandemic has been the disruption caused to global supply chains.

In response, we launched our Supply Chain Resilience and Development Framework (SCRDF), giving businesses a 3-step graduated framework of support, primarily providing specialist advisory support to help businesses identify supply chain risks and appropriate mitigations, reduce costs, improve competitiveness, identify supply chain opportunities and develop supply chain capability.

Our Process & Organisational Improvement Grant offered small and medium sized businesses up to £50k, and large businesses up to £200k, to help them build internal teams to develop and implement process and organisation improvements, whilst our c£12.5m Productive Investment Capital Grant also proved hugely popular.

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Inward Investment

The resilience our businesses have shown through the pandemic has continued to attract international interest, notably in those sectors where we have particular strength including ICT, Financial Services, Life and Health Sciences, Agri-Tech and Advanced Manufacturing and Engineering.

Despite the fact the face-to-face meetings and international travel remained severely constrained, meaning that we were unable to host physical visits. Again, our focus on digital delivery enabled us to host virtual visits and our international teams to engage with potential investors. As a result, we secured 15 new first-time investors over the year.

These included, Wolfspeed, Inc. a global leader in Silicon Carbide technology, which announced plans to establish a Global Capabilities Centre in Belfast, Australian drill rig manufacturer, Tribe Technology, which is establishing a manufacturing facility in Newtownabbey and, US company Workrise which is setting up a technology engineering centre in Belfast or US employment and immigration law firm.

As global economies began to gradually reopen and the appetite for international travel resumed, we were able to recommence a degree of in person in-market activity, supporting the Northern Ireland Offices' Business & Innovation Showcase in London and Dubai Expo 2020.

Over the six months of Expo, we showcased the best of Northern Ireland to a global audience of over 20 million by having some 50 local experts and businesses participating in webinars, thought-leadership talks, and events, such as global food security expert Professor Chris Elliott from QUB, Irene McAleese from See Sense to globally renowned Lowden Guitars. Our participation culminated with a NI Day on 16 February in the UK pavilion, taking a little bit of NI's culture, tourism and business proposition to Dubai.

With business confidence continuing to rise, and most restrictions lifted, in March we maintained the momentum of showcasing Northern Ireland by delivering the NI Showcase in a hybrid format from Belfast.

We also entered in to a new partnering arrangement with Visit Belfast to help attract more international events and conferences to Northern Ireland via our participation in a new Ambassador Circle initiative. This will see the establishment of five new sector advisory panels (Technology, Financial, Professional & Business Services, Food & Drink, Advanced Manufacturing and Life & Health Sciences) that will play a central role in identifying business events that could be hosted in Northern Ireland.

Supporting local businesses to increase their sales outside NI provides the fastest and most effective way to drive a regionally balanced economic recovery. However, the challenge remains that our current export performance is dominated by too few companies.

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Our support to grow exports takes two forms. Firstly, to encourage many more businesses to raise their ambition and, initially, look to sell out side NI for the first time, and subsequently progress to other markets and, secondly, to help them actually sell their products and services abroad.

Last year we helped 121 businesses take that first step selling beyond NI and a further 258 to progress to other markets, through our “Going Dutch” and similar trade initiatives.

But we need many more. So, to further inspire and encourage businesses to grow their exports, towards the end of the year, we introduced our Go Further, Grow Stronger campaign, initially encouraging local businesses to begin their export journey by initially considering selling in to Great Britain and the Republic of Ireland. Whilst still very much in its infancy, the initial number of business undertaking the Export Health Check diagnostic and requests for contact from one of our Trade Advisors has been encouraging.

A substantial part of the work of our overseas network of 24 offices is helping our exporters to convert their activity in to firm sales by brokering local introductions and connections, introducing buyers and influencers, supporting Trade Missions and exhibitions, and local communications.

We have recently built a process to enable us to capture the value of this work in the shape of the number and value of commercial deals secured by local business as a result of our work with them. From this early work, last year our teams assisted companies generate over £150m of new sales.

EU Exit

Ongoing uncertainty on trading relationships between the UK and EU, and the particular consequential impact on trade for manufactured goods between Great Britain and Northern Ireland continues to present challenges for businesses in certain sectors where NI is particularly strong, such as agri-food.

If these challenges can be overcome and negotiations satisfactorily resolved, the unique tariff-free access which Northern Ireland could have to both the UK and EU markets would give a compelling competitive advantage for local businesses serving these markets and a significant attractor for potential new inward investors with a manufacturing focus.

We continued to deliver a programme of fortnightly subject specific webinars and 1:2:1 advice sessions with consultants specialising in VAT, Tax, Customs, Logistics, Employment and Data to meet customer demand.

As part of the project, we also ensured the provision of webinar information in tutorial form for those unable to attend events.

Our nibusinessinfo.co.uk website and communications channels also continues to make the wider business base aware of the advice, support, guidance and tools available from Invest NI they needed to adapt to operating in line with existing regulations. The campaign reached 88% of the wider business base.

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The purpose and activities of the organisation

Invest NI is a 'Non-Departmental Public Body' (NDPB) established on 1 April 2002 under the Industrial Development Act (Northern Ireland) 2002, which operates under a Board which is the body corporate.

As the regional business development agency, Invest NI's role is to grow the local economy. We do this by helping new and existing businesses to compete internationally, and by attracting new investment to Northern Ireland.

We are an arm's-length body of the Department for the Economy and provide strong government support for business by effectively delivering the Government's economic development strategies.

In addition to the Bedford Square headquarters, Invest NI also has other offices in Northern Ireland, Great Britain, Republic of Ireland, Continental Europe, North America, Africa, the Middle East and in Asia-Pacific. The activities of the overseas offices support a wide range of Invest NI's economic development objectives by promoting Northern Ireland as a prime location for investment and developing trade opportunities for Northern Ireland's companies.

The consolidated financial statements include the results of Invest NI and its subsidiary undertakings: Northern Ireland Co-Operation Overseas Limited (NI-CO); Bedford Street Developments Limited (BSDL); MRDE Limited; Bedford Street Management Company Limited; and MRDE FM Limited. Invest NI owns the entire ordinary share capital of NI-CO and the BSDL Group, which is further disclosed in note 11 to the accounts.

Key issues and risks

Invest NI takes a systematic and proactive approach to identifying and articulating the risks that could have a significant impact on its business, results and financial position. In September 2021, the organisation commenced an exercise to review its risk management arrangements, in order to ensure that it was observing best practice in this area and to facilitate a move of the Corporate Risk Register to a new software platform. As a result, the principal risks have now been re-articulated in order to better define the uncertainty, to provide a better understanding of the causes and consequences of those risks, and to detail the controls that are in place to mitigate against their impact.

In terms of the environment in which Invest NI operated during 2021-22, the uncertainty introduced by the COVID-19 pandemic, including the emergence of the Omicron variant, continued to affect the group's operations. In addition, uncertainty over the budget allocation for 2022-23 led Invest NI to temporarily pause activity that would incur new financial commitment beyond March 2022.

The Corporate Risk Register is reviewed at each regular meeting of the Audit & Risk Committee and is a standing item on the Oversight and Liaison meetings between Invest NI and DfE. The most significant business risks are those where the residual risk is rated in the "very high" category. Two such risks are detailed in the table below, along with a further 6 risks that are rated as "high" and that have the potential to impact on the group's business going forward:

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Risk	Residual Risk Rating
Invest NI cannot fund all of the projects it has assessed to be capable of providing economic benefit to Northern Ireland.	Very High
Implications from Invest NI ownership of land in Belfast following a road abandonment order.	Very High
Significant decline in progress towards objectives for Invest NI funded client project delivery.	High
Unauthorised release, loss or disclosure of corporate or confidential information stored electronically.	High
Invest NI strategy and business plan not being aligned to PfG targets and DfE 10X ambitions.	High
A governance incident occurs in relation to the implementation of new programmes on behalf of DfE.	High
Invest NI does not deliver on its strategic change ambition, including through the Evolve change programme.	High
Potential for an Invest NI subsidiary to no longer be sustainable.	High

Further details about these risks, including their potential impact and the strategies adopted by the group to mitigate them, can be found on page 23, while further information on the group's risk management process through our risk and control framework is at page 53.

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Performance Analysis

The purpose of the Performance Analysis section is to provide a detailed performance summary of how Invest NI measures its performance, more detailed integrated performance analysis and long-term expenditure trend analysis.

2021-22 Targets and Achievements

Invest NI's 2021-22 Business Plan outlined how we would continue to support strategic economic development projects, deliver much needed emergency help for businesses to immediately address the challenges, impacts and opportunities from COVID-19 and EU Exit.

Key Performance Indicators (KPIs) 2021

Since the adoption of the Outcome Based Accountability framework by NI Government, Invest NI's annual performance has been reported from a set of Key Performance Indicators (KPIs) from a portfolio of approximately 1,700 customers with whom we have an account-managed relationship.

The business performance of customers in the 2021 cohort enabled the values for employment, sales and external sales to return to approximately pre-COVID-19 levels, whilst exports sale growth remains lower than in pre-COVID-19 years. Invest NI has reported the following outcomes since the commencement of our Business Strategy 2017-2021:

KPI	2017 Outcome	2018 Outcome	2019 Outcome	2020 Outcome	2021 Outcome	Cumulative Outcome*
Additional New Jobs Created	10,987	9,298	8,886	7,585	9,556	46,312
Total sales growth	1.7bn	1.6bn	1.3bn	-0.3bn	1.5bn	£5.7bn
External sales growth	1.3bn	1.4bn	1.0bn	-0.3bn	1.1bn	£4.4bn
Exports sales growth	0.8bn	0.8bn	0.4bn	-0.9bn	0.2bn	£1.4bn
Business Expenditure on R&D growth	14.8m	10.1m	82.9m	29.7m	-**	137.5m

*Growth figures based on an annual cohort of businesses which have data recorded for consecutive years. Some figures have been rounded and thus may not add to cumulative totals.

**Growth figures taken from the R&D Statistical Bulletin. 2021 figures will be available in late-2022.

KPI data is regularly revised, for this reason the data above may differ to previously published information.

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Performance Analysis

Operating Plan 2021-22 Targets

While KPI data is gathered and reported annually, the activity measures of our Operating Plan track and drive progress towards KPI delivery. Overall performance within the Operating Plan 2021-22 was good, with 13 of the 20 activity measures met or exceeded.

Performance against the key measures of the Operating Plan 2021-22 are summarised below and various factors which influenced 2021-22 performance are explored in the Chairman's Statement and Chief Executive's Review.

The largest influence on 2021-22 outturns was the request in December 2021 from the Department for the Economy for Invest NI to pause issuing offers to companies as part of an ongoing budget consultation across all NI Government Departments. The pause in offer activity was enacted to ensure we did not commit to projects for which we may not have had sufficient budget to support in future years.

The 2021-22 target for Total Investment in Skills was not met as companies delayed progressing training plans because of the COVID-19 restrictions and the continuation of The Coronavirus Job Retention Scheme. Invest NI was also required to divert some resources to deliver other NI Government priorities related to COVID-19, as explored further in the Chairman's Statement and Chief Executive's Review.

Activity	Target 2021-22	Outcome 2021-22
1. Investment & Jobs		
a) Assist **Locally-Owned** and **Externally-Owned** Companies to Grow their Employment	4,000 - 6,000	3,548
b) Support **New Quality Jobs** (jobs above NI PSM)	2,000	2,466
c) Support Externally-Owned Companies to **invest in NI for the 'First Time**'.	20 - 30	15
2. Innovation		
a) **Innovation Investment Secured**	£15m - £20m	£15m
b) **R&D Investment Secured**	£60m - £225m	£78m
3. Skills		
a) **Support Companies** through Skills Programmes	150 - 180	86
b) **Total Investment** in Training & Skills Development	£34m - £44m	£29m
4. Grow External Sales		
a) Support Companies to **'Sell outside NI for the First Time'**	100 - 150	131
b) Support Companies to **identify and sell in to a 'New Market'**	200 - 300	250

Internal Audit Service (IAS) has completed a verification exercise of the performance data and is satisfied that the activity outturn for 2021-22 reported by Invest NI has been accurately stated, and presents a true and fair view of activity for the period.

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COVID-19 Emergency Support 2021-22

During 2021-22, Invest NI continued support to DfE on eight emergency COVID-19 business support schemes, each was subject to a Ministerial Direction from the Economy Minister. Four schemes were operated and administered by Land & Property Services (LPS) / DfE, but accounted for by Invest NI; these were the **Small Business Grant Scheme**, the **Tourism & Retail Sectors Grant**, the **Large Tourism & Hospitality Business Support Scheme** and the **Wet Pubs Scheme**.

The purpose of the remaining four that were operated, administered and accounted for by Invest NI were as follows:

1. **NI Micro-Business Hardship Fund -** grants to micro businesses and qualifying Social Enterprises that faced cash flow difficulties as a result of COVID-19.
2. **COVID Restrictions Business Support Scheme (CRBSS) Part A** – for businesses required to close / cease trading, but not eligible for DoF's Local Restrictions Support Scheme.
   CRBSS Part B – for businesses not forced to close, but part of the direct supply chain to a business forced to close / cease trading.
3. **Newly Self-Employed Support Scheme (NSESS) –** for newly self-employed who have been adversely impacted by COVID-19.
4. **Limited Company Directors' Support Scheme (LCDSS)** – for company directors who have been adversely impacted by COVID-19.

Each scheme operated, administered and accounted for by Invest NI closed in 2021-22 and the performance of the schemes since their launch is summarised as follows:

COVID-19 Scheme	Applicants Paid	Assistance Paid (£'000)
CRBSS Part A	5,186	76,182
CRBSS Part B	1,795	16,710
LCDSS	5,603	19,587
Micro-Business Hardship Fund	4,302	23,343
NSESS	2,492	8,722
Grand Total	**19,378**	**144,544**

These schemes closed during the 2021/22 year, so activity mostly focused on work to close each out, incorporating the respective recoveries and appeals processes. Up to 17 staff are estimated to have been working full-time across the year on the various COVID-19 support schemes and approximately £189k of staff time was been expended on the schemes.

Expenditure in relation to the schemes accounted for by Invest NI in 2021-22 is £28m, with a budget of £28.7m allocated for the emergency schemes. Further detail is in note 4 to the annual accounts. Invest NI worked closely with DfE in relation to the budget outturn for COVID-19 related expenditure with the underspend being managed within the wider DfE allocation.

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As our staff had the requisite skills and expertise, and given our success in delivering other emergency COVID-19 schemes, Invest NI played a crucial role in helping to deliver the **High Street Scheme (HSS)**, processing applications that could not be verified via DfE's online application process. Nearly 300 staff were deployed in the first week of processing to deal with the initial high volume, but this decreased rapidly after Day 8 of processing; with Invest NI ultimately processing over 160,000 manual applications.

Recovery Programmes Developed in Response to COVID-19

Invest NI continued to deliver specific programmes to support business recovery from COVID-19. These schemes were developed to aid different types of businesses across multiple sectors, where the greatest impact can be made towards economic recovery.

The focus of these targeted recovery programmes is on helping businesses to address specific challenges, or capitalise on new opportunities. They are a range of targeted interventions, with ring-fenced budget allocations, and therefore not expected to generate the high volume of applications seen under the emergency schemes.

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COVID-19 Intervention 2021-22	Description	Offers Issued	Amount Offered to date (£'000)
Aerospace Customer Diversification	Support to identify market opportunities and options to lessen dependency on single sector customers in engineering supply chain.	N/A	329
Supply Chain Resilience & Development Framework	Support to review and reconfigure supply chains.	10	176
	Advice to review and reconfigure supply chains	57	N/A
Digital Selling Capability Grant - Call 2	Improve online sales by enhancing their website and / or digital marketing strategy to drive online sales.	57	681
Digital Selling Capability Grant - Call 3		42	544
Micro- Business E-Commerce Grant	Improve online sales by enhancing their website and / or digital marketing strategy to drive online sales.	543	2,228
Process & Organisational Improvement Grant	Support to change production and delivery methods and adopt new technologies to drive productivity improvements.	34	1,289
Productive Investment Capital Grant	Support to incentivise manufacturing companies experiencing liquidity challenges to bring forward productive investments	103	13,549
Energy Efficiency Capital Grant	Support for investment in energy efficiency equipment.	56	952
	Total	**902**	**19,748**

Expenditure in relation to the initiatives, outlined in the table above, for the year ending March 2022 was £17.5m from a budget allocation of £16.8m. Invest NI worked closely with DfE in relation to the budget outturn for **Economic Recovery Action Plan (ERAP)** / COVID-19-related programmes to ensure expenditure was managed to zero across the various ERAP themes.

EU Exit Work

Since June 2016, Invest NI has been supporting businesses extensively to understand and prepare for the implications of EU Exit. This was to assist businesses in preparing for the changes and challenges relating to customs, supply chains, contracts, and contingency plans to ensure competitiveness and sustainability.

This series of supports included an online assessment tool and a series of events / workshops, where businesses can receive advice and guidance on key issues such as customs, tariffs and taxation, supply chain and cross-border data flows. Throughout 2021-22, Invest NI undertook the following:

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- 15 EU Exit Business Support Grant applications (formerly Brexit Preparation Grant) with £345k worth of support committed;
- 5 Information webinars with 692 attendees; and
- 4 Advice Clinics with 548 attendees, a proportion of whom had 1-2-1 appointments (125 meetings held).

Overall feedback from the EU Exit services has been positive, for example, of the attendees surveyed at the Advice Clinics, 84% stated that the event was “good or better”, and 77% believed that it was benefit to them / their company. In October 2021, EU Exit support was mainstreamed into Invest NI business as usual activities with the last webinar / clinic being held on 9 June 2021.

A communications campaign began in January 2019 signposting businesses to free advice, advice clinics, webinars, online guides and resources. NIBusinessinfo.com received 20,820 customer visits and 33,424 customer page views of all EU Exit related content in 2021-22.

Details of the 2021-22 budget and expenditure allocated against the EU Exit & Salaries, Business Support, Training are as follows:

2021-22 EU Exit Expenditure	**£'000**
Brexit Preparation Grant	1,461
Brexit spend	37
Grant for R&D	3,000
Salary costs	803
Total Spend	**5,301**

2021-22 EU Exit Budget	**£'000**
NI Protocol - Salaries, Business Support, Training	701
EU Exit Funding	4,000
EU Exit Communications Campaign	600
Total Budget	**5,301**

2022-23 Targets and Goals

DfE’s 10X Vision is an ambitious, all-encompassing concept document that aims to drive economic growth through a focus on innovation, whilst achieving a fairer distribution of opportunity for all our people. This means a Northern Ireland that has better jobs with better wages, a more flexible working environment and a better overall quality of life.

2022-23 will be a bridge year to transform and refresh our solutions, interventions and processes. We will optimise support, address gaps in provision and maximise the impact of our resources and interventions. We will investigate new ways to deliver desired outcomes, through fully aligning and leveraging stakeholder and partner contributions.

A Business Plan for 2022-23 has been developed with a clear focus on the following strategic objectives that will provide a pathway to recovery, and build strong foundations for 10X Economy transformation:

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1. Investment & Jobs
2. Innovation
3. Skills
4. Inclusion, Entrepreneurship & Place
5. External Sales
6. Sustainability & Green Economy
7. Productivity, Supply Chain & Digitalisation
8. Funding
9. City & Growth Deals

These strategic objectives reflect our ambition for long-term economic prosperity. They will contribute to the trade, investment and jobs that will support our economic recovery and future success.

The Business Plan for 2022-23 will bridge the interim period between the end of our previous Business Strategy and the development of a new Strategy from 2023 onwards, reflecting the new Programme for Government period and further driving the 10X ambition.

KPI Risk

The risk and control framework of Invest NI is explored in detail in the Corporate Governance Report. Risks specific to the KPIs are regularly reviewed and assessed by our Executive Leadership Team as part of our ongoing risk management arrangements. These include risks to the quality and timeliness of the KPI data, as well as the survey completion rate by customers.

Risk Profile

As Northern Ireland's business development agency, Invest NI's role is to grow the local economy by helping new and existing businesses to compete internationally and by attracting new investment. In order to deliver on these objectives, we must embrace risk to a greater extent than the majority of public sector organisations. Invest NI takes a systematic approach to identifying and articulating the risks that could have a significant impact on our business, results and financial position.

In September 2021 Invest NI commenced an exercise to review its risk management arrangements in order to ensure best practice is observed in this crucial area and to facilitate a move to a new software platform. As a result, the principal risks facing the organisation have now been re-articulated to better define the uncertainty, to provide a better understanding of the causes and potential consequences of those risks, and to detail the controls that are in place to mitigate against their impact.

In terms of the environment in which Invest NI operated during 2021-22, the Business Plan for 2021-22 was published in September 2021 as a bridge year between the end of our 2017-21 Business Strategy and the development of a new longer-term strategy. The Business Plan was largely developed in advance of the launch of DfE's 10X economic vision for a decade of innovation strategy, and Invest NI has been refreshing its solutions, interventions and processes to align fully with 10X.

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The uncertainty introduced by the COVID-19 pandemic, including the emergence of the Omicron variant, continued to affect operations throughout 2021-22. In addition, uncertainty over the budget allocation for future years led Invest NI to temporarily pause activity that would incur new financial commitment beyond March 2022.

It is acknowledged that risk can rarely be eliminated but it is necessary to pursue a proactive approach to the identification, evaluation and cost effective control of risks in order to ensure that they are reduced to an acceptable level. Invest NI encourages all staff to understand the nature of risk and accept responsibility for risks in their area of authority.

The following table details a number of key risks that have either impacted the organisation during 2021-22 (and may have the potential to continue to do so) or that have been identified during the year but whose impacts will not be felt until 2022-23 or beyond. The table also details how those risks have been mitigated and their potential impact on Invest NI's future plans and performance.

Risk	Potential Impacts	Mitigating Actions
Invest NI cannot fund all of the projects it has assessed to be capable of providing economic benefit to Northern Ireland.	Potential overspend or easements resulting from uncertainty. Inability to enter into new commitments. Invest NI failing to meet targets resulting in economic recovery and growth to be delayed. Adverse reputational impact.	Close engagement with DfE on alignment with 10X and other priorities, and to develop robust plans and bids, including bids for further funding via monitoring rounds. Explore best use of funds from other sources. Well established budget management framework and maintenance of accurate financial information and reporting. Regular engagement with internal teams to understand where client plans may change and update budget forecasting accordingly. Ensure full and appropriate use of current year allocations and that existing commitments are prioritised. Clear communications with customers and stakeholders on any temporary changes to Invest NI offering.
Implications from Invest NI ownership of land in Belfast following a road abandonment order.	Reputational damage to Invest NI if a bonfire is built on the land. Costs to repair damage to property. Potential for threats to Invest NI staff or contractors. Invest NI could be joined into legal action.	Engagement with statutory authorities including DoJ, DfC and PSNI. Staff / contractors will not attend site where their safety is considered to be at risk. Where appropriate, Invest NI will arrange insurance cover.
Significant decline in progress towards objectives for Invest NI funded client project delivery.	Delays to, or abandonment of, customer projects. Funding is allocated but not used. Lower than anticipated return on investment. Slower economic growth, lower productivity and fewer jobs created.	Effective appraisal in advance of funding being offered. Actively explore new market opportunities. Adapt and implement new programmes to stimulate economic development. Utilise ability to redirect unused funding in the event that customer plans change. Effective monitoring of customers and projects in order to forecast progress against objectives. Contribute to availability of skills through Invest NI programmes and engagement with others. Initiate clawback procedures as appropriate in the event of customer default.
Unauthorised release, loss or disclosure of corporate or confidential	Loss of data and / or loss of availability of systems. Breach of regulation leading to litigation, fines and reputational damage.	Ensure that relevant policies and procedures are up to date and robust. Maintain regular schedule of staff training on data protection and information security. Maintain ISO 27001 accreditation.

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Risk	Potential Impacts	Mitigating Actions
information stored electronically.	Loss of confidence from customers and stakeholder.	Deployment of layered cyber security defences and penetration testing. Engagement with regulator to understand requirements and best practise.
Invest NI strategy and business plan not being aligned to PfG targets and DfE 10X ambitions.	Failure to meet DfE and NI Executive priorities. Deployment of resources and activities in areas that do not demonstrate economic impact. Additional resources or structural changes required to deliver against 10X vision. Reputational damage.	Engage with DfE on development of Invest NI strategy and with other stakeholders to understand likely PfG priorities. Build in 10X alignment to Evolve change programme. Development, monitoring and effective oversight of operational plans.
A governance incident occurs in relation to the implementation of new programmes on behalf of DfE.	Potential qualification of accounts with consideration of value for money and regularity. Reputational damage and increased scrutiny. Disruption to delivery of Invest NI strategic objectives.	Confirm roles and responsibilities through MoU or delivery document, with regular communication of any issues. Regular engagement between delivery team and Invest NI finance team. Develop individual risk registers for each scheme. Project Board established for each scheme. Engagement with DfE on issues relating to fraud and error. Develop and deploy detailed operational guidance for each scheme. Prioritisation of resources to deliver scheme effectively. Engage with Internal Audit Services during the development and implementation phases of a new programme to ensure relevant controls are in place. Maintain ability to pause scheme if necessary.
Invest NI does not deliver on its strategic change ambition, including through the Evolve change programme.	Organisation could be less agile and slower to adapt to challenges of current economic environment. Invest NI does not meet customer needs. 'Core' work not completed. Lack of delivery of economic growth. Staff disengagement. Organisational restructuring.	Regular engagement with Board to highlight progress and seek guidance. Regular engagement with DfE to discuss progress and alignment with 10X vision. Appointment of Chief Transformation Officer with relevant experience. Project Board established to oversee project from an advisory point of view. Each project's aims and objectives scoped out by individual workstream leads, who meet weekly to discuss progress and common issues. Each project has clear outcomes and quantifiable objectives.
Potential for an Invest NI subsidiary to no longer be sustainable.	Potential wind-up of subsidiary if ownership model is not changed, Failure to deliver economic benefits provided by subsidiary. Reputational damage. Invest NI acquires additional obligations in terms of audit requirements.	Effective oversight arrangements in place. Effective management of subsidiary is in place including a capable and experienced Board. Engagement with DfE and other stakeholders to explore and discuss options for change to ownership model. Independent economic evaluation to assess options. Appropriate financial management controls in place.

Invest NI also has an Emerging Risk Register that captures those risks that have the potential, if they were to come to fruition, to impact on Invest NI's business but which are relatively remote form the organisation's day-to-day business, either because they are further away from materialising or because they exist on a wider scale than Invest NI can influence through controls and mitigating actions.

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The Invest NI Board carried out two horizon-scanning exercises (in May and September 2021) in order to ensure that all relevant emerging risks were captured and appropriately assessed. Prompts and suggestions from these sessions were also reviewed as part of the risk register development exercise to make sure that any causes or consequences were escalated to the Corporate Risk Register as appropriate.

Business Review

Invest NI Budget outturn

- During 2021-22 Invest NI, in conjunction with DfE and by Ministerial Direction, provided support for businesses affected by COVID-19. Expenditure totalling £28.1m was noted across seven emergency grant schemes as schemes came to a close with final accounting adjustments and claims being recorded.
- Excluding this emergency grant support, the net DEL budget outturn for the year was £131.5m against an allocated budget of £132.5m, a 99 per cent achievement against target.
- Receipts generated in the year, excluding EU programme funding, totalled £37.8m against a target of £37.7m. These receipts related to the disposal of property, plant and equipment, sale of investments, property rental, dividends and loan interest, and the clawback of grant monies to the extent that they have been deemed to be recoverable.

Financial performance and position

<u>Consolidated Statement of Comprehensive Net Expenditure</u>

Total consolidated net operating expenditure for the year, excluding interest payable and corporation tax, has decreased from £394.7m to £137.7m.

The decrease of £257.0m in consolidated net operating expenditure relates to a £8.2m increase in operating income and a £248.8m decrease in operating expenditure.

The increase in total income for the year of £8.2m from £30.3m to £38.5m, is mainly as a result of the following movements:

There was an increase of £8.6m in receipts from the European Commission as compared to last year. This was as a result of additional COVID-19 budget allocations being received in the prior year which allowed less EU funding to be utilised in that year and increased the amount available for use in 2021-22.

NI-CO turnover has decreased by £0.3m from £9.0m to £8.7m from reduced revenues on contracts.

Interest income on financial assets has decreased by £0.6m with less interest accruing due to the exit of a SUPL loan during the period and the full year impact of no interest accrued on the Glenmore Loan when only one quarter was recorded in the prior year.

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Finally, there was an increase in grant clawback income of £0.5m, as compared with last year. Whilst this can fluctuate year on year, clawback relates to grant amount recovered when there is default on the conditions in the grant offers.

Total operating expenditure has decreased by £248.8m from £425.0m to £176.2m.

The decrease in total operating expenditure is as a result of a reduction of £240.1m in respect of the emergency COVID-19 Business Support Schemes, offset by net reductions of £8.7m in other areas. The expenditure on the schemes was £28.1m this year compared to £268.2m in the prior year. The explanations for the other net decrease in expenditure of £8.7m are included in the analysis below:

Salary costs within Invest NI decreased by £1.6m. Average permanently employed UK based staff numbers have decreased year on year from 581 to 561 accounting for £1.2m, further to this a £1m year on year decrease in the charge for annual leave not yet taken has been noted, a significant increase was seen in the prior year due to pressures arising from the COVID-19 pandemic. These decreases have been offset by a pay award of 1.54% costing £0.5m. Overseas costs have reduced by £0.6m as several higher salaried staff left during the year with recruitment for these posts taking longer to recruit resulting in a reduction in staff costs and a small drop in in the average FTE from 55 to 53 as some posts were filled later in the year.

Purchases of goods and services has increased by £3.2m from £27.4m to £30.6m. Within this, programme support has increased by £1.5m in relation to an increase in expenditure in core business areas for instance skills and international programmes. An increase in administrative costs is also noted of £2.0m largely in relation to a foreign exchange loss of £0.6m in the current year as compared to a £1m gain in the prior year.
Depreciation and impairment charges have increased by £0.5m from £2.6m to £3.1m, largely in relation to the full year amortisation charge of intangible assets purchased in the later stages of the prior year.

There was a credit to provisions in respect of grants earned but not yet claimed at year end of £10.6m. This relates mainly to movements in live letters of offers and activities undertaken by companies under those offers, but not yet claimed at year end. An increase of £8.4m in claims received and accrued (excluding prior year emergency COVID scheme accruals) at the year-end contributed to the provisions reduction, a further impact was noted through the temporary pause in the issuance of letters of offer from December 2021.

Other operating expenditure, excluding salaries, decreased by £11.0m from £97.3m to £86.3m. Within this, charges in respect of Financial Instruments decreased by £8.1m relating to a prior year charge of £10.4m in relation to an expected credit loss charge required against an SUPL loan, offset by fair value movements of £1.2m in relation to securities held at 31 March and an expected credit loss of £1.4m against income recognised in relation to clawback on DfE administered emergency COVID-19 schemes. Grant expenditure increased by £10.6m largely in relation to the Productive Investment Capital Grant delivered in year of £12.5m. Profits on disposal of PPE and financial assets realised during the year netted to £0.8m in comparison to a break even position in the prior year. The share of results of associates account for a reduction in expenditure of £12.8m, as this year we

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have recorded a credit of £10.4m compared to a charge of £2.3m last year. This is measured as the net change in asset value of associates, accounting for any distributions received less the capital contributions paid by Invest NI in the year.

Consolidated Statement of Financial Position

Non-Current Assets including investments at year end were £206.4m, a decrease of £4.6m on 2020-21. This is principally due to the following factors:

Property, plant and equipment decreased by £8.1m from £77.9m to £69.8m, as a result of net land and building disposals of £10.4m, depreciation charged of £1.2m, offset by additions of £0.6m, revaluation gains of £2.8m and a transfer from assets held for sale of £0.2m.

Investments in associates increased by £12.3m from £53.0m to £65.3m reflecting further investment of £16.5m in loan and equity funds offset by an increase in valuation of £10.5m, and £14.7m of distributions back to Invest NI.

Investments in financial assets decreased from £45.6m to £35.6m, mainly as a result of repayments and disposals of £11.8m, interest received of £1.5m and a fair value charge of £2.0m, offset by additions of £5.0m.
Total current assets have decreased by £7.4m from £64.2m to £56.8m. Included within this movement, trade and other receivables have decreased by £7.3m of which £6.7m is a decrease in EU receivables relating to the timing of receipts from the European Commission. Other receivables have increased by £1.5m largely in relation to clawback due on DfE administered emergency COVID-19 schemes of £1.9m. This is offset by a decrease in trade receivables, prepayments and accrued income of £2.0m, related to the timing of invoicing and receipts.

Total current liabilities have decreased by £34.2m from £111.3m to £77.1m. Of this movement, £34.6m relates to a reduction in the amount of the emergency COVID-19 Business Support Schemes that were accrued but unpaid at the year-end. There is a £8.4m increase in grant accruals in relation to the timing of claims submitted by clients at the year end and trade and other payables, deferred income, and tax and other social security have also increased by £2.8m due to the timing of invoices received and payments made at year end. In the current year, timing of payments resulted in an overdraft in the books, but not at the bank of £0.2m. Provisions have decreased by £10.6m, impacted by an increase of £8.4m in claims received and accrued (excluding prior year emergency COVID scheme accruals) at the year-end contributed to the provisions reduction, and further impacted by the temporary pause in the issuance of letters of offer from December 2021.

Total non-current liabilities at the year-end were £19.4m, a decrease of £1.4m on the previous year, as a result of repayment of £0.4m of group borrowings and a decrease of £1.8m in the valuation on the SWAP liability, although this was offset by a £0.8m increase in deferred tax liability.

Total taxpayers' equity has increased by £23.7m from £143.0m to £166.7m. This increase is largely as a result of the timing of notional grant-in-aid funding of the COVID-19 Business Support Schemes

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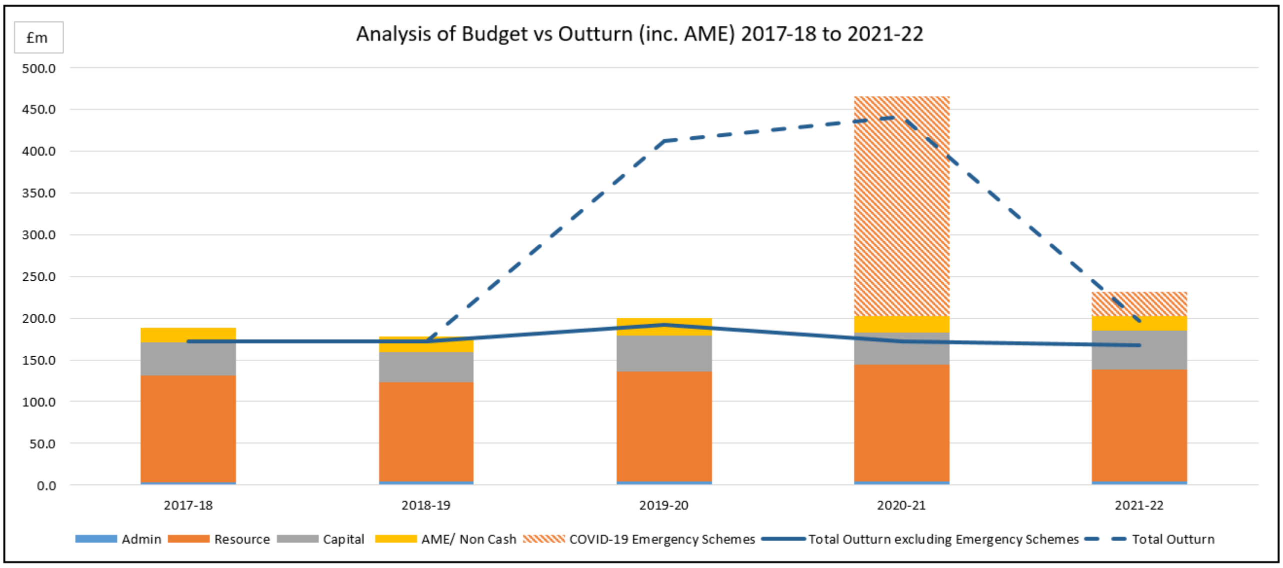
of £16.8m. Within total equity, the revaluation reserve has decreased by £0.3m as a result of valuation movements in property plant and equipment.

Long Term Expenditure Trends



Note: Admin comprises mainly running costs, Resource comprises mainly revenue grant payments and other revenue support to companies, Capital comprises mainly capital grant payments and other capital support to companies. AME (Annually Managed Expenditure)/Non-Cash comprises provisions, asset revaluations and depreciation charges.

	2021-22 Budget Outturn £'000	2020-21 Budget Outturn £'000	2019-20 Budget Outturn £'000	2018-19 Budget Outturn £'000	2017-18 Budget Outturn £'000
Total Resource DEL *	**165,600**	**420,380**	**357,017**	**126,544**	**132,315**
Of Which:					
Administration	4,263	3,632	4,621	4,688	3,512
Programme – COVID-19 Business Support Schemes	28,207	269,571	220,000	-	-
Programme - Other	130,371	144,663	130,291	119,902	126,947
Non-Cash	2,759	2,514	2,105	1,954	1,856
Total Capital DEL *	**44,800**	**32,447**	**42,048**	**38,132**	**40,220**
Of Which:					
Capital Grant	11,088	19,542	26,446	25,305	28,256
Direct Capital	29,190	5,339	6,257	3,801	2,767
Financial Transactions	4,522	7,566	9,345	9,026	9,197

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Total AME **	**(20,642)**	**(11,004)**	**13,372**	**7,765**	**(246)**
Total Spending	**189,758**	**441,823**	**412,437**	**172,441**	**172,289**
Total Receipts	**67,106**	**33,298**	**72,181**	**70,594**	**44,726**
Of Which:					
Resource Receipts	6,175	5,849	9,945	11,927	8,588
Capital Receipts	31,575	6,339	14,143	19,303	3,642
EU Receipts including Recyclables	29,356	21,110	48,093	39,364	32,496

* DEL (Departmental Expenditure Limits)
** AME (Annually Managed Expenditure)

The Total Comprehensive Net Expenditure for the year is reconciled to the Budget Outturn. There are a range of reconciling items between the Comprehensive Net Expenditure in the Annual Accounts and the Budget Outturn, for example investments in loans, shares and associates, and the proceeds from the sale of assets which are classed as expenditure items for budget purposes and Statement of Financial Position items in the accounts. In addition, for budget outturn purposes grant clawback is reported on a net basis.

Aims, Objectives and Future Plans

Background

Invest NI continues to support strategic economic development projects, and like many businesses rapidly adjusted to a new business environment. As an organisation we pivoted to deliver much needed emergency help for businesses to address continuing EU Exit and COVID-19 challenges and impacts. Across that period we have successfully approved and delivered over 2,500 offers of financial assistance towards strategic investment and growth commitments.

To complement our established provision of intervention and support Invest NI also assessed, developed and introduced nine bespoke COVID-19 recovery schemes, ranging from equity investments to grants for businesses implementing efficiency, productivity and organisational improvements, all of which were designed to meet the specific NI business needs that emerged with the impact of COVID-19.

We recognise that alongside vital net-zero carbon ambitions, world events, rising inflationary pressures, labour and supply-chain challenges will drive further change. We will continue to respond positively to these changes and others that come forward by building the foundations for a better economy.

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To meet the challenges of tomorrow our role as an economic development agency will continue to evolve. On this, work is progressing well by Sir Michael Lyons on an Independent Review of Invest NI which will help provide further strategic direction and ensure the organisation is appropriately focused and resourced for the delivery of ambitious goals set out in the recently published 'A 10X Economy' vision document. Alongside this, and set against a context of budgetary constraint and management, we are reviewing our operational structures and processes to ensure the organisation is effectively focused to deliver against 10X and the recommendations from the Independent Review.

Through our Evolve Programme we have already started re-deploying and focusing resources to exploit growth opportunities and ensure maximum economic impact, while seeking to secure long-term inclusive growth for all. We are also introducing innovation led competitive funds to provide targeted support and allow for enhanced delivery and assessment against the NI Executive's and the Department for the Economy's economic and green sustainability ambitions ('Path to Net Zero Energy' Strategy)[1].

Given the prevailing economic uncertainty and market volatility, we will adapt our approach, modify our product and service offering, and make the requisite changes necessary to continue to support business, our economic partners and the NI economy to collectively deliver inclusive, innovation-led and sustainable economic growth for Northern Ireland in the year ahead.

Economic Outlook

The OECD has estimated that global real GDP growth reached 5.6% in 2021. At this time, they also forecast global real GDP to increase by 4.1% in 2022 and by 3.2% in 2023[2].

However, amid the global uncertainty relating to the Ukrainian war and lag effects surrounding COVID-19, the OECD estimates global economic growth could be more than 1 percentage point lower this year than was projected before the conflict. The cost of living crisis in the UK has deepened after official data revealed that the rate of inflation hit 9% in the 12 months to May 2022[3] – the highest level since 1992 – and growth turned negative in April. Increased fuel prices and energy bills were the largest contributors to the April data, which for the first time also reflected the immediate effects of Russia's invasion of Ukraine, with growing concerns that the UK may experience a technical recession

The Ulster Bank Purchasing Managers' Index recorded substantial inflationary pressures subdued the growth of output and new orders in the Northern Ireland private sector in April 2022, with the rate of job creation also easing at the start of the second quarter of 2022. The rising costs of fuel, energy, wages and materials reportedly hit demand, with shortages of materials and staff as well as weakness in the construction sector also limiting growth. Input costs rose substantially, and at the second-fastest pace on record. Higher energy and wage costs were the most widely reported sources of inflationary pressure.

[1] https://www.economy-ni.gov.uk/publications/energy-strategy-path-net-zero-energy

[2] OECD Economic Outlook | OECD iLibrary (oecd-ilibrary.org)

[3] https://www.bankofengland.co.uk/monetary-policy/inflation

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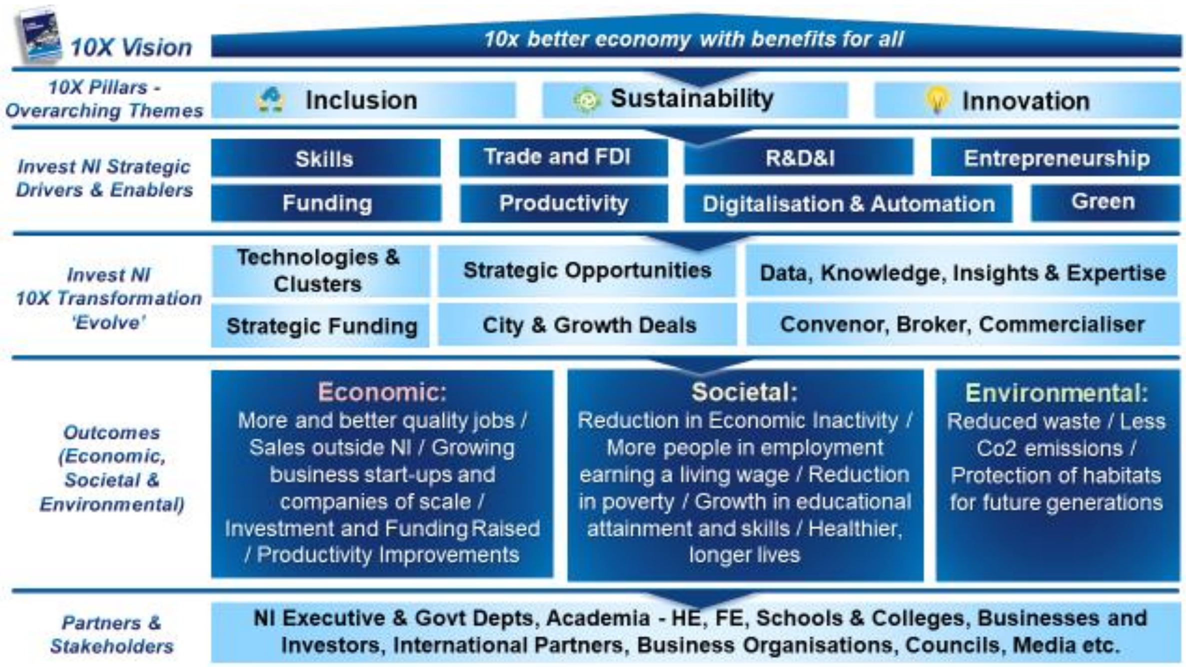
Aims & Objectives

Against a challenging backdrop, we are developing a one year Business Plan for 2022-23 to enable us to remain agile to the changing landscape in which we are operating.

In response to changes in the external market environment, and set against limited public sector resources and the loss of European Regional Development Fund funding following EU Exit, we will become more focused in the way we support business growth, exploit emerging opportunities, and deliver on the 'green economy' agenda across NI.

We will introduce competitive funding calls and become more selective, prioritising and tightening the delivery of projects to ensure the correct alignment against our medium and long term strategic objectives, and that projects supported secure the greatest economic, societal and sustainable returns for our economy.

Our 2022-23 Business Plan has been structured around the key pillars of Innovation, Inclusion and Sustainability and the priorities outlined in the 10X Economy vision.



More INNOVATION, i.e., more of our businesses, people and institutions seeing innovation as more than technology, and using it to put new ideas into practice. This will naturally include the technologies that are reshaping our economy, but also process improvements; data and analytics; skills and talent; more agile ways of working; adapting to change and, ultimately, new ways of thinking about economic development.

More INCLUSION, i.e., ensuring everyone has an opportunity to develop the skills that enable them to be part of the changes that are coming in a decade of innovation, with particular focus on those

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furthest from the labour market, and with low or no formal skills. This includes a focus on ‘Place’ to distribute wealth creation throughout the economy.

More SUSTAINABILITY, i.e., a greener and more sustainable economy reflecting the wider economy’s transition to net zero and the challenges, risks and opportunities in delivering this.

Partnership Working

We remain fully committed to, and will seek to enhance our existing, collaborative working relationships with economic development partners and stakeholders in business, academia and government, and across the entire Northern Ireland business support ecosystem. We recognise the key role that we and our economic development partners will play in delivering 10X ambitions, and acknowledge that what we do, and how we do it, including how we work with partners and stakeholders, will continue to evolve and change.

We must be agile in our approach and interventions. We must utilise emerging technologies, embrace digitalisation, and exploit strategic global market opportunities for the benefit of NI’s businesses.

We will adopt a convening or facilitation role with partners and stakeholders to deliver economic, societal and environmental benefits for NI, as success will be dependent on ensuring meaningful partnerships and joined up engagement across NI businesses, government and academia.

We are already working to ensure we make a positive contribution to longer-term sustainable, innovation-led and inclusive growth by collaborating with DfE to build a work-plan that will build the foundation for an ambitious 10X economy. Working with the partners and stakeholders of the four NI City & Growth Deals, we will optimise a £1.3bn investment to underpin the UK Government and the NI Executive’s strategic agendas, accelerating future economic recovery and growth across the whole of NI.

Future Plans

The strategic priority for Invest NI during this year is to help businesses accelerate the pace of their recovery journey by continuing to renew and re-build supply chains, re-establish markets, restore customer confidence, and to re-build and expand sales and demand.

In order to maximise returns we will concentrate our efforts on the core technologies, sectors, sub-sectors and clusters where Northern Ireland has world-class capability and the greatest potential to exploit emerging global market opportunities.

In support of this, we will fully leverage our sectoral, commercial and technical expertise and networks to develop and deliver strong, industry-led, commercially-focused projects in high value sectors with significant export growth potential.

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Managing Uncertainty

A volatile global economy seems likely to remain, at least in the short-term. The Northern Ireland economy is unique in its structure and relationship with the U.K and E.U. The continued impacts of COVID -19, EU Exit and the NI protocol provides a landscape of uncertainty and risk, yet provides a unique opportunity to position Northern Ireland and one of the world's leading small economies.

Risks will be mitigated by a renewed focus on governance and risk management, through our ongoing collaboration with DfE, wider NI Executive and UK Government colleagues. We will continue with our planned expansion of our international office network to provide intensified support for businesses to identify and access new market and sales opportunities in key export locations, and to take advantage of the new trading relationships and opportunities that are emerging from the UK leaving the EU.

Delivering Positive Change

As highlighted, we will seek to remain agile, flexible and innovation-led in delivering our 2022-23 Business Plan. We will carefully monitor and swiftly respond to external market conditions in order to address changing business needs.

We look forward to receiving the recommendations from the Independent Review of Invest NI, and will continue to work with the Department for the Economy to ensure that our engagement and support contributes directly to the delivery of the economic outcomes outlined within DfE's 'A 10X Economy', as well as the NI Executive's 'Path to Net Zero Energy' Strategy, and the forthcoming draft Programme for Government.

Equality

Invest NI is committed to achieving a successful economy in Northern Ireland which will provide equal opportunities for all. It is fully mindful of its responsibilities across the spectrum of Equality, Anti-Poverty and Social Inclusion, and Human Rights.

Under the provision of Section 75 and Schedule 9 of the Northern Ireland Act 1998, Invest NI has drafted and implemented our Equality Scheme. This scheme reinforces Invest NI's commitment to equality and outlines the organisation's plan to making equality issues central to policy decision-making processes.

In addition, Invest NI has regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

The Equality Unit works within the Performance Compliance and Co-ordination division to deliver our Equality commitments and ensure that the organisation carries out its obligations under Section 75 and the Good Relations duty. It co-ordinates the equality screening and public consultation of all new policies and procedures, publishes an Annual Progress Report to the Equality Commission and carries out Equality Monitoring to assess the impact of our policies across the Section 75 categories.

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Consideration of Rural Needs

Section 1(1) of the Rural Needs Act (NI) 2016 ('the Act') requires public authorities to have due regard to rural needs when developing, adopting, implementing or reviewing a policy, strategy or plan and when designing or delivering a public service. If the activity which a public authority is engaged in falls within the scope of section 1(1) of the Act, then the guidance recommends that a Rural Needs Impact Assessment is carried out and a Rural Needs Impact Assessment Template completed.

Invest NI has been subject to this legislation since 1 June 2018 and has taken a number of measures in order to comply with its obligations in this regard, including staff training, public consultation and quarterly monitoring.

The following outlines the actions taken between April 2021 and March 2022:

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016	The Rural policy area(s) which the activity relates to	Describe how the public authority has had due regard to rural needs when developing, adopting, implementing or reviewing the policy, strategy or plan or when designing or delivering the public service
Digital Selling Capability Grant	Rural Businesses	The Digital Selling Capability Grant (DSCG) aims to provide financial assistance to established businesses in the retail/wholesale sector wishing to improve their online sales by enhancing their website and/or digital marketing strategy towards driving increased online sales. We do not believe that there are barriers to delivery in rural areas and there is no evidence of any specific rural needs or disadvantage at this stage.
Economic Regional Innovation Grant (ERIG)	Rural Businesses	The primary strategic aims of the Economic Recovery Innovation Grant (ERIG) are to support local businesses/businesses impacted within COVID-19 hit sectors (such as hospitality, tourism, close contact services etc.) to introduce and/or enhance innovation activities, to embed resilience and agility within their operations. The proposed ERIP intervention is to be provided across Northern Ireland and is not Belfast centric, therefore is unlikely to impact people in rural areas in any negative way or be more difficult to access. Application forms for the proposed interventions will be accessed online via Invest NI website. This is not expected to negatively impact rural businesses/dwellers as we deliver ongoing services in this manner, which are being accessed by rural businesses/dwellers currently without issue. We do not envisage any barriers to rural businesses.
Regional Economic Recovery Action Plan (ERAP)	Rural Businesses .	This concerns a range of short-term and medium term regionally focussed actions to support the recovery and rebuilding of the NI Economy following the profound impact of the COVID-19 pandemic. The primary strategic aims of the regionally focused ERAP interventions (Regional ERAP) are to help protect and stabilise employment, increase levels of innovation within small and micro businesses, build a high skilled and agile workforce, pursue and deliver better jobs, and create a more regionally balanced and greener economy. The proposed interventions are to be provided across Northern Ireland and are not Belfast centric, therefore are unlikely to impact people in rural areas in any negative way or be more difficult to access. Application forms for the proposed interventions will be accessed online via Invest NI website. This is not expected to negatively impact rural

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		businesses/dwellers as we deliver ongoing services in this manner, which are being accessed by rural businesses/dwellers currently without issue.
Procurement of Online Consumer Survey Data	Rural Businesses	The main objective of the activity is to provide access to a primary research survey app that is robust, cost effective and useable across different levels of data competency for UK and Ireland for food and drink grocery categories including pet food. Food and Drink companies are located across Northern Ireland and are not disproportionately located in rural areas. However, where businesses in this sector are located in these areas, we would anticipate a positive impact. The delivery of the service to clients, using the consumer online survey platform, will be online via a digital platform so it does not require attendance at the client premises or attendance at events. We do not envisage any barriers to rural dwellers.

Corporate Responsibility

Through Invest NI's Corporate Responsibility (CR) agenda, we have made a clear commitment to value the talents of our employees, to create a positive workplace and to give something back to the community through responsible business practices. The dramatic work and lifestyle changes in 2021-22, due to COVID-19, have had a significant impact across our CR strategy.

Employee Health and Wellbeing

Mental Health

Health and Wellbeing is a key area under our CR agenda and we continue to work hard supporting our staff with their mental health. As part of our ongoing Mental Health Strategy, "Changing Minds", and in partnership with Action Mental Health, we have trained a group of colleagues as Mental Health First Aiders (MHFAs). Mental Health First Aid describes the help we can give to a person we are concerned may have, or be developing, a mental health issue, or who is in a mental health crisis.
The aims of "Mental Health First Aid" are to preserve life where someone may be a danger to themselves or others; to provide help and prevent the mental health problem becoming more serious; to promote the recovery of good mental health and to provide comfort to a person experiencing a mental health problem. Our "Mental Health First Aiders" are trained to help in crisis situations, able to signpost where to access support and able to listen and give reassurance to colleagues in need of support.

Menopause Policy

Invest NI understands the importance of the Menopause in the lives of its female colleagues. In general, women over the age of 50 are the fastest growing segment of the workforce, and most will go through the menopause transition during their working lives. We have been committed to raising awareness of what the menopause is, and creating an environment where staff feel free to openly talk about this very important transition without embarrassment. We are now at the final stages of developing a Menopause policy for the organisation in order to ensure that the mechanisms and systems are in place to give full support to anyone experiencing menopausal symptoms at work.

Employee Recognition Scheme

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This scheme continues to offer formal recognition for those staff deemed to have gone above and beyond their daily role and shown to be exemplars of Invest NI's vision and values.

Social & Community

In the last 3 years we have worked alongside our latest charity partner, the Air Ambulance NI and have fundraised just over £20,000. We also offer a Payroll Giving Scheme that allows staff to make tax-efficient donations to charities of their choice.

CR volunteering with our wide range of community and voluntary-based organisations and CR partners including BITC, Young Enterprise, Sentinus and Prince's Trust has, however, been very limited due to the imposed COVID-19 restrictions.

COVID-19 Response

In a response to easing of restrictions following the initial lockdown, steps were taken during the spring of 2021 to have the offices reopened while ensuring the health and safety of staff, Facilities Management contractor staff, and visitors.

Desks were reduced per floor to ensure social distancing and an enhanced cleaning regime put in place. PPE is provided and posters, along with associated communications and even a video ensured staff were aware of all the mitigations to ensure their health and safety when in the workplace.

Since the first lock down, buildings with circulatory air heating and controls were advised to switch these systems off to mitigate against the risk of spreading COVID-19, and where possible, open windows and doors to allow air to circulate.

Invest NI HQ is a relatively modern building built to sustain a comfortable temperature and air flow environment. The nature and relatively modern build of our HQ office with a sophisticated temperature control meant we could not open windows and we had to revert to warming the staff attending, on limited floors, with infra-red (non-air flow) heaters. Over the lengthy period of the pandemic, the guidance given has been followed and we had introduced many effective ways to mitigate the risk of contracting COVID-19 to staff.

Following some research into various options to allow us to reengage the air and heating system we introduced Oxizone units in January 2022. This system allowed us to provide a safe and hygienic clean air zone for our staff and visitors, further reducing the risk of spreading COVID-19 and allowed the temperature and heating controls to be re-engaged in the building.

As we anticipate the possible relaxation of the restrictions, we are carrying out risk assessments on the various mitigations we have in place to facilitate the return of our staff to a comfortable and safe working environment.

Learning & Development

We adapted our delivery model to ensure we delivered a high level of relevant support to our staff while working remotely. Our focus has been on ensuring our staff are equipped to deliver a high quality of service and at the same time looking after themselves, their colleagues and their staff.

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Throughout 2021, we focussed our efforts on maintaining our connections with our staff and ensuring everyone had access to effective, relevant and supportive education and training. We ran a range of in-house programmes including Coaching, Social Media, Minute Taking, HTML, Career Development, Building Better Business Cases and Finance for Beginners and Mental Health training alongside our certified programme to develop our network of Mental Health First Aiders. As always, we welcomed all new staff with a welcome session. We also supported line managers and staff with tips on holding virtual meetings and managing teams remotely. A number of staff completed a further education course during this particularly challenging time.

As part of the overall project team, we delivered the new HR system with improved accessibility for the L&D team, so all available courses, learning history, career objectives and Further Education could be applied for/maintained and viewed with this one system. The L&D team facilitated a number of workshops with staff about updating our Corporate Values, these are to be reflective of our business model and the culture that we want within Invest NI.

During the summer of 2021, we asked staff to provide us with feedback on "how we are doing as an organisation in the hybrid world" which provided us with information to take forward in 2022.

New Ways of Working

Work was ongoing to review the ideal post-COVID-19 way of working and preparations on the guidance for hybrid working issued in April 2022.

Moving to hybrid working may be challenging initially as we adapt to a new way of working but we are confident it will be a positive experience for our organisation. The intention has been to transition in stages with staff working one day a week in the office in May and having moved to our full hybrid approach of 2 days, in June. Our hybrid approach is reinforced with our refreshed set of values built on a strong 'It starts with me' mind set.

The hybrid approach will be monitored to see if it is working in practice to ensure we make the best decisions for our staff, the Organisation and for our service delivery to the NI economy.

Environmental Matters

As part of Invest NI's internal change programme, Evolve, we have established a project group to develop an Environmental, Social and Governance (ESG) Strategy. This strategy will identify the areas we believe to be intrinsically important to consider as we review and change our business operations.

Invest NI provides significant energy and environmental technical advice as well as grant assistance to the Invest NI client base and wider NI businesses. A range of energy audits, newly launched sustainability reports and technical services are aimed at increasing the capability of businesses to adopt energy & material efficiency measures, waste/water reduction, carbon foot printing, and adoption of international standards for energy and environmental management.

In addition to this, Invest NI has supported DfE in the development of the new Energy Strategy for Northern Ireland, which was launched in 2021, and as an outcome of this, will be responsible for delivering a new energy efficiency support scheme for Northern Ireland businesses to support the target of 25% energy savings by 2030.

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Invest NI will continue to review its internal/external approaches to environmental matters, and the green economy is a key area of focus for Invest NI which is vital for delivering against the 10X vision, the Executive's Green Growth Strategy, DfE's Energy Strategy and Invest NI's strategic opportunities. With this in mind, Invest NI's work in the green economy focuses on two key areas; Identifying new market opportunities in the green economy ensuring that companies, across key clusters, are supported in competing for these global opportunities, and supporting NI businesses to go greener, focusing on green efficiencies and the circular economy.

We are strongly committed to undertaking environmentally sound practices in the areas of energy, waste and transport. During the second year of the pandemic there remains a reduced number of staff in the office and there has been less reliance on printing and photocopying and greater emphasis on online processing, with a 78% reduction on paper spend and 80% reduction in photocopying versus pre-pandemic levels. This has reduced our shredding requirements and our waste. However, during the year 98% of waste was recycled or converted into an alternative energy source.

In relation to LED lighting, we have now installed this on all floors, including meeting rooms and bathrooms. In addition, all emergency lighting is now LED as well as 97% of carpark lighting. LED units consume 55% less power, emit less heat and thereby reduce the requirement for air conditioning and for the disposal of hazardous waste bulbs, as well as an expected doubling of bulb lifespan.

We continue to look at ways to reduce our single use plastic and are encouraging staff to bring their own water cups and cutlery as they return to the office. Plastic cups are being phased out at the water coolers and plastic cutlery is not provided.

Mel Chittock
Accounting Officer
Date: 08 July 2022

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Corporate Governance Report

The purpose of the Corporate Governance Report is to explain the composition and organisation of Invest NI's governance structures and how they support the achievement of its objectives.

Directors' Report

The directors present their report and the audited consolidated financial statements of the group and parent entity for the year ended 31 March 2022.

Results

The net expenditure for the year is £136,950,000 (2021: £395,254,000 restated).

Directors

The directors who served during the year and up to the date of signing the financial statements are the Board members as follows:

Board members

Rose Mary Stalker	Chair
Deborah Lange	Deputy Chair
Mark Nodder	
Mark Sweeney	
Padraig Canavan	
Judith Totten	
Colin Coffey	
Kieran Kennedy	
Kevin Kingston	
Marie-Therese McGivern	
Michael McQuillan	

Executive Leadership Team

Mel Chittock*	Interim Chief Executive
Jeremy Fitch	Executive Director, Business Growth
Brian Dolaghan**	Executive Director, Finance
Denise Black	Executive Director, People & Culture
Alan McKeown***	Executive Director, Transformation
Donal Durkan	Executive Director, Strategy & Partnerships
Steve Harper	Executive Director, International & Skills
Peter Harbinson	Executive Director, Marketing & Communications

* Mel Chittock was appointed Interim Chief Executive on 15th December 2021 after the resignation of previous Chief Executive, Kevin Holland.

** Brian Dolaghan was appointed to the role of Executive Director, Finance on 1 February 2022.

*** Alan McKeown was appointed to the role of Executive Director, Transformation on a fixed term basis from 25 November 2021. Alongside this role, he continue to maintain responsibility for the Regional Office Network division.

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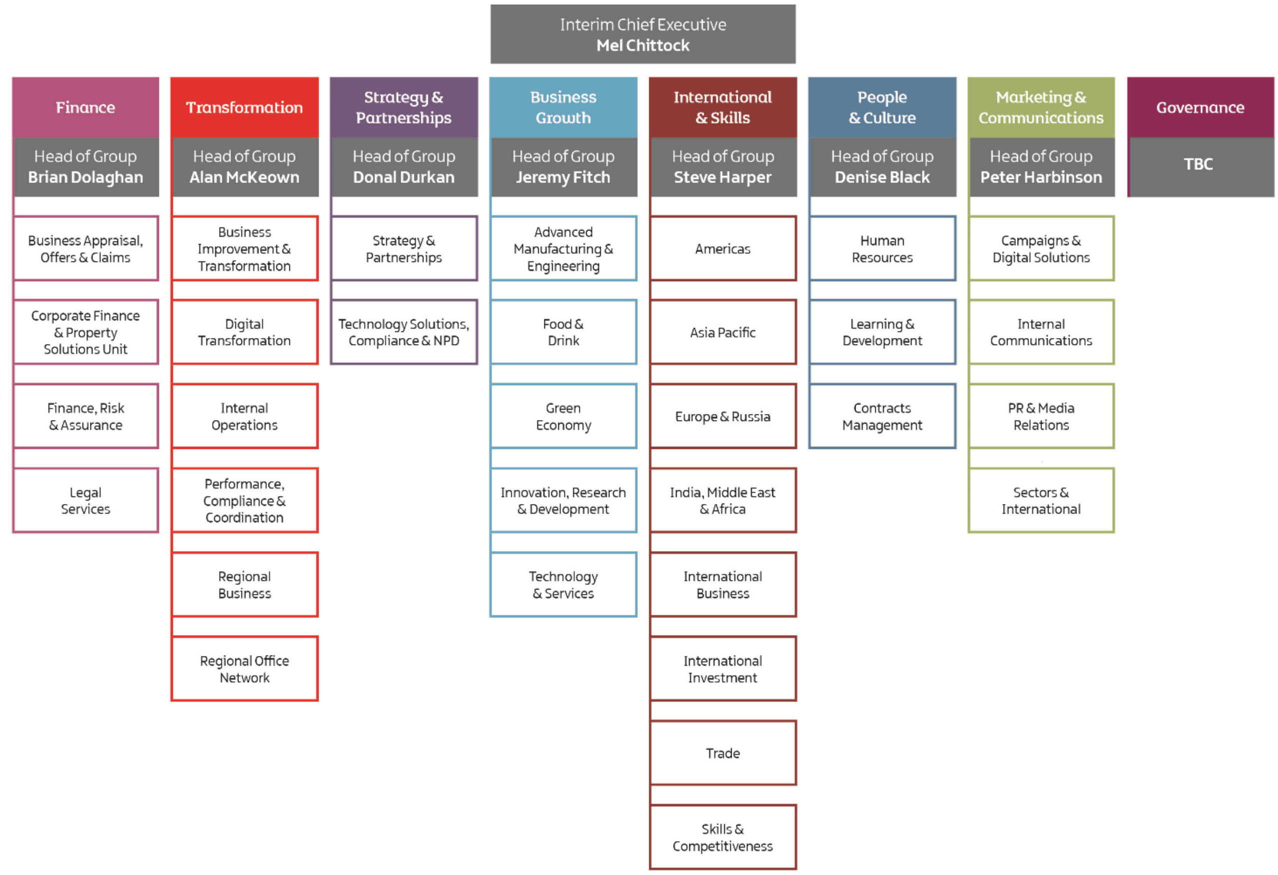
Organisational Structure



Prompt Payment Policy

Invest NI is committed to the prompt payment of invoices for goods and services received in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of delivery of the invoice or of the goods and services, whichever is later. During 2021-22 Invest NI paid approximately 98 per cent of invoices (2020-21: 98 per cent) within this standard.

In 2008 the Finance Minister announced that Northern Ireland Departments had been set a target of ensuring that invoices are paid within ten working days, in order to help local businesses. During 2021-22 Invest NI paid approximately 97 per cent of invoices (2020-21: 96 per cent) within the ten working day target.

Register of Interests

The Chair, Board members, and the Executive Leadership Team are required to register all interests, direct or indirect, which members of the public might reasonably think could influence their judgment. The Register of Interests is available for public inspection by contacting the Chair’s Office, Invest NI, Bedford Square, Bedford Street, Belfast, BT2 7ES.

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Personal Data Related Incidents

During the year there were no Personal Data Related Incidents that were required to be reported to the Information Commissioner's Office (ICO) for review. Further information on data security is provided in the Governance Statement.

Estate Management Strategy

With the exception of assets held by Invest NI for its own use and Linum Chambers, which is held by BSDL as an investment property, our land and property portfolio is held exclusively for development by client companies, to facilitate Northern Ireland's long-term strategic economic development.

Invest NI Complaints and Feedback Process

Invest NI continues to promote a customer focussed culture placing the needs of our clients and their customer experience at the heart of everything we do. Occasionally our customers may feel that we fall short of our own standards and our Complaints and Feedback Process affords us the opportunity to address instances when something goes wrong and to identify areas in which we can make improvements. It also gives us the ability to recognise good experiences through the recording of positive feedback.

Our complaints process is designed to be accessible and user friendly for our customers. Complaints are acknowledged within one working day and we strive to issue a response within a target of 10 working days. If we are unable to provide a response within this timescale the customer will be clearly advised of the revised response date.

If we are unable to resolve the complaint to our customers' satisfaction at this stage a review can be requested through the office of the Chief Executive. Should the customer be dissatisfied with the outcome of this review they may refer their complaint to the Northern Ireland Public Services Ombudsman for prompt consideration.

During the reporting period we received 14 complaints. Two of these related to delays in payment, eight related to eligibility criteria for the Emergency COVID-19 Schemes, one related to an allegation of disability discrimination, one related to a query regarding land purchase policy, one related to our criteria for support and one to our recent pause in business. There was also additional correspondence relating to an historic complaint that was dealt with in 2014. (For comparison purposes, in 2020-21 four complaints were received relating to normal business, and 41 related to the delivery of Emergency COVID-19 Schemes.)

Two of these 14 complaints were upheld and one partially upheld with an apology issued in respect of the relevant complaint. Additionally, three of these cases were referred to DfE as they related to eligibility for COVID-19 related schemes over which Invest NI had no remit. Eight were not upheld.

Of the complaints received during this reporting period 100% were responded to within our target of 10 working days.

A total of three cases of negative feedback were also recorded (seven in prior year)

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Internal Review

Following our initial response, the complainant has the option of requesting a further Internal Review of their complaint, (effectively an appeal process). Four requests were received in the reporting period (2020 – 21 two were received), two of which were upheld on review.

The two upheld complaints led to an acknowledgement that issues with the Invest NI Portal led to difficulties in completing a grant application and to guidance notes being updated subsequently, in order to provide further clarity on grant applications.

The two complaints which were not upheld at this stage related to an allegation of disability discrimination and ineligibility for the COVID Restrictions Business Support Scheme.

NIPSO Investigations

Following the Internal Review the complainant has the final option of requesting the Northern Ireland Public Sector Ombudsman to investigate Invest NI's handling of their complaint. We are currently dealing with one case which has been referred to the NIPSO. At this stage information has been submitted to NIPSO to allow them to establish whether the complaint warrants investigation.

Analysis

Details of all complaints are recorded centrally, and this information is then analysed to identify trends or themes to drive improvement in our processes and services. Invest NI's progress against the ten day response target is also reported through our Standards of Service. Further information on the handling and monitoring of complaints can be found in the Invest NI Customer Charter and more specifically in the Invest NI Complaints Procedures, both of which are available on the Invest NI website.

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Statement of Accounting Officer's Responsibilities

Under the Industrial Development Act (Northern Ireland) 2002, DfE (with approval from the Department of Finance (DoF)) has directed Invest NI to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Invest NI and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by DfE with the approval of DoF, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

The Accounting Officer of DfE has designated the Chief Executive as the Accounting Officer of Invest NI. The responsibilities as an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Invest NI's assets, are set out in Managing Public Money Northern Ireland (MPMNI) published by DoF.

As Accounting Officer, I have taken all the steps I ought to have taken to make myself aware of any relevant audit information and to establish that Invest NI's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

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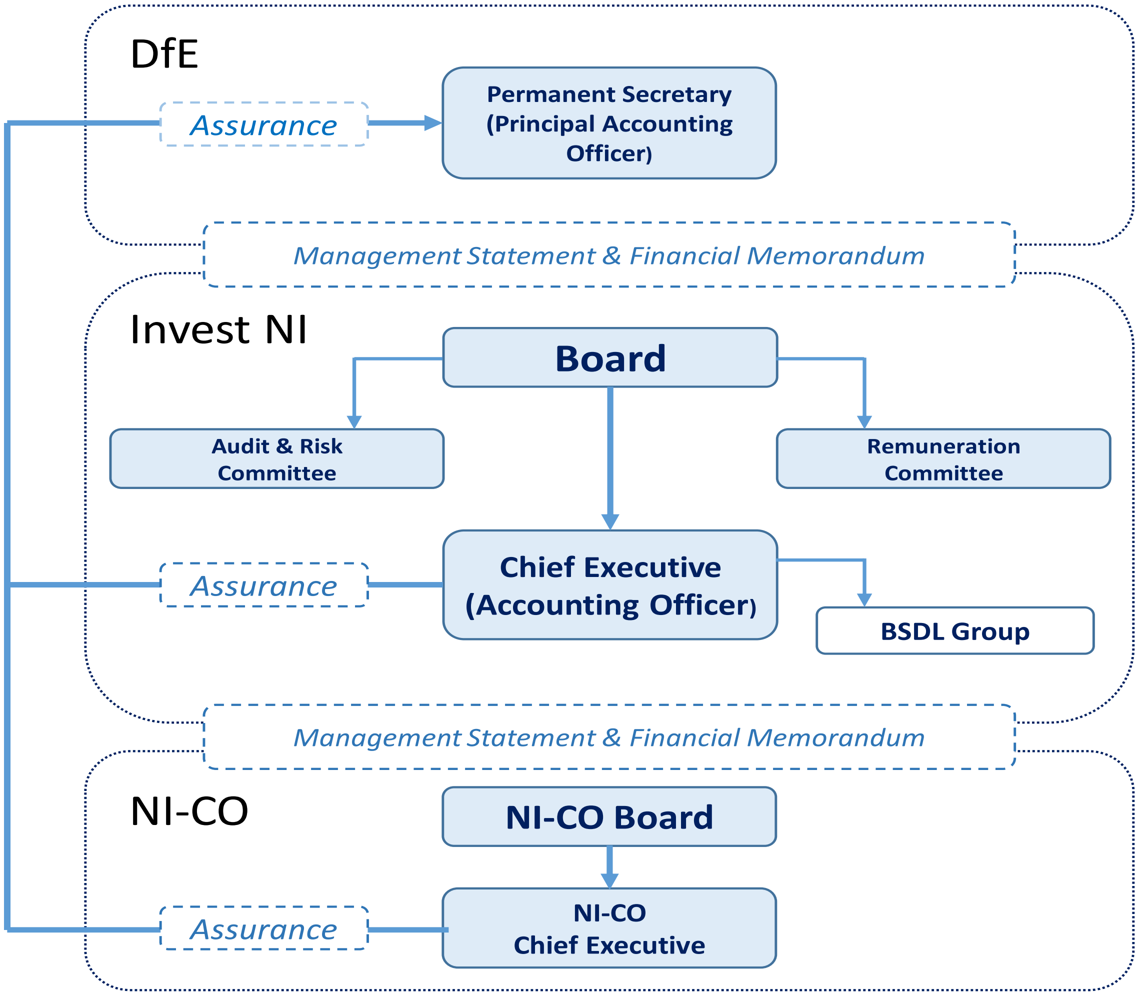
Governance Statement

Introduction and scope of responsibility

This Governance Statement sets out the governance structures, risk management and internal control procedures that have operated within Invest NI during the financial year 2021-22 and up to the date of approval of the Annual Report and Accounts, and accords with DoF guidance.

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Invest NI's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in MPMNI.

Invest NI's Governance Framework



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Responsibilities of the Board and Chair

Invest NI has a Board comprising a Chair and not fewer than 10 or more than 20 other members. Board members are appointed by DfE in line with the Code of Practice issued by the Commissioner for Public Appointments for Northern Ireland. Following the retirement of Brian Baird on 31 March 2021; the Board in 2021-22 comprised 11 members (including the Chair). The terms of five Board Members were due to expire on 31 March 2022 but have been extended for a period of two months to allow for the completion of a recruitment exercise being managed by DfE.

The Board usually meets 10 times each year and the meetings are attended by the Chief Executive and members of the ELT. The role of the Board is to establish Invest NI's overall strategic direction and provide advice to the Departmental Minister on matters relating to the organisation. The Board oversees the achievement of Invest NI's objectives and targets and has responsibility for ensuring the highest standards of corporate governance, efficiency and propriety in the use of public funds.

The role of the Chair is to provide leadership, strategic support, corporate governance direction, and to represent Invest NI in the local and international business communities. The Chair is personally responsible to the Departmental Minister for ensuring that Invest NI's strategies are compatible with those of the Department, that Invest NI meets its agreed objectives and targets, and for probity in the conduct of the organisation's affairs.

The roles of the Chair and Board are set out in the Management Statement and Financial Memorandum and in the Board Operating Framework, which was last updated in October 2021 and is available on Invest NI's website. The Board Operating Framework includes requirements that effectively comprise a Code of Conduct for Board members, as outlined in the model provided by the Department of Finance in FD (DFP) 04/14: 'Code of Conduct for Board Members of Public Bodies (NI)'.

Conflicts of interests

The Board Operating Framework was reviewed in October 2021 in line with the requirements of DAO (DoF) 07/21: 'Guidance on Conflicts of Interest'. Board members are asked to declare any conflict of interest related to meeting agendas or casework panels they may be attending. On the identification of any conflict of interest, either the relevant Board member(s) would be excluded from the discussions/decision-making related to the conflicted area of business or, in the case of casework panels, an alternative Board member would be selected. Further details regarding Related Party Transactions are in Note 26.

Board performance and effectiveness

In 2021-22 the Board met 10 times, with some meetings held remotely due to COVID-19 restrictions. Within the Board Operating Framework there is an agreed Code of Practice for Board members, which incorporates the Principles of Public Life. All Board members are given Induction Training, which covers the structure, vision, values and objectives of the organisation; introductions to the senior management team; and more detailed sessions on aspects of the role, including a specific element focused on delegations including casework consideration, assessment and approval. A full induction programme will take place for new Board members. This training will also provide a

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refresher to existing members and will include roles and responsibilities, governance framework and ethics, and casework training.

In September 2021 the Board met for its annual strategy session, with a focus on alignment with DfE's 10X strategy. The Board also discussed options for optimising future projects for a 10X economy, strategic cluster opportunities and how to strengthen Invest NI's casework processes.

Board attendance 2021-22

Name of Board member	Board meetings attended per Board member (out of a possible 10)	Audit & Risk Committee (ARC) meetings attended per Committee member (out of a possible 7)	Remuneration Committee meetings attended per Committee member (out of a possible 2)
Rose Mary Stalker	10	N/A	2
Deborah Lange	10	7	2
Mark Nodder	10	6	N/A
Mark Sweeney	8	N/A	N/A
Padraig Canavan	10	N/A	N/A
Judith Totten	7	7	N/A
Colin Coffey	9	6	N/A
Kieran Kennedy	10	N/A	N/A
Kevin Kingston	10	7	N/A
Marie-Therese McGivern	10	N/A	2
Michael McQuillan	10	N/A	2

Board Succession Management

In late 2021 DfE commenced an exercise to recruit Non-Executive Directors to replace the five Board Members whose terms were due to expire at the end of March 2022: Judith Totten, Deborah Lange, Padraig Canavan, Mark Nodder and Mark Sweeney. These five Board Members agreed to a two-month extension to their terms in order to allow the recruitment competition to complete. Following this competition, seven new Board Members have been appointed, with effect from 30th June 2022.

Board Committees

The discharge of some of the Board's responsibilities is delegated to the following Committees:

- Audit & Risk Committee
- Remuneration Committee

Audit & Risk Committee

The Audit & Risk Committee is responsible for reviewing and providing independent assurance to the Board and Accounting Officer on:

- the adequacy of the internal control environment;
- risk management and corporate governance arrangements;
- compliance matters; and
- internal and external audit issues.

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During 2021-22, the Committee comprised the Chair (Deborah Lange) plus four other Board members. The terms for three of the ARC members (Deborah Lange, Judith Totten and Mark Nodder) came to an end in May 2022, with the position of Chair passing to Kevin Kingston and Colin Coffey remaining on the Committee. Three new ARC members will be appointed from the intake of Non-Executive Directors, with two of these appointments (Dawn McLaughlin and Julie-Ann O'Hare) having been made.

ARC meetings are also attended by the Chief Executive; Executive Director of Finance[4]; the Director of Finance, Risk and Assurance Division; Risk Manager; the Director of Performance, Compliance and Co-ordination Division; and representatives from DfE, Northern Ireland Audit Office (NIAO), and Internal Audit Service (IAS). The Committee usually holds five meetings per annum, comprising four 'regular meetings' and one meeting to review and endorse the Annual Report and Accounts. Due to delays in finalising the audit of the 2020-21 accounts, the Committee held two additional meetings during 2021-22 (seven meetings in total) to receive updates on progress.

In December 2021, the Committee commenced a self-assessment exercise in line with the commitment in its Terms of Reference to complete an annual review its own performance (note however that the 2020-21 exercise was postponed to enable the two new members the opportunity to work through a complete cycle of the Rolling Agenda). A draft report was compiled based on Committee members' responses to a questionnaire based on the National Audit Office's Audit Committee self-assessment checklist. Following a discussion of the findings, the final report, containing an action list to address some minor areas for improvement, was produced in April 2022. The final report demonstrates that members felt that the Committee was operating effectively and adhering to good or best practice in all areas. A decision will be made on whether the next self-assessment exercise will commence in late 2022 or be deferred to allow new ARC members to familiarise themselves with how the Committee operates.

The Committee continues to operate a 'Rolling Agenda' system that ensures that all major issues are reviewed at least on an annual basis. The latest revision to the rolling agenda, reviewed and approved by the ARC at its February 2022 meeting, adds a review of the progress of the Governance Council to each regular meeting and includes a number of other minor changes. Standing items on the agenda of each regular meeting include a review of the Corporate Risk Register, detailed discussion on key corporate risks, an update on progress against the agreed Internal Audit plan, internal and external audit recommendations and updates on current fraud and whistleblowing investigations. Other topics covered by the Committee in 2021-22 included progress of the Invest NI Governance Council; oversight of the risk register development exercise; Procurement practices; Management of External Delivery Organisations (EDOs) and prioritisation of EDO inspections; risk of Cyber Security attacks; Internal Test Drilling; Complaints & Feedback; Casework Approvals; NI-CO; review of Outstanding Internal Audit Recommendations; and review of draft Raising Concerns (Whistleblowing) guidance.

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[4] Titles reflect changes to organisational structure from 1st February 2022

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As per the rolling agenda, Members have also met with Internal Audit Services and NIAO outside the scheduled ARC meetings throughout the year, and provided additional input into the Terms of Reference of a number of Internal Audit reviews that will form part of the plan for 2022-23.

The Audit & Risk Committee has worked closely with the new interim CEO, in his role as Accounting Officer, to identify governance related priorities to enhance the overall governance framework. In the ARC's Annual Report for 2021-22 the Chair confirmed that the Committee considered the assurance available was sufficient to support the Board and the Accounting Officer in their decision-taking, their accountability obligations and the overall management of risk. Following each Audit & Risk Committee meeting, the Chair provides a verbal report and update to the full Board, with full written minutes provided by the Committee secretariat.

Remuneration Committee

The Remuneration Committee meets at least annually and is responsible for agreeing the performance indicators against which the Chief Executive is measured, and to present recommendations to DfE on any annual pay increase for the Chief Executive.
The Committee comprises the Chair and three other Board members, with meetings attended by the Executive Director, Human Resources. The committee met twice during 2021-22.

Board Working Groups

Board Working Groups, in contrast to the Committees referenced above, are established to undertake a specific task and to report back to Board within a defined timeframe. In general, Working Groups tend to be of a more temporary and transient nature designed to focus on current, strategic issues facing Invest NI and to draw on the pertinent expertise of Board members. They can also, where appropriate, provide Board members with an element of oversight in line with the corporate governance framework.

The topics currently covered by Board Working Groups include: Sub-regional; Access to Finance; Competence Centres; Skills; and Digital Innovation.

In 2021-22 members of the Board Working Group for Access to Finance oversaw a review of concerns raised about an External Delivery Organisation.

Executive Committees

In addition to the Board Committees, a number of Executive Committees were also in operation throughout 2021-22:

Internal Audit Committee

The Internal Audit Committee is an Executive Committee responsible for reviewing internal compliance issues, implementing action plans and audit recommendations, developing internal control systems and providing advice to the Audit & Risk Committee. The Committee met three times during 2021-22 and was chaired by the Executive Director, Finance. Issues discussed included: reviews of the audit strategy and annual plan; progress against the annual audit plan; reviews of External Delivery Organisations; assurance provided by other bodies; and updates on current fraud investigations. The Committee also includes a number of other Executive Directors, the Director of

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Finance, Risk and Assurance Division and the Director of Performance, Compliance and Co-ordination Division, with representatives from IAS also in attendance. The terms of reference were last updated in November 2021.

Executive Leadership Team

The Executive Leadership Team (ELT), which reports directly to the Chief Executive, has responsibility for the strategic direction and operating effectiveness of Invest NI and for promoting an effective financial control and budgetary management framework. The ELT is responsible for achieving Invest NI's goals and targets, as set out in the corporate and operating plans, and oversees the delivery of Invest NI's range of programmes and services.

The ELT met regularly during 2021-22 to review the performance of the organisation against agreed targets, monitors budget requirements and outturn, and ensures implementation of agreed actions to achieve Invest NI's strategic, operational and financial objectives.

Governance Council

The Governance Council was established in July 2021 to ensure that the highest standards of governance are adhered to across the entire organisation. The Council has responsibility for ensuring that the Invest NI governance framework is both appropriate and effective. The Council comprises of key staff from both governance related functions and commercial teams. An action plan is in place and is reviewed by the Audit & Risk Committee at each regular meeting.

Other guidance and policies

Code of Ethics and Conduct

Central to the proper conduct of public business is the need for Invest NI staff to follow the seven principles of public life as set out by the Committee on Standards of Public Life. Invest NI operates a robust Code of Ethics applicable to all staff members. The code, as summarised in the staff handbook, sets out the obligations of staff to discharge public functions reasonably and in accordance with the law and to conduct themselves with integrity, impartiality and honesty while ensuring the proper, effective and efficient use of public money.

The Invest NI Conflicts of Interest policy requires all staff, regardless of grade or position, to disclose any area of actual, potential or perceived conflict with the interests of Invest NI. The policy is designed to ensure that staff do not misuse their official position or use information acquired in the course of their official duties to further their private interests or those of others. Where a potential conflict of interest, actual or perceived, is identified, the staff member involved will normally be removed from any contact, evaluation or assessment process relating to the particular case or organisation.

Invest NI maintains a register of all outside appointments or interests held by its staff. All employees are required to complete an annual return ('Register of Interests: Declaration by Member of Staff') or submit a nil return where appropriate. Employees have an absolute duty to declare any changes to their circumstances, including new interests, which could bring about a conflict of interest or the perception of a conflict. Agreements must be documented between individuals and their line manager before appointments are taken up, with the register then updated accordingly. This process

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is designed to provide the assurance that any outside employment held by Invest NI staff, including its senior management team, does not present a conflict of interest.

The Invest NI gifts and hospitality procedures are based on the fundamental principle that, in general, all gifts should be refused and no member of staff should receive anything that might reasonably be seen to compromise personal judgement or integrity. All offers of gifts and hospitality, whether accepted or refused, must be recorded on a central register for review and monitoring.

Staff members are also required, as outlined in the staff handbook, to be aware of and observe the terms of the Bribery Act 2010.

Bribery, Fraud Prevention and Whistle-Blowing Policies

Invest NI requires all staff to act honestly and with integrity and to safeguard the public resources for which they are responsible. Invest NI procedures stipulate that any suspected or alleged fraud (anonymous or otherwise) must be investigated and, where substantiated, reported to DfE's Corporate Governance team, who in turn notify the Northern Ireland Audit Office and the Department of Finance. Cases are referred to the police where appropriate. Invest NI continues to raise staff awareness of their responsibility to safeguard public resources against the risk of fraud, as well as their responsibilities regarding bribery and encourages staff to raise their concerns in line with public disclosure legislation.

A summary of the activity related to these policies in 2021-22 is outlined in the table below.

Governance Process	Guidance Documents	Incidents Reported in Year
Bribery	Anti-Bribery Compliance Policy and Guidance Manual	None
Public Interest Disclosure	Whistleblowing Policy	None
Fraud Prevention	Anti-Fraud Policy and Fraud Response Plan	Three cases of suspected fraud were notified to the NIAO in line with the Invest NI Fraud Response Plan. One of these cases has been referred to the PSNI and information is being gathered on a further case with a view to referral to the PSNI. The third case relates to the wider business dealings of an Invest NI customer but does not involve funding provided by Invest NI.

In addition, two further cases of suspected or alleged fraud arose during 2021-22. These cases are being evaluated in order to establish next steps and safeguards are in place to protect public funds. One case that arose in 2020-21 is still open and has been referred to the PSNI.

One case was reported under the Whistleblowing Policy in 2020-21 following concerns that were raised with Board members. The case is still under investigation with significant progress being made towards addressing the concerns that were raised. A Steering Group comprising Board members and senior management considering next steps. Through discussions with those Board members, an opportunity was identified to provide additional guidance on how such concerns should be handled, therefore the next revision of the Whistleblowing Policy (now referred to as "Raising

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Concerns”), due to be considered by the Audit & Risk Committee at its May 2022 meeting, will include guidance for staff, managers and Board members.

Progress on outstanding cases is reported to the Audit & Risk Committee and the Internal Audit Committee.

Fraud and error in COVID-19 support schemes

Since the start of the pandemic Invest NI has supported DfE on nine emergency COVID-19 Business Support Schemes, each of which was subject to a Ministerial Direction from the Economy Minister. The 2021-22 accounts include expenditure relating to three of those schemes (the Large Tourism and Hospitality Business Support Scheme and the COVID Restrictions Business Support Scheme Parts A and B).

The role of Invest NI in each scheme was agreed with DfE and the Department of Finance via either a Memorandum of Understanding (MOU) or Delivery Document, each of which recognised the limitations as to what could be achieved to reduce the risk of fraud and error within the constraints of the scheme design, especially with the need to include self-representation for some criteria identified as increasing the risk of fraud and error as a consequence of the need to get support to eligible applicants in a timely manner.

While the inherent risk of fraud and error was recognised, Invest NI put in place detailed processes and procedures in order to minimise the risk as far as it was possible. Invest NI’s own checks and the continuing audit work being carried out by both IAS and the NIAO on the sample checks of the operation of these checks and processes, provides further assurance on this.

Invest NI administered and accounted for a total of five COVID-19 schemes over a two year period with total expenditure of £144.5m, with £14.7m recognised in the 2021-22 accounts (2021: £129.8m). Over the two year period, Invest NI identified £1.3m of erroneous payments, the majority of which relate not to a breakdown in controls or checks but was as a result of overlaps between schemes administered by other bodies. These overpayments were identified quickly through Invest NI’s own checks and the majority of the £1.3m was recovered through offset processes and some via direct clawback recovery. The balance still in recovery is £0.1m and equates to less than 0.1% of the scheme payments. Invest NI have also identified and are pursuing 4 suspected cases of fraud within these schemes.

Invest NI also accounted for an additional four COVID-19 schemes over a three year period with total expenditure of £374.2m, with £13.4m recognised in the 2021-22 accounts (2021: £140.8m, 2020: £220m). Over the three year period, DfE identified £4.9m of erroneous payments of which £2.9m has been recovered to date. DfE have also identified and are pursuing 39 suspected cases of fraud within these schemes.

DfE has provided Invest NI with an estimated rate for fraud and error of 2.08% to be considered across all of the COVID-19 schemes. DfE has also outlined the methodology used to arrive at this position, which is based on a combination of sample checking and an assessment of the risk within each scheme of fraud and error. Invest NI acknowledges the difficulties in arriving at an estimate

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and also recognises the potential for diminishing returns when directing more time and resources towards refining the estimate. In addition Invest NI notes that the methodology may not have fully accounted for specific features of each scheme that could have increased the risk of fraud and error, such as the reliance in some schemes of applicant self-declarations.

If the rate of 2.08% were accepted as a prudent estimate, this would be applied to the current year expenditure of £28.07m and across the total expenditure on COVID-19 emergency support schemes of £516.17m respectively.

Invest NI's compliance with the Corporate Governance Code

The Corporate Governance in Central Government Departments: Code of Good Practice NI (the Code) seeks to promote good corporate governance in central government departments. The focus of the Code is on ministerial departments but as a NDPB, Invest NI is compliant with the practices set out in the Code wherever this is relevant, practical and suits our business needs.

Relationship with subsidiary company NI-CO

The Management Statement and Financial Memorandum between Invest NI and DfE, most recently updated in October 2018, contains the relationship framework between Invest NI and its subsidiary NI-CO. It sets out the responsibilities and reporting requirements between the Company, Invest NI and DfE. As designated Accounting Officer for Invest NI and its subsidiary companies, the Chief Executive of Invest NI is ultimately responsible to the Departmental Permanent Secretary in his role as DfE Accounting Officer. In terms of overall governance arrangements, a schedule of formal meetings between Invest NI and NI-CO is in place, including a formal, annual review meeting at year end. Informal, ad-hoc contact is maintained with NI-CO throughout the year. The NI-CO Board meets quarterly and NI-CO submits full sets of the Board papers in advance of each Board meeting for review and comment by Invest NI, as appropriate. The Director of Invest NI's Performance, Compliance and Co-ordination Division attends meetings of NI-CO's Audit & Risk Committee.

The tenure of the NI-CO Chair and three Board Members ended on 31st September 2021. In consultation with DfE's Public Appointments Unit, three new NI-CO Board members were appointed to 31st September 2024 and an Interim Chair appointed to 31st December 2022. All appointments were made on merit and within the spirit of the Office of the Commissioner for Public Appointments for Northern Ireland Code of Practice.

Relationship with BSDL Group

During 2013-14 the acquisition of the BSDL Group was completed, allowing Invest NI to take ownership of the Bedford Street building. The BSDL Board meets regularly and financial reporting for the group is consolidated within the Invest NI annual accounts. The BSDL Group Directors, comprising the Invest NI Executive Directors of People & Culture and Finance, present the audited BSDL annual financial statements to the Accounting Officer prior to consolidation into the Invest NI annual accounts. The Group Directors receive no remuneration from BSDL. The Invest NI policies and procedures, including all governance arrangements, have been adopted by the BSDL group and during 2018 the companies were classified by HM Treasury as Non Departmental Public Bodies.

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As such any significant governance issues arising would be reported in the six-monthly assurance statement and brought before the Invest NI Audit & Risk Committee and Board as required. No such issues were identified in 2021-22.

Relationships with Arm's Length Bodies

Written contractual or partnership agreements are in place with Arm's Length Bodies (known as EDOs) or Service Providers who deliver specific services or activities on behalf of Invest NI.

These agreements also set out the performance and reporting requirements, which in turn are monitored by designated managers within Invest NI. Detailed guidance on the commissioning and management of EDOs is available to all staff via the Invest NI intranet. As part of the overall internal audit service provided by DfE, a rolling inspection programme of EDOs and their management by Invest NI is tendered and carried out by external consultants. The most recent contract for this work expired in May 2019, after which work has continued to complete the programme from 2018-19.

As a result, no new inspections were carried out between May 2019 and March 2022. Due to the fact that all existing EDOs have been subject to review in recent years and no significant issues have been identified to date through the inspection programme, IAS was content that it had sufficient assurance to provide its overall audit opinion. The Audit & Risk Committee has expressed concern that there has been a gap in service provision and asked that the procurement exercise for a new inspection contract be prioritised. The tender exercise concluded in April 2022 and a new service provider has now been appointed. The 2022-23 Internal Audit Plan will include a full schedule of EDO inspections (carried out by the service provider) and sponsor controls reviews (carried out by Internal Audit Service) to look at the Invest NI management of EDO relationships.

Ministerial Directions

Since the start of the pandemic Invest NI has supported DfE on nine emergency COVID-19 Business Support Schemes, each of which was subject to a Ministerial Direction from the Economy Minister. While the Ministerial Directions were issued in previous years, the 2021-22 accounts include expenditure relating to three of those schemes (the Large Tourism and Hospitality Business Support Scheme and the COVID Restrictions Business Support Scheme Parts A and B). The role of Invest NI in each scheme was agreed with DfE and the Department of Finance via either a Memorandum of Understanding (MOU) or Delivery Document.

Invest NI also administered the NI Domestic Aviation Kickstart Scheme (NIDAKS) on behalf of DfE. NIDAKS was designed to help kick-start Northern Ireland's economic recovery from COVID-19 by maintaining and enhancing domestic air connectivity with Great Britain. The scheme was delivered through a Ministerial Direction, which was approved by the Northern Ireland Executive in June 2021.

The risk and control framework

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

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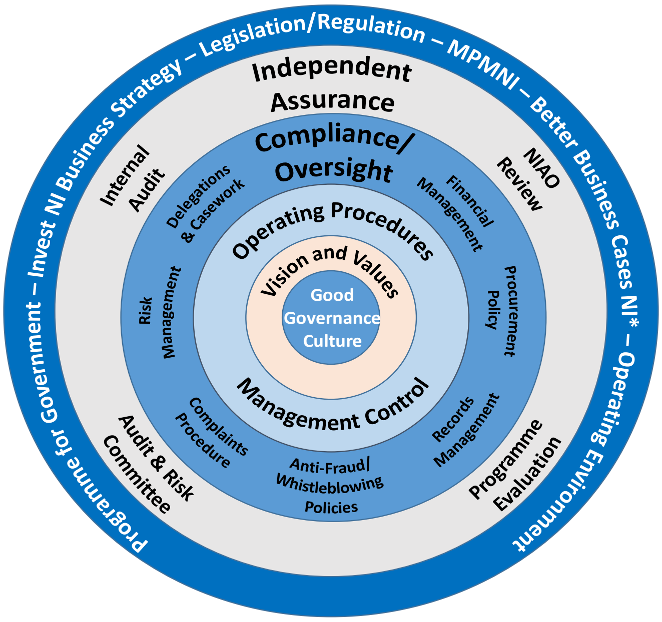

** Better Business Cases NI replaces Northern Ireland Guide to Expenditure, Appraisal & Evaluation (NIGEAE)*

Risk Management policy

The Board, Chief Executive, and the ELT have overall responsibility for determining the risk management policy within Invest NI. This includes designing, implementing and maintaining risk management systems to identify and manage those risks that could adversely impact the achievement of the organisation's objectives. The organisation's risk management arrangements are documented in the Risk Management Strategy and Policy.

Risk management is increasingly integrated into the corporate planning and decision-making processes of the organisation. During the year bi-annual assurance statements were submitted to DfE, providing an account of the internal control matters arising in each of the reporting periods. The Corporate Risk Register is a standing item on the Oversight and Liaison meetings between Invest NI and DfE. The Audit & Risk Committee is provided with a copy of the Corporate Risk Register and a summary of any additions, deletions and movement in the 'Very High' category. Through these processes, the Board and the ELT demonstrate that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on.

The Risk Register was subject to a quarterly review by a group that includes the Risk Manager, the Director of Finance, Risk and Assurance and the Director of Performance, Compliance and Co-ordination. The group undertakes an independent challenge function and works closely with Divisions to refine, articulate and manage risks at Corporate and Group level. Any fully managed risks are removed from the Register and kept under review, while new risks, both at Corporate and Group level, are brought forward as considered necessary. During 2021-22, in addition to adding two new risks and removing one from the Corporate Risk Register, Invest NI commenced a review of its risk management arrangements, resulting in a number of the principal risks being rearticulated. Further details can be found on page 23.

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In September 2021 an exercise commenced to develop Invest NI's approach to risk management. This includes an overhaul of the current risk register format and a move from a spreadsheet based register to a dedicated risk management software package. As a result of this development exercise, the Corporate Risk Register was consolidated from 19 risks to 16 risks. The new format of the Corporate Risk Register was presented to the Audit & Risk Committee at its May 2022 meeting.

Invest NI continued to monitor longer term threats through the Emerging Risk Register, which was introduced in September 2015 to analyse developing hazards that were relatively remote but which had the potential to impact on the organisation's business. The Board meeting in September 2021 featured a review of the Emerging Risk Register, with the subsequent actions (primarily changes and additions to the Emerging Risk Register, and suggestions for escalations to the Corporate Risk Register) reported to the Audit & Risk Committee. Proposals for escalations to the Corporate Risk Register have been incorporated into the changes brought about by the risk register development exercise.

The Audit & Risk Committee met seven times, and the Internal Audit Committee three times, to review and advise on the risk management, control and governance arrangements. These include audit issues arising during the period, key projects, ongoing operational matters and investigations.

Business Continuity

Business Continuity and Recovery Plans were previously developed for the organisation with responsibilities clearly defined and communicated. Business Continuity arrangements are regularly monitored, tested and improved. During the COVID-19 pandemic, Invest NI continued to operate successfully with the majority of staff across the globe working from home, in line with guidance within each jurisdiction. Led by ELT, line managers and staff maintained day to day operations which included resuming client meetings and visits when safe. Invest NI Northern Ireland offices were closed to staff at the beginning of 2021 however have since been re-opened to staff, via the desk booking app, from June 2021.

Cyber attack has been identified as a priority area for Business Continuity Planning in 2022. The Incident Management Team has met throughout the year to review the current Business Continuity Plan, our readiness to respond to a cyber attack and a test scenario. The scenario which the team worked through was based on a real example from the National Cyber Security Centre. The NCSC guidance is that Invest NI should consider a cyber incident in the mind set of "when not if" Invest NI would be breached. It focussed on the ability of the organisation to respond to the operational implications of a cyber attack such as staff and stakeholder communications and the impact on business critical activities. A number of actions were identified during the scenario session and work is ongoing to address them.

Data Security

Following the annual Information Security Audit in November 2021, Invest NI continues to be accredited to the international security standard ISO 27001. The accreditation provides assurance that Invest NI protects the confidentiality, integrity and availability of corporate information. A review of Invest NI's Information Security Management System was also carried out by IAS during 2021-

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22, with no significant issues identified. Security matters are reviewed by an Information Governance Group (IGG) which met four times during the year. Mandatory compliance training, internal audit assessments and risk assessments are performed on a regular basis to drive information security improvements. The IGG provides updates to the Audit & Risk Committee on the progress of risks and mitigations (including cyber security).

During the year there were five cases involving loss of portable data storage devices and 21 incidents relating to unauthorised disclosure of information, the majority of which had a mitigated risk rating of "low". One incident had a mitigated rating of 'Medium' due to the uncertainty of the timing of potential unauthorised access. No incident was deemed necessary to report to the ICO. All of the incidents were contained and mitigations put in place against future risk. Communications on information security matters were issued on a regular basis throughout the year. All staff have completed annual mandatory information security training during quarter 2 of 2021-22.

Invest NI's staff continued to work remotely and compliance with Information Security and Data Protection in the remote working environment was monitored as a risk to be tracked within the organisational risk register. Invest NI has been successful in maintaining existing security controls throughout this period, such as secure connection via the VPN, encrypted equipment and awareness training.

Invest NI's Data Protection Officer (DPO) continues to work with all parts of the business on the ongoing compliance with the requirements of the UK General Data Protection Regulation (GDPR), and to promote the principles of 'Data Protection by Design and by Default'. All staff have completed annual mandatory data protection awareness training during quarter 4 of 2021-22.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors, by the Executive Directors within Invest NI, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their 'Report to those Charged with Governance' and other reports. The Audit & Risk Committee, on behalf of the Board, reviews the range of available assurance in formulating its opinion on the overall effectiveness of the controls place. I note the Committee's Annual Report concludes that controls are operating effectively and I welcome the Committee's ongoing input to identifying potential areas for improvement. I have noted the Audit & Risk Committee's opinion in my review of the effectiveness of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Group Assurance Statements on Internal Control

During 2021-22 each of the Executive Directors conducted a quarterly review and provided Assurance Statements on Internal Control for their areas of responsibility. These reviews and the completion of the Assurance Statements were supported by the use of Internal Control checklists. Key findings were discussed with me and this work helped inform my bi-annual Assurance Statements to the DfE Permanent Secretary.

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Internal Audit

IAS, the internal auditor of Invest NI, operates to standards defined in the Public Sector Internal Audit Standards. Instead of developing a traditional multi-year Audit Strategy and Plan, IAS formulated a one year plan for 2021-22 in order to provide more flexible approach and allow IAS to focus on areas of specific risk, including COVID interventions being delivered by Invest NI. The plan, including the analysis of risks, was reviewed and agreed with the Internal Audit Committee and Invest NI management prior to approval by the Audit & Risk Committee at its meeting in February 2021.

Progress against the annual Internal Audit Plan is reviewed at each meeting of the Internal Audit Committee and at each regular Audit & Risk Committee meeting. IAS submits regular reports, including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of Invest NI's system of internal control and the management of key business risks, together with recommendations for improvement.

The table below provides a summary of the audit activity completed in line with the 2021-22 audit plan.

	Satisfactory	Limited	TBC	N/A[1]
Final Reports	1	0	0	2
Draft Reports	2	0	0	0
Fieldwork	0	0	5	0

Notes:
1. Refers to audit assignments for which an audit opinion is not required.

No IAS Audit Reports received a limited opinion in 2021-22. In order to allow staff to finalise programmes, the work on a number of reviews was pushed towards the end of the year, resulting in fewer reports than usual being finalised by the end of March 2022. In addition, Invest NI management requested that reviews scheduled for three COVID schemes be deferred to the 2022-23 plan. This amendment to the plan was approved by the Audit & Risk Committee at its February 2022 meeting. There are no outstanding reviews from previous years.

In addition to the formal reporting IAS responded to a number of requests for advice from Invest NI management and its Audit & Risk Committee.

IAS manages the rolling programme of EDO audit work through the engagement of an external service provider. The contract for this service expired in May 2019. Although work continued past this date on the 2018-19 programme and on follow up reports from previous years, there has been no new schedule of work since the expiry of the previous contract. However, due to the fact that all existing EDOs have been subject to review in recent years and no significant issues have been identified to date through the inspection programme, IAS was content that it had sufficient assurance to provide its overall audit opinion. The Audit & Risk Committee has expressed concern about a lack of assurance in this area and asked that the procurement exercise for a new inspection contract be prioritised. The tender exercise concluded in April 2022 and a new service provider has now been appointed. The 2022-23 Internal Audit Plan will include a full schedule of EDO inspections (carried

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out by the service provider) and sponsor controls reviews (carried out by Internal Audit Service) to look at the Invest NI management of EDO relationships.

IAS has provided an overall satisfactory audit opinion (the highest rating available) with regard to the adequacy and effectiveness of Invest NI's risk management, control and governance processes for the 2021-22 year. IAS's overall audit opinion reflects the positive results from the audit work undertaken in the year.

Accountability Grids

Since the early 1980s a number of reports have been presented by bodies such as the NIAO and Public Accounts Committee, Westminster or Stormont, making recommendations relevant to corporate governance arrangements within Invest NI or its predecessor bodies. All recommendations that directly related to DfE and/or Invest NI are now recorded in an 'Accountability Grid' to ensure that all necessary actions are being progressed. This is supplemented by recommendations made in reports related to other organisations that also had an impact on, or potential relevance to, Invest NI.

A summary of the Accountability Grids was provided to the Audit & Risk Committee at its meeting in May 2021, at which point 10 new recommendations had been added to the Accountability Grids, all of which relate to an NIAO report on Access to Finance. As a result, there are a total of 373 recommendations on the Accountability Grids.

All of the recommendations on the NIAO report on Access to Finance are relevant to Invest NI's operations and will be subject to ongoing review. Invest NI is also taking forward actions on two recommendations from prior years. These actions represent minor enhancements to existing procedures and no major gaps or system issues have been identified.

NIAO Reports

In December 2021 the NIAO published its report on the Design and Administration of the Northern Ireland Small Business Support Scheme. The report outlined the lessons to be learnt from the scheme, which launched in March 2020 to provide emergency grants of £10,000 to small businesses. The report includes the reasons for the Comptroller and Auditor General's qualification of the 2019-20 accounts for DfE and Invest NI, the impact of which was carried over to the 2020-21 accounts.

The NIAO also published two guides relating to fraud: the Grant Fraud Risk Guide was published in October 2021 and the Internal Fraud Risks Guide in February 2022

Significant internal control problems

No significant internal control problems have been identified.

Public Accounts Committee Issues

There were no Public Accounts Committee issues raised in 2021-22.

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Accounting Treatment of COVID-19 Emergency Schemes

Throughout the course of the COVID-19 pandemic there have been a number of NI Executive initiatives launched to provide emergency grants to businesses to help mitigate against the impact of closures during restrictions.

In order to deliver the emergency COVID schemes detailed in the table below, DfE agreed a Memorandum of Understanding (MOU) with Invest NI and DoF / Land and Property Services (LPS). Invest NI's responsibility under the MOU was to account for the schemes on an accruals basis, with DfE accounting for them as cash-based Grant-in-Aid. This approach was based on legal advice received by DfE at the design phase of the schemes and was discussed with DoF and NIAO during the design and implementation of SBGS.

The expenditure on the schemes that utilised this approach was as follows:

Scheme	2021-22 £ million	2020-21 £ million	2019-20 £ million
Small Business Grant Scheme	(0.1)	23.2	220
Tourism and Retail Sectors Grant	0.03	73.6	-
Large Tourism and Hospitality Business Support Scheme	13.5	37.4[1]	-
Wet Pubs Scheme	(0.06)	4.1	-
TOTAL	**13.37**	**138.3[2]**	**220**

Notes:
1. Restated from £39.9m.
2. Restated from 140.8m.

The 2019-20 accounts included a qualified opinion on regularity in respect of the Small Business Grant Scheme. During the course of their audit of the following year's accounts, NIAO further reviewed the arrangements and accounting treatment as part of the audit of the following year's accounts and concluded that, based on substance over legal form, DfE, rather than Invest NI, should have accounted for the Grant expenditure and costs of administration in its accounts. This led to the Comptroller and Auditor General providing an Adverse True and Fair audit opinion for Invest NI's accounts and a qualified opinion for DfE's accounts in 2020-21.

Throughout the audit of the 2020-21 accounts, Invest NI has considered the position from DfE, supported by advice from Senior Counsel and DoF, that the arrangements represented a function of Government by which the DfE Accounting Officer delegated delivery of the schemes to Invest NI (a Non-Departmental Public Body), with administrative support from DfE and LPS due to the resources required and time constraints caused by the emergency nature of the schemes. As such, the accounting treatment reflects the model used in Northern Ireland to deliver public services, with the Department working in partnership with its NDPB.

Furthermore, DfE has been clear in its view that there is open and fulsome disclosure within the accounts of both Invest NI and DfE, which provides the information necessary to understand the

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transactions taking place. This supports the most relevant concept in the IFRS Conceptual Framework (as interpreted by the Government Financial Reporting Manual (the FReM)) in ensuring the usefulness of the accounts to Parliament (including the NI Assembly).

DfE also considered the importance to NI Assembly Members of expenditure in respect of a grant scheme being disclosed in the entity in respect of which the Executive has approved the Budget/Supply, which in turn will be in line with the entity whose remit, and legal vires, covers the expenditure. The DfE view is that when budget cover has been made available to an NDPB for an activity which falls within its remit and vires, "it would not be desirable or useful to Members for that expenditure to be moved to the NDPB's parent Department". The result would, in DfE's view, be superficially "illegal" expenditure, even though the Budget cover and legal vires was legitimately available in a body in the same Departmental family under the control of the same Minister".

Invest NI has considered this information in the context of the responsibilities of its Accounting Officer, as laid out in the MSFM, to *"sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Minister, Department or DoF"*. Therefore, given the MOU instructions previously provided by DfE, and subsequently supported by DoF, and in the interests of ensuring that the grants are appropriately reflected in the Invest NI or DfE overall position, Invest NI did not adjust its 2020-21 accounts for this matter. This position was shared with members of Invest NI's Audit and Risk Committee, who indicated their agreement.

Invest NI's accounts for 2021-22 contain expenditure relating to the schemes in question, albeit the quantum is greatly reduced, and the respective positions held by the NIAO and DfE on the arrangements and accounting treatment remain unchanged. Invest NI has again considered the opinions of both parties and will not adjust its 2021-22 financial statements for this matter.

As a result, the related grant expenditure remains in the Invest NI accounts rather than the DfE accounts, and the Comptroller and Auditor General has therefore qualified his true and fair opinion on the DfE and Invest NI accounts for 2021-22. The Comptroller and Auditor General has also stated that reliance cannot be placed on Invest NI's legal powers to prove the regularity of the related transactions, and has qualified his regularity opinion accordingly.

COVID-19 Emergency Schemes

In addition to the schemes discussed above, in 2020-21 DfE also launched four further NI Executive emergency schemes which were delivered by Invest NI to a large number of businesses. The rapid pace of the design and delivery of these schemes increased the inherent risk of fraud, error and loss of funds. The comprehensive risk assessment for each of the schemes meant that the DfE Accounting Officer could not conclude that they would deliver value for money or that the risk of fraud and error would be acceptable under ordinary circumstances. As a result, approval for the implementation of the schemes was by Ministerial Direction.

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In recognition of the emergency nature of the schemes and in order to facilitate the required speed of delivery, each of the five schemes relied on self-declarations made by applicants to confirm eligibility. The risk of fraud associated with this approach was acknowledged and documented, and accepted only under the specific requirements of these schemes to deliver emergency funding. In order to mitigate against the risks, clawback provisions were built into each of the schemes and DfE assumed responsibility for any post payment checks as documented through the MOUs or Delivery Documents governing each scheme.

The associated expenditure recorded in Invest NI's financial statements is as follows:

Scheme	**2021-22 £ million**	**2020-21 £ million**
Coronavirus Hardship Fund for Microbusinesses	-	23.3
COVID Restrictions Business Support Scheme (CRBSS) Part A	10.7	65.4
COVID Restrictions Business Support Scheme (CRBSS) Part B	4	12.8
Newly Self-Employed Support Scheme (NSESS)	-	8.7
Limited Company Directors Support Scheme (LCDSS)		19.6
TOTAL	**14.7**	**129.8**

The reliance on self-declarations meant that Invest NI was not required to obtain evidence from applicants to support eligibility for these specific criteria. During the course of their audit, NIAO has determined that, due to this absence of audit evidence to verify whether the self-declarations were accurate, there is a limitation in the scope of its work. As a result, the Comptroller and Auditor General was unable to form an opinion on whether the expenditure included in the 2021-22 accounts had been used for the purpose intended and has therefore qualified his regularity audit opinion.

The schemes in question were designed and delivered at rapid pace in order to combat the impact of COVID-19 on businesses. The risk of fraud and error was identified at the outset at scheme design stage. Where possible, as part of its delivery role, Invest NI put in place processes designed to ensure that all reasonable governance and control mechanisms were established prior to payments being made, albeit in a proportionate manner given the nature of the urgency with which the schemes were introduced. These processes and checks allowed Invest NI to quickly identify and recover a small number of ineligible payments. Despite the urgency in both design and delivery, Invest NI noted that no further payment errors or instances of non-compliance with the agreed processes were identified by NIAO during the audit. The NIAO qualifications relate specifically to the accounting treatment between DfE and Invest NI and the limitations in audit scope as a result of the use of self-declarations to facilitate emergency payments.

Delivery of the schemes was a NI Executive priority and Invest NI is satisfied that all reasonable steps were taken to ensure that loss of funds through fraud and error was minimised and mitigated through clawback provisions and other controls and processes, with further post-payment checks carried out by DfE.

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Glenmore Generation Limited

The Comptroller and Auditor General provided a qualified opinion on the expected credit loss charge and the interest income associated with a loan to Glenmore Generation Limited within Invest NI's 2020-21 accounts. Whilst DOF originally provided approval for the write off of this investment, as the related expenditure was subsequently deemed to be irregular, DoF therefore rescinded the write off approval. The areas for improvement identified have now been included in the Corporate Governance action plan that is overseen by the newly formed Invest NI Governance Council (GC). The GC was formed in July 2021 to implement best practice and improvements right across the governance framework and reports regularly to Invest NI's Audit & Risk Committee on its work plan and priorities. Updated guidance relating to loans and high risk projects is due to be issued in the first quarter of 2022-23, and Invest NI is reviewing its systems for tracking approval conditions associated with major investments, including the establishment of a Risk and Credit Committee.

Prior Year Adjustment

In its financial statements for 2021-22 Invest NI has restated the 2020-21 expenditure relating to the Large Tourism and Hospitality Business Support Scheme from £39.9M to £37.4M. This adjustment has been made following the identification of an over accrual in the 2020-21 financial statements. The Comptroller and Auditor General has stated that both DfE and Invest NI had responsibility for bringing this over accrual to his attention prior to the certification of the financial statements on 4th March 2022, and that both organisations should put communications in place to prevent this happening again in the future.

Correspondence in February indicated that an underspend in the Large Tourism and Hospitality Business Support Scheme in 2021-22 may relate to an over accrual from 2020-21, however at this stage it was not clear and the underspend was not deemed to be material in the context of £270m scheme expenditure in 2020-21. Following further engagement with DfE it was concluded in mid-March that the underspend related to an over accrual in respect of 2020-21.

The decision to make a prior year adjustment was taken based on the fact that Invest NI would open the 2021-22 year with an error of £2.5m, which was certainly material against the COVID-19 schemes expenditure for that year.

At no time did Invest NI consider that it had a material error or issue in the 2020-21 accounts and took the decision solely on the basis of regulating the 2021-22 year. At the time of the certification of the 2020-21 accounts, Invest NI did not feel it was in possession of sufficient information to fully evaluate this matter and come to a definitive position. However we accept the C&AG's point that better communications between ourselves, DfE and NIAO would help to avoid a recurrence of such issues in the future.

Conclusion

I have considered the evidence provided with regards to the production of the Annual Governance Statement and the independent advice and assurance provided by the Audit & Risk Committee. I conclude that Invest NI has satisfactory governance and risk management systems with effective plans to ensure continuous improvement.

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Remuneration and Staff Report

Remuneration Report

The Remuneration and Staff Report sets out Invest NI's Remuneration Policy for our Board members and ELT, reports on how that policy has been implemented and sets out the amounts awarded to Board members and ELT and, where relevant, the link between performance and remuneration. It also contributes to Invest NI's accountability to the Northern Ireland Assembly and best practice with corporate governance norms and codes.

Chair and Board members

The Chair and Board members are appointed in accordance with the Code of Practice of the Office of the Commissioner for Public Appointments for Northern Ireland. The Chair and Board members are appointed for a fixed period of up to five years. Thereafter they may be re-appointed in accordance with the Code of Practice.

The remuneration of the Chair and Board is set by DfE. Increases are calculated in line with the recommendations of the Senior Salaries Review Body. There are no arrangements in place for the payment of a bonus.

Neither the Chair nor any Board members receive pension contributions from Invest NI or DfE. Invest NI reimburses the Chair and Board members for any incidental expenses incurred for carrying out their duties relevant to the organisation.

The remuneration of the Chair and Board members is as follows (the information in the table below has been subject to audit):

	Salary (£'000)		**Benefits in kind (to nearest £100)**	
	2021-22	**2020-21**	**2021-22**	**2020-21**
Rose Mary Stalker (Chair)	46	45	-	-
Deborah Lange	13	13	-	-
Mark Nodder	13	13	-	-
Mark Sweeney	13	13	-	-
Padraig Canavan	13	13	-	-
Brian Baird (Retired 31 March 2021)	-	13	-	-
Judith Totten	13	13	-	-
Colin Coffey	13	13	-	100
Kieran Kennedy	13	13	-	-
Kevin Kingston	13	13	-	-
Marie-Therese McGivern	13	13	-	-
Michael McQuillan	13	13	-	-

Benefits In Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

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Reimbursement of Board members' travel expenses in respect of journeys made to Invest NI Headquarters has been determined by HMRC to be taxable emoluments. As a result, travel expenses reimbursed in respect of these journeys are now included above as a benefit in kind together with the related tax on the benefit that is carried by Invest NI.

Executive Leadership Team

The ELT comprises of the Chief Executive and Executive Directors.

Remuneration Policy

The Remuneration Committee of the Board is responsible for agreeing the performance indicators against which the Chief Executive is measured, and to present recommendations to DfE on any annual pay increase for the Chief Executive. The annual pay increases for other members of ELT are paid on the same arrangements that apply to the Senior Civil Service (SCS). The Minister has set the 2021-22 NI public sector pay policy (March 2021) in line with the overarching HMT parameters. Annual NICS pay awards are made in the context of the wider public sector pay policy. The pay award for NICS staff, including SCS staff, for 2021-22 was announced by DoF in April 2021 and has been implemented in December 2021 following approval by DfE.

The pay of SCS is based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance.

Service Contracts

As with all staff appointments, ELT appointments are made in accordance with Invest NI's recruitment policy. The policy requires appointments to be made on merit on the basis of fair and open competition.

All ELT members hold permanent appointments with the organisation that are open-ended. Early termination, other than for misconduct, would result in these individuals receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners for Northern Ireland can be found at www.nicscommissioners.org

Accountability Report

Remuneration and Staff Report

Remuneration and pension entitlements

The following sections provide details of the remuneration and pension interests of the ELT (the information in the table below has been subject to audit):

Single total figure of remuneration	Salary (£'000)		Benefits in kind (to nearest £100)		Pension Benefits* (to nearest £1,000)		Total (£'000)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Chief Executive:								
Kevin Holland (until 3 March 2022)	175-180 (175-180 FYE)	170-175	-	-	61	67	235-240	240-245
Mel Chittock **	125-130 (160-165 FYE)	100-105	-	-	175	65	300-305	165-170
Executive Directors:			-					
Jeremy Fitch	105-110	105-110	-	-	32	52	140-145	155-160
Amanda Braden (until 5 May 2020)	N/A	15-20 (75-80 FYE)	N/A	-	N/A	5	N/A	20-25
Denise Black (from 20 April 2020)	75-80	65-70 (70-75 FYE)	-	-	29	27	105-110	95-100
Peter Harbinson	85-90	75-80	-	-	55	50	140-145	125-130
Steve Harper	110-115	100-105	-	-	42	41	150-155	145-150
Brian Dolaghan***	100-105	95-100	-	-	59	55	160-165	150-155
Donal Durkan ****	95-100	85-90	-	-	95	(7)	190-195	80-85
Alan McKeown *****	80-85 (75-85 FYE)	70-75	-	-	32	28	115-120	100-105

The salary figures included in the table above reflect what was paid to the individuals during 2021-22, which may include an element of back pay relating to the previous year.

**Pension Benefits*
The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. This figure has been calculated and provided to us by Civil Service Pensions.

*** Mel Chittock was appointed to the role of Interim Chief Executive on 15 December 2021. Prior to that date, he was the Executive Director of Finance and Operations. FYE figure noted is for role of Interim Chief Executive.*

**** Brian Dolaghan was appointed to the role of Executive Director, Finance on 1 February 2022. Prior to that date he was the Executive Director of Business Development and Solutions Group.*

***** Donal Durkan was appointed to the role of Executive Director, Outcomes Value and Impact on a fixed term basis from 1 October 2020.*

****** Alan McKeown was appointed to the role of Chief Transformation Officer on a fixed term basis from 25 November 2021.*

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Remuneration and Staff Report

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation and any severance or ex gratia payments.

Bonuses

No member of ELT received any bonuses during 2021-22 or the previous year.

Pay Multiples

The following section is subject to audit

	2021-22	2020-21	Percentage change
	£'000	£'000	
Band of Highest Paid Director's Total Remuneration *	175-180	170-175	2.9%
	£	£	
Mean salary and allowances	39,848	38,239	4.2%
Median Total Remuneration *	39,748	38,017	
Ratio	4.5	4.5	
Employee on the 25th percentile	26,678	26,077	
25th percentile pay ratio	6.7	6.6	
Employee on the 75th percentile	42,639	41,799	
75th percentile pay ratio	4.2	4.1	

**Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.*

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in Invest NI in the financial year 2021-22 was £175,000-£180,000 (2020-21, £170,000-175,000). This was 4.5 times (2020-21, 4.5) the median remuneration of the workforce, which was £39,748 (2020-21, £38,017). The median represents the mid-point of all the salaries in the organisation.

There was no performance pay or bonuses paid to any of the individuals in the table above, therefore the salary shown equates to the total pay and benefits for each individual.

In 2021-22, one employee (2020-21, one employee) received total remuneration in excess of the highest-paid director. This employee has been temporarily posted overseas on a fixed term contract

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Remuneration and Staff Report

and the total remuneration reported includes in-country related costs of the assignment which are grossed up for tax purposes. These costs are temporary during the period of relocation.

Remuneration ranged from £19,000 to £230,000-235,000 (2020-21, £19,000 to £210,000-215,000).

Pension Entitlements

Pension details of ELT as at 31 March 2022 are as follows (the information in the table below has been subject to audit):

	Accrued pension at pension age as at 31 March 2022 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2022	CETV at 31 March 2021	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Kevin Holland	5-10 plus nil lump sum	2.5-5 plus nil lump sum	133	79	38	-
Mel Chittock*	45-50 plus 110- 115 lump sum	7.5-10 plus 15-17.5 lump sum	1,027	814	159	-
Jeremy Fitch	45-50 plus 90-95 lump sum	0-2.5 plus nil lump sum	913	849	15	-
Peter Harbinson	35-40 plus nil lump sum	2.5-5 plus nil lump sum	682	599	43	-
Steve Harper	10-15 plus nil lump sum	0-2.5 plus nil lump sum	149	118	20	-
Brian Dolaghan	40-45 plus nil lump sum	2.5-5 plus nil lump sum	698	618	43	-
Donal Durkan	40-45 plus 100- 105 lump sum	2.5-5 plus 7.5-10 lump sum	889	756	84	-
Denise Black	0-5 plus nil lump sum	0-2.5 plus nil lump sum	44	20	17	-
Alan McKeown	5-10 plus nil lump sum	0-2.5 plus nil lump sum	60	36	17	-

***** The prior year Cash Equivalent Transfer Value (CETV) figure for this individual has been restated by Civil Service Pensions

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Northern Ireland Civil Service (NICS) Pension Schemes

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP).

The **alpha** pension scheme was initially introduced for new entrants from 1 April 2015. The **alpha** scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of members of the **classic**, **premium**, **classic plus** and **nuvos** pension arrangements (collectively known as the Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS(NI)]) also moved to **alpha** from that date. At that time, members who on 1 April 2012 were within 10 years of their normal pension age did not move to **alpha** (full protection) and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to **alpha** on 1 April 2015 or at a later date determined by their age (tapered protection).

In 2018, the Court of Appeal found that the protections put in place back in 2015 that allowed older workers to remain in their original scheme, were discriminatory on the basis of age. As a result, the discrimination identified by the Courts in the way that the 2015 pension reforms were introduced must be removed by the Department of Finance. It is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period. The different pension benefits relate to the alternative schemes e.g. legacy PCSPS(NI) '**Classic'**, '**Premium'** or '**Nuvos'** (legacy scheme) or **alpha**.

Scheme regulations made in March 2022, closed the PCSPS(NI) to future accrual from 31 March 2022, and all remaining active PCSPS(NI) members (including partially retired members in active service) moved to '**alpha**' from 1 April 2022. This completes Phase One to remedy the discrimination identified by the Courts. Any pension benefits built up in the legacy scheme prior to this date are unaffected and PSCPS(NI) benefits remain payable in accordance with the relevant scheme rules. Phase Two will see the implementation of the Deferred Choice Underpin. That is, giving eligible members a choice between legacy scheme and alpha scheme benefits for service between 1 April 2015 and 31 FD (DoF) 04/22 - Appendix A.1 15 March 2022. At this stage, allowance has not yet been made within CETVs for this remedy. Further information on the remedy will be included in the NICS pension scheme accounts which are available at https://www.finance-ni.gov.uk/publications/dof-resourceaccounts.

Alpha is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current accrual rate is 2.32%.

Currently new entrants joining can choose between membership of **alpha** or joining a 'money purchase' stakeholder arrangement with a significant employer contribution (Partnership Pension Account).

New entrants who joined on or after 30 July 2007 were eligible for membership of the legacy PCSPS(NI) **Nuvos** arrangement or they could have opted for a Partnership Pension Account. **Nuvos** was also a CARE arrangement in which members accrued pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate of accrual was 2.3%.

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Staff in post prior to 30 July 2007 may be in one of three statutory based ‘final salary’ legacy defined benefit arrangements (**classic**, **premium** and **classic plus**). From April 2011, pensions payable under these arrangements have been reviewed annually in line with changes in the cost of living. New entrants who joined on or after 1 October 2002 and before 30 July 2007 will have chosen between membership of premium or joining the Partnership Pension Account.

Benefits in **classic** accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). **Classic plus** is essentially a variation of FD (DoF) 04/22 - Appendix A.1 16 Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per **classic**.

The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Active members of the pension scheme will receive an Annual Benefit Statement. The accrued pension quoted is the pension the member is entitled to receive when they reach their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. The normal scheme pension age in **alpha** is linked to the member’s State Pension Age but cannot be before age 65. The Scheme Pension age is 60 for any pension accrued in the legacy **classic**, **premium**, and **classic plus** arrangements and 65 for any benefits accrued in **nuvos**. Further details about the NICS pension schemes can be found at the website www.finance-ni.gov.uk/civilservicepensions-ni.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2021 was 3.1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2022.

Employee contribution rates for all members for the period covering 1 April 2022 – 31 March 2023 are as follows:

Scheme Year 1 April 2022 to 31 March 2023

Annualised Rate of Pensionable Earnings (Salary Bands)		**Contribution rates - All members**
From	**To**	**From 1 April 2022 to 31 March 2023**
£0	£24,449.99	4.6%
£24,450.00	£56,399.99	5.45%
£56,400.00	£153,299.99	7.35%
£153,300.00 and above		8.05%

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Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Compensation for Loss of Office

The following section is subject to audit

No member of ELT received compensation for loss of office. In 2021-22 no members of ELT retired early (2020-21: one member of ELT retired early at no additional cost to Invest NI).

Payments to past Directors

The following section is subject to audit

No payments have been made to former directors in either the current or previous year.

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Staff Report

Staff Costs

The following section is subject to audit

Group

	Permanently employed staff £'000	Overseas staff £'000	Others* £'000	2021-22 Total £'000	2020-21 Total £'000
Wages and salaries	23,734	3,970	1,296	29,000	30,745
Social security costs	2,678	-	27	2,705	2,671
Other pension costs	7,163	-	77	7,240	7,287
Sub total	**33,575**	**3,970**	**1,400**	**38,945**	**40,703**
Less recoveries in respect of outward secondments and others	(215)	-	-	(215)	(278)
Total net costs	**33,360**	**3,970**	**1,400**	**38,730**	**40,425**

Invest NI

	Permanently employed staff £'000	Overseas staff £'000	Others* £'000	2021-22 Total £'000	2020-21 Total £'000
Wages and salaries	22,937	3,970	1,296	28,203	29,887
Social security costs	2,596	-	27	2,623	2,590
Other pension costs	6,932	-	77	7,009	7,056
Sub total	**32,465**	**3,970**	**1,400**	**37,835**	**39,533**
Less recoveries in respect of outward secondments and others	(339)	-	-	(339)	(402)
Total net costs	**32,126**	**3,970**	**1,400**	**37,496**	**39,131**

*Others include Board members, temporary staff/external secondees and employees who are engaged on a fixed term contract. Included within wages and salaries above are costs of £1,035,000 (2020-21: £439,000) in respect of external secondees and temporary staff.

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Pension Costs

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but Invest NI is unable to identify its share of the underlying assets and liabilities.

The Public Service Pensions Act (NI) 2014 provides the legal framework for regular actuarial valuations of the public service pension schemes to measure the costs of the benefits being provided. These valuations inform the future contribution rates to be paid into the schemes by employers every four years following the scheme valuation. The Act also provides for the establishment of an employer cost cap mechanism to ensure that the costs of the pension schemes remain sustainable in future.

The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2016 scheme valuation was completed by GAD in March 2019. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2019 to 31 March 2023.

The 2016 Scheme Valuation requires adjustment as a result of the 'McCloud remedy'. The Department of Finance also commissioned a consultation in relation to the Cost Cap element of Scheme Valuations which closed on 25 June 2021. The Cost Cap Mechanism (CCM) is a measure of scheme costs and determines whether member costs or scheme benefits require adjustment to maintain costs within a set corridor. By taking into account the increased value of public service pensions, as a result of the 'McCloud remedy', scheme cost control valuation outcomes will show greater costs than otherwise would have been expected. Following completion of the consultation process the 2016 Valuation has been completed and the final cost cap determined. Further information can be found on the Department of Finance website https://www.finance-ni.gov.uk/articles/northern-ireland-civil-service-pension-scheme-valuations.

A case for approval of a Legislative Consent Motion (LCM) was laid in the Assembly to extend the Public Service Pensions and Judicial Offices Bill (PSP&JO) to Northern Ireland. Under the LCM agreed by the NI Assembly on 1 November 2021 provisions are included in the Act for devolved schemes in NI. A second LCM was laid in the Assembly to implement the CCM changes in the Westminster Bill for devolved schemes. The second LCM, as agreed by the Assembly on 31 January 2022, ensured the reformed only scheme design and the economic check will now be applied to the 2020 scheme valuations for the devolved public sector pension schemes, including the NICS pension scheme. The PSP&JO Act received Royal Assent on 10 March 2022. The UK Act legislates how the government will remove the discrimination identified in the McCloud judgment. The Act also includes provisions that employees will not experience any detriment if the adjusted valuation costs breach the set cost cap ceiling but any breaches of the cost cap floor (positive employee impacts) in the completed valuations will be honoured.

For 2021-22, employers' contributions of £6,994,000 were payable to the NICS pension arrangements (2020-21 £7,045,000) at one of three rates in the range from 28.7 per cent to 34.2 per cent of pensionable pay, based on salary bands.

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Remuneration and Staff Report

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £14,000 (2020-21: £11,000) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8 to 14.75 per cent (2020-21: 8 to 14.75 per cent) of pensionable pay.

The partnership pension account offers the member the opportunity of having a 'free' pension. The employer will pay the age-related contribution and if the member does contribute, the employer will pay an additional amount to match member contributions up to 3% of pensionable earning.

Employer contributions of £1,000, 0.5 per cent (2020-21: £Nil, 0.5 per cent) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £Nil (2020-21: £1,000). Contributions prepaid at that date were £Nil (2020-21: £Nil).

No persons (2019-20: one person) retired early on ill-health grounds. The total additional accrued pension liabilities amounted to £Nil (2020-21: £7,000).

NI-CO contributed £231,000 (2020-21: £232,000) to a defined contribution scheme during the year.

Average number of persons employed

The following section is subject to audit

The average number of Full Time Equivalent (FTE) persons employed during the year was as follows:

Group	**Permanently employed staff**	**Others**	**2021-22 Total**	**2020-21 Total**
Directly employed	550	8	558	577
Temporary staff/external secondees	-	21	21	10
Board members	-	11	11	12
Overseas staff	-	53	53	55
NI-CO staff	26	-	26	26
Total	576	93	669	680

Invest NI	**Permanently employed staff**	**Others**	**2021-22 Total**	**2020-21 Total**
Directly employed	550	8	558	577
Temporary staff/external secondees	-	21	21	10
Board members	-	11	11	12
Overseas staff	-	53	53	55
Total	**550**	**93**	**643**	**654**

Accountability Report

Remuneration and Staff Report

Note: The following 'Information on people' table is based on total numbers employed, whereas the average number employed referred to above is based on total FTE.

	2021-22			2020-21		
Information on people	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Board members	7	4	11	8	4	12
Senior civil servants (SCS)*	14	6	20	15	6	21
Number of employees (excluding SCS)	279	347	626	291	356	647
Total	**300**	**357**	**657**	**314**	**366**	**680**

*Senior civil servants are defined as a member of staff at Grade 5 or above. The 20 employees referred to above comprise one individual at Grade 1, five individuals at Grade 3 and 14 individuals at Grade 5.

Staff turnover

Group	**2021-22**	**2020-21**
Staff turnover percentage	9.7	5.9

Invest NI	**2021-22**	**2020-21**
Staff turnover percentage	9.9	6.2

Employee engagement

Staff participation in the surveys has been high. Over 75% of staff responded to the COVID-19 Response Survey in June 2020 survey, making 5,500 individual comments. We asked staff for feedback on our COVID-19 response. Given the circumstances, feedback was positive and constructive. We were able to undertake a range of actions to address feedback including the introduction of a Home Office Support Scheme. We launched our New Ways of Working in May 2022 supported by FAQs and guidance reflecting the feedback from staff. Our revitalised Values were launched formally in May 2022.

Invest NI engaged closely with staff while we were working remotely during the pandemic. Staff safety and welfare were the priorities during the COVID-19 lockdowns and subsequent periods of restrictions. Invest NI surveyed staff on specific issues throughout the period:

- June 2020 – COVID-19 Response Survey.
- February 2021 - Staff focus groups to develop our New Ways of Working approach.
- August 2021 - Staff focus groups to update our corporate Values to more fully reflect our organisation.
- November 2021 – Values Survey on the outputs from the Values project
- December 2021 - Diversity & Inclusion survey.

Accountability Report

Remuneration and Staff Report

Off-payroll engagements

There were no off-payroll engagements requiring disclosure. During the year, a number of individuals were engaged by Invest NI via secondment arrangements. In all cases these individuals are on the payroll of their employer and the appropriate income tax and NI obligations are being met by their employing organisation.

Off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022:

	Total
No. of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year.	-
Total no. of individuals on-payroll that have been deemed Board members, and/or, senior officials with significant financial responsibility, during the financial year.	20

Reporting of Civil Service and other compensation schemes – exit packages

The following section is subject to audit

Invest NI did not implement any Voluntary Exit Scheme in the current or previous year.

Consultancy costs and temporary staff

Consultancy costs of £Nil (2020-21: £6,000) were incurred and there was expenditure of £332,000 (2020-21: £147,000) on temporary staff during the year.

Employee-related policies

Invest NI's policy on Equality of Opportunity aims to ensure that no actual or potential job applicant or staff member is discriminated against, either directly or indirectly, on the grounds of gender, marital status, disability, race, community background or political persuasion, age, dependants, sexual orientation or trade union membership. The policy is designed to ensure that each person shall have equal opportunity for employment, training and advancement within Invest NI on the basis of ability, qualifications and performance.

Invest NI has issued a Joint Declaration of Protection, which is a joint management and union agreement recognising the moral and statutory responsibilities placed on Employers and Trade Unions. Its purpose is to make certain that all Invest NI employees understand their responsibility for ensuring that their conduct is consistent with Invest NI's determination to provide a neutral and harmonious working environment for staff.

This is supported by an annual programme of mandatory training and refresher training in Disability, Equality and Dignity Awareness for all staff.

Recruitment and selection training, including awareness of unconscious bias, is provided to all members of recruitment panels. Invest NI gives full and fair consideration to employment applications made by disabled persons, having regard to their particular aptitude and abilities. It takes appropriate action to facilitate the employment, training, career development and promotion of disabled staff members, including those who have become disabled during the period of their employment with the organisation. It promotes a diverse and inclusive workforce by supporting

Accountability Report

Remuneration and Staff Report

alterations to the working environment to assist disabled persons, and by offering flexible and personalised working hours and hybrid working arrangements for all staff.

As part of its commitment to promoting an ethos of valuing everyone as an individual, Invest NI has created a Diversity and Inclusion Strategy, and has been awarded Diversity Mark NI “Bronze” status.

Invest NI continues to fulfil its statutory obligations under fair employment legislation, including the annual return to the Equality Commission for Northern Ireland.

Staff attendance is actively managed, and the organisation’s absence rate for the 2021-22 year was 3.58 per cent including long-term sickness (2020-21: 2.18 per cent). The main reason for this increase is the increase in days lost to COVID-19, which made up 29.9% of the total for this year. In 2021-22, the NI Civil Service’s absence rate was 5.6 per cent (2020-21: 4.4 per cent).

The Learning and Development function supports the development of all staff by providing internal and external training to develop skills and expertise. Invest NI offers a range of career development opportunities, and support with further education and study leave. It is committed to the continuous development of its staff and to policies that enable them to best contribute to the performance and long term effectiveness of the organisation. It ensures that all learning interventions are aligned to the business strategy and organisational values.

Employees are actively involved in all relevant matters, and communication and consultation are conducted both directly and through the recognised Trade Union (NIPSA).

Invest NI recognises its statutory responsibility to provide healthy and safe working conditions, and its range of people policies and practices support the human rights and wellbeing of employees. Invest NI believes this is essential to achieving our organisational aims in line with our core vision and values.

Accountability Report

Assembly Accountability and Audit Report

The Assembly Accountability and Audit Report brings together the key Assembly accountability documents with the annual report and accounts.

Losses and special payments

The following sections are subject to audit

Losses

Invest NI is required by MPMNI to disclose losses and related information, including any waiver of Invest NI's entitlement to income and write off. Details are as follows:

	Group and Invest NI					
Waiver/Write off	**2022 Losses £'000**	**2022 No. of cases >£250k***	**2022 No. of cases <£250k**	**2021 Losses £'000**	**2021 No. of cases >£250k***	**2021 No. of cases <£250k**
Grants recoverable	999	1	14	762	-	29
Others including investments and accrued income	17,228	4	9	3,611	6	16

All the waiver or write off cases were either approved by Invest NI in accordance with internal delegated limits, or by DfE or DoF where appropriate.

* Invest NI supports companies via grants, loan and share investments. If an event occurs that results in the investment being irrecoverable or the grant requiring clawback, a loss can occur. These events include, for example, abandonment of project supported or company failure. Of the 5 cases noted over £250,000, one related to share investments, two to loans, one to a grant clawback and one to a foreign exchange loss on European funding drawdown. The one clawback case and one of the loan cases were for the same customer.

Included in the table above is the write off of the Invest NI investment in Glenmore Generation Limited £14,171,000. Whilst DoF initially provided approval for the write off of this investment, the related expenditure was subsequently deemed to be irregular, resulting in the write off approval being rescinded. In the prior year, qualification was received from the Comptroller and Auditor General in respect of the related expenditure, further details on this qualification can be found in the Invest NI 2020-21 Annual Report and Accounts.

At the year-end there are 24 cases of potential losses totalling £1,449,000 (2021: 16 cases totalling £18,100,000) that are under management review. Of these cases £853,000 were reported in previous years; £596,000 were new cases in 2021-22.

These cases have been notified to DfE and DoF as potential losses and the review process is on-going. All of these cases have been fully provided for so will have no future impact on the accounts.

Accountability Report

Assembly Accountability and Audit Report

Special payments

There were no special payments greater than £250,000 in the current or previous year. Special payments are defined in Managing Public Money (Northern Ireland).

Fees and charges

This section is subject to audit

There are no fees and charges that require disclosure.

Remote Contingent Liabilities

This section is subject to audit

There are no remote contingent liabilities that require disclosure.

Mel Chittock
Accounting Officer
Date: 08 July 2022

INVEST NORTHERN IRELAND

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Qualified opinion on financial statements

I certify that I have audited the financial statements of Invest Northern Ireland and its group for the year ended 31 March 2022 under the Industrial Development Act (Northern Ireland) 2002. The financial statements comprise: the Group and Parent Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union and interpreted by the Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, except for the possible effects of the matters described in the *Basis for qualified opinions* section of my report, the financial statements:

- give a true and fair view of the state of the group's and of Invest Northern Ireland's affairs as at 31 March 2022 and of the group's and Invest Northern Ireland's net expenditure for the year then ended; and
- have been properly prepared in accordance with Industrial Development Act (Northern Ireland) 2002 and Department for the Economy directions issued thereunder.

Qualified opinion on regularity

In my opinion, except for the effects and the possible effects of the matters described in the *Basis for qualified opinions* section of my report, in all material respects the expenditure and income recorded in the financial statements have been applied for the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinions

I do not agree with the accounting treatment of COVID-19 business support grants administered by the Department for the Economy. These have been accounted for as if the expenditure was controlled by Invest Northern Ireland, however in my opinion it was controlled by the Department for the Economy itself and, in order to provide a true and fair view, should not have been accounted for by Invest Northern Ireland. In my opinion the substance of these transactions was that the Department for the Economy itself was responsible for this expenditure, not Invest Northern Ireland. I reached this view since the Department for the Economy designed and delivered the scheme and incurred the expenditure, while instructing Invest Northern Ireland to include the expenditure in its accounts on the basis that it had the correct legal powers. However, neither International Accounting Standards nor the Government Financial Reporting Manual (FReM) allow for legal vires as a basis for recognition. This has resulted in misstatements in 2021-22 of:

- £16.8 million (2020-21: £286.1 million) of an overstatement to the General Fund arising from notional Grant-in-Aid;
- £13.4 million (2020-21: £138.3 million - restated) of overstated Grant expenditure

- £1.5 million (2020-21: £nil) of overstated charge for expected credit losses against grant clawback debtors for these schemes;
- £3.1 million (2020-21: £nil) of overstated income relating to grant clawback;
- £0.5 million (2020-21: £nil) of overstated debtors;
- £4.5 million (2020-21: £152.3 million) of understated opening General Fund reserve; and
- £nil (2020-21: £4.5 million) of overstated accruals.

The cumulative effect of these misstatements is that Net Expenditure for the year has been overstated by £11.8 million (2020-21: £138.3 million), and Net Assets have been overstated by £0.5 million (2020-21: understated by £4.5 million) and Net Assets at 1 April 2020 have been understated by £152.3 million.

The corresponding amounts for the 2020-21 accounting period noted above differ from my audit certificate for the 2020-21 financial statements because the body has made a Prior Period Adjustment of £2.5 million to correct an error in the calculation of accruals for these grants at 31 March 2021. My opinion is not modified in this regard.

In addition, the financial statements do not disclose the material irregular expenditure of £13.4 million (2020-21: £140.8 million) from these schemes, as required by the Accounts Direction issued by the Department for the Economy. My audit opinion on the financial statements is also qualified in this regard.

Since, in my opinion, it was the Department for the Economy and not Invest NI which expended £13.4 million on the COVID-19 business support grants referred to in the *Basis for qualified opinions* section, I cannot place reliance on Invest Northern Ireland's legal powers under the Industrial Development (NI) Order 1982 to prove the regularity of these transactions. In the absence of the Department for the Economy having sufficient powers in place itself, I have qualified my regularity audit opinion on this expenditure.

In addition to this, I have been unable to obtain sufficient appropriate evidence over £14.7 million (2020-21: £129.8 million) of grant expenditure for COVID-19 business support schemes administered by Invest Northern Ireland. These schemes relied upon self-declarations made by applicants to assess eligibility. No corroborating evidence was available to verify the information in the declarations made by applicants and there were no additional audit procedures that I could undertake to provide me with assurance as to the regularity of this expenditure. The scope of my audit was therefore limited. The potential impact of this limitation has led me to qualify my regularity audit opinion, on whether the expenditure had been applied for the purposes intended by the Assembly and conformed to the authorities which governed it.

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate.

My staff and I are independent of Invest Northern Ireland in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Invest Northern Ireland's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Invest Northern Ireland's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The going concern basis of accounting for Invest Northern Ireland is adopted in consideration of the requirements set out in the Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in that report as having been audited, and my audit certificate. The Accounting Officer is responsible for the other information included in the annual report. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department for the Economy directions made under the Industrial Development Act (Northern Ireland) 2002; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

Except for information related to Net Expenditure in 2021-22 and 2020-21 which is impacted by my qualified opinion on the financial statements, and in the light of the knowledge and understanding of Invest Northern Ireland and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- certain disclosures of remuneration specified by the Government Financial Reporting Manual are not made; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Except in respect of the matters set out in my *Basis for qualified opinions* section, I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- I have not received all of the information or explanations I require for my audit. administered by Invest Northern Ireland.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud of error;
- assessing the Invest Northern Ireland's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Invest Northern Ireland will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to examine, certify and report on the financial statements in accordance with the Industrial Development Act (Northern Ireland) 2002.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Invest Northern Ireland through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Industrial Development Act (Northern Ireland) 2002, the Financial Assistance Act (Northern Ireland) 2009, health and safety legislation and relevant tax laws;
- making enquires of management and those charged with governance on Invest Northern Ireland's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of Invest Northern Ireland's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: expenditure on grant schemes and posting of unusual journals;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- communicating with component auditors to request identification of any instances of non-compliance with laws and regulations that could give rise to a material misstatement of the group financial statements;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, reviewing legislation, performing substantive testing on grant awards, carrying out data analytics on grant applicants, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
  - performing analytical procedures to identify unusual or unexpected relationships or movements;
  - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
  - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
  - investigating significant or unusual transactions made outside of the normal course of business; and
- applying tailored risk factors to datasets of financial transactions and related records to identify potential anomalies and irregularities for detailed audit testing.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

My detailed observations are included in my report attached to the financial statements at pages 157 to 164.

Kieran Donnelly

K J Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
1 Bradford Court
Galwally
BELFAST
BT8 6RB

8 July 2022

Consolidated Statement of Comprehensive Net Expenditure
For the year ended 31 March 2022

	Note	2022 £'000	2021 Restated £'000
Revenue from contracts with customers	6	9,594	9,903
Other operating income	6	28,907	20,399
Total Operating income	6	**38,501**	**30,302**
Staff Costs	4	(38,730)	(40,425)
Purchase of goods and services	4	(30,591)	(27,403)
Depreciation and impairment charges	4	(3,074)	(2,627)
Decrease/(Increase) in Provisions	4	10,575	10,968
Other Operating Expenditure	4	(86,331)	(97,320)
COVID-19 Business Support Schemes	4	(28,057)	(268,181)
Total operating expenditure		**(176,208)**	**(424,988)**
Net operating expenditure		**(137,707)**	**(394,686)**
Finance income		1,854	1,271
Finance expense		(949)	(1,002)
Net expenditure for the year before taxation		**(136,802)**	**(394,417)**
Tax	7(i)	(148)	(837)
Net expenditure for the year after taxation		**(136,950)**	**(395,254)**

Other Comprehensive Net Expenditure

Items that will not be reclassified to net operating expenditure:			
Net gain on revaluation of property, plant and equipment	7(iii)	2,787	1,302
Net gain on revaluation of intangible assets	10	124	16
Items that may be reclassified to net operating expenditure:			
Net gain on revaluation of investments	13	-	-
Total Comprehensive Net Expenditure for the year ended 31 March 2022		**(134,039)**	**(393,936)**

All activities derive from continuing operations.

Notes **1 to 27** on pages 92 to 156 form part of these accounts.

Statement of Comprehensive Net Expenditure – Invest NI
For the year ended 31 March 2022

	Note	2022 £'000	2021 Restated £'000
Revenue from contracts with customers	6	590	488
Other operating income	6	28,368	19,896
Total Operating income	6	**28,958**	**20,384**
Staff Costs	4	(37,496)	(39,131)
Purchase of goods and services	4	(26,739)	(23,257)
Depreciation and impairment charges	4	(2,510)	(2,085)
Decrease/(Increase) in Provisions	4	10,575	10,968
Other Operating Expenditure	4	(86,331)	(97,320)
COVID-19 Business Support Schemes	4	(28,057)	(268,181)
Total operating expenditure		**(170,558)**	**(419,006)**
Net operating expenditure		**(141,600)**	**(398,622)**
Finance income		-	-
Finance expense		-	-
Net expenditure for the year before taxation		**(141,600)**	**(398,622)**
Tax	7(i)	-	-
Net expenditure for the year after taxation		**(141,600)**	**(398,622)**

Other Comprehensive Net Expenditure

	Note	2022 £'000	2021 Restated £'000
Items that will not be reclassified to net operating expenditure:			
Net gain on revaluation of property, plant and equipment	8	2,334	842
Net gain on revaluation of assets	10	124	16
Items that may be reclassified to net operating expenditure:			
Net gain on revaluation of investments	13	-	-
Total Comprehensive Net Expenditure for the year ended 31 March 2022		**(139,142)**	**(397,764)**

All activities derive from continuing operations.

Notes **1 to 27** on pages 92 to 156 form part of these accounts.

Consolidated Statement of Financial Position
As at 31 March 2022

	Note	2022 £'000	2021 Restated £'000
Non-current assets			
Property, plant and equipment	8	69,846	77,857
Investment properties	9	7,600	7,600
Intangible assets	10	23,222	23,443
Investments in associates	12	65,300	53,002
Financial assets	13	35,611	45,625
Trade and other receivables	14	4,838	3,447
Total non-current assets		**206,417**	**210,974**
Current assets			
Trade and other receivables	14	27,398	34,652
Cash and cash equivalents	15	29,439	29,403
Assets classified as held for sale	16	-	150
Total current assets		**56,837**	**64,205**
Total assets		**263,254**	**275,179**
Current liabilities			
Trade and other payables	17	(56,318)	(79,429)
Borrowings	18	(348)	(635)
Current tax liability		-	(228)
Provisions	19	(20,429)	(31,003)
Total current liabilities		**(77,095)**	**(111,295)**
Total assets less current liabilities		**186,159**	**163,884**
Non-current liabilities			
Borrowings	18	(14,452)	(14,800)
Derivative financial instruments	21	(3,261)	(5,055)
Deferred tax liability	7 (iii)	(1,712)	(955)
Total non-current liabilities		**(19,425)**	**(20,810)**
Total assets less total liabilities		**166,734**	**143,074**
Taxpayers' equity and other reserves			
Revaluation reserve		23,367	23,708
General reserve		143,367	119,366
Total equity		**166,734**	**143,074**

Notes **1 to 27** on pages 92 to 156 form part of these accounts.
The financial statements on pages **85 to 156** were approved by the Board on 30 June 2022 and signed on its behalf.

Mel Chittock
Accounting Officer Date 08 July 2022

Statement of Financial Position – Invest NI
As at 31 March 2022

	Note	2022 £'000	2021 Restated £'000
Non-current assets			
Property, plant and equipment	8	42,066	50,153
Intangible assets	10	3,288	3,509
Investments in subsidiaries	11	17,593	17,593
Investments in associates	12	65,300	53,002
Financial assets	13	35,610	45,625
Trade and other receivables	14	4,838	3,447
Total non-current assets		**168,695**	**173,329**
Current assets			
Trade and other receivables	14	25,559	33,728
Cash and cash equivalents	15	337	2,332
Assets classified as held for sale	16	-	150
Total current assets		**25,896**	**36,210**
Total assets		**194,591**	**209,539**
Current liabilities			
Trade and other payables	17	(47,166)	(70,097)
Provisions	19	(20,429)	(31,003)
Total current liabilities		**(67,595)**	**(101,100)**
Total assets less current liabilities		**126,996**	**108,439**
Non-current liabilities			
Provisions	19	-	-
Total assets less total liabilities		**126,996**	**108,439**
Taxpayers' equity and other reserves			
Revaluation reserve		16,921	17,715
General reserve		110,075	90,724
Total equity		**126,996**	**108,439**

Notes **1 to 27** on pages 92 to 156 form part of these accounts.

The financial statements on pages **85 to 156** were approved by the Board on 30 June 2022 and signed on its behalf by

Mel Chittock
Accounting Officer   Date 08 July 2022

Consolidated Statement of Cash Flows

Year ended 31 March 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 Restated £'000
Cash flows from operating activities					
Net expenditure before taxation			(136,802)		(394,417)
Adjustments for non-cash transactions	20	24,856		326,982	
Finance costs		966		1,002	
Finance income		(1,854)		(1,271)	
Decrease in trade and other receivables		6,207		13,008	
(Decrease)/increase in trade and other payables		(23,343)		(111,189)	
Use of provisions		(22,507)		(34,692)	
			(15,675)		193,840
Net cash (outflow) from operating activities			**(152,477)**		**(200,577)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(611)		(741)	
Purchase of intangible assets		(1,508)		(2,023)	
Proceeds of disposal of property, plant and equipment		8,744		2,321	
Repayments from other bodies		18,478		10,573	
Investment in associates		(16,537)		(10,364)	
Investment in financial assets		3,435		(8,019)	
Loan interest and dividends received		1,579		632	
Interest paid		(948)		(1,002)	
Corporation tax paid		(363)		(611)	
Net cash (outflow) from investing activities			**12,269**		**(9,234)**
Cash flows from financing activities					
Grants from sponsoring department		140,662		222,047	
Consolidated fund payments to DfE		-		(24)	
Repayment of borrowings		(418)		(896)	
Net financing			**140,244**		**221,127**
Net increase/(decrease) in cash and cash equivalents in the year			**36**		**11,316**
Cash and cash equivalents at the beginning of the year			**29,403**		**18,087**
Cash and cash equivalents at the end of the year	15		**29,439**		**29,403**

Notes **1 to 27** on pages 92 to 156 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity
Year ended 31 March 2022

	General reserve	Revaluation reserve	Taxpayers' Equity Restated
	£'000	£'000	£'000
Balance at 31 March 2020	**5,725**	**22,920**	**28,645**
Changes in Taxpayers' Equity for 2020-21			
Other reserves movements including transfers	530	(530)	-
Comprehensive Net Expenditure for the Year	(395,254)	1,318	(393,936)
Grants from sponsoring department:			
Cash	222,047	-	222,047
Notional	286,093	-	286,093
Reversal of notional costs	225	-	225
Balance at 31 March 2021	**119,366**	**23,708**	**143,074**
Changes in Taxpayers' Equity for 2021-22			
Other reserves movements including transfers	3,252	(3,252)	-
Comprehensive Net Expenditure for the Year	(136,950)	2,911	(134,039)
Grants from sponsoring department:			
Cash	140,662	0	140,662
Notional	16,784	0	16,784
Reversal of notional costs	253		253
Balance at 31 March 2022	**143,367**	**23,367**	**166,734**

Notes **1 to 27** on pages 92 to 156 form part of these accounts.

Statement of Changes in Taxpayers' Equity – Invest NI
Year ended 31 March 2022

	General reserve	Revaluation reserve	Taxpayers' Equity
			Restated
	£'000	£'000	£'000
Balance at 31 March 2020	**(19,549)**	**17,387**	**(2,162)**
Changes in Taxpayers' Equity for 2020-21			
Other reserves movements including transfers	530	(530)	-
Comprehensive Net Expenditure for the Year	(398,622)	858	(397,764)
Grants from sponsoring department:			
Cash	222,047	-	222,047
Notional	286,093	-	286,093
Reversal of notional costs	225	-	225
Balance at 31 March 2021	**90,724**	**17,715**	**108,439**
Changes in Taxpayers' Equity for 2021-22			
Other reserves movements including transfers	3,252	(3,252)	-
Comprehensive Net Expenditure for the Year	(141,600)	2,458	(139,142)
Grants from sponsoring department:			
Cash	140,662	-	140,662
Notional	16,784	-	16,784
Reversal of notional costs	253	-	253
Balance at 31 March 2022	**110,075**	**16,921**	**126,996**

Notes **1 to 27** on pages 92 to 156 form part of these accounts.

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES

Statement of accounting policies
The financial statements of Invest NI have been prepared in compliance with paragraph 17 (2) of Schedule 1 to the Industrial Development Act (Northern Ireland) 2002 in a form directed by DfE, and in accordance with the 2020-21 *Government Financial Reporting Manual (FReM)* issued by DoF. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the *FReM* permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the organisation, for the purpose of giving a true and fair view, has been selected.

The particular accounting policies adopted by Invest NI are described below. They have been applied consistently to all years presented, in dealing with items considered material in relation to the financial statements.

The financial statements are presented in Sterling (£) with all values rounded to the nearest £1,000 except where otherwise stated.

Accounting conventions
These financial statements are prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, investment property, intangible assets and derivative financial instruments which are held at their fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised standards
In the current year, the group has applied the following new standards:

- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 4

The adoption of these standards and interpretations did not have a material impact on the group's financial statements in the period of initial application.

During the year, the IASB and IFRIC have issued accounting standards and interpretations with an effective date after the date of these financial statements (i.e. applicable to accounting periods beginning on or after the effective date).

- Amendment to IFRS 16 (Covid-19-Related Rent Concessions beyond 30 June 2021)
- Amendments to IAS 16 (Property, Plant and Equipment — Proceeds before Intended Use)
- Annual Improvements to IFRS Standards 2018–2020 (May 2020) (Annual Improvements to IFRS Standards 2018–2020 (May 2020))
- The implementation of IFRS 16 Leases (IFRS deadline effective 1 January 2019) has been delayed by HM Treasury in the FReM until 1 April 2022.
- IFRS 17 (Insurance Contracts)
- Amendments to IFRS 17 (IFRS 17)
- Amendments to IAS 1 (Classification of Liabilities as Current or Non-current)
- Amendments to IAS 1 (Classification of Liabilities as Current or Non-current — Deferral of Effective Date)
- Amendments to IFRS 4 (Extension of the Temporary Exemption from Applying IFRS 9
- Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of accounting policies)
- Amendments to IAS 12 (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)
- Amendments to IAS 8 (Definition of accounting estimates)
- Amendments to IFRS 3 (May 2020) (Reference to the Conceptual Framework)
- Amendments to IAS 37 (May 2020) (Onerous Contracts - Cost of Fulfilling a Contract)
- Amendment to IFRS 16 (Covid-19-Related Rent Concessions)

With the exception of IFRS 16, management do not anticipate that the adoption of the above amendments will have a material impact on the group's financial statements in the period of initial application.

Impact of IFRS 16
IFRS 16 Leases replaces IAS 17 Leases and is effective with EU adoption from 1 January 2019. In line with the requirements of the FReM, IFRS 16 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2022.

The adoption of IFRS 16 will have a material impact on the group's financial statements in the period

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

of initial application, as all operating leases will be brought on to the Statement of Financial Position as a right of use asset with a corresponding lease liability. As a number of existing leases will expire before the effective date of 1 April 2022 and new leases may be entered into before that date it is not possible to quantify the initial impact at this point. The ongoing COVID-19 pandemic will have an impact on decision-making regarding entering into leases between now and the date of transition.

HM Treasury has issued application guidance in relation to IFRS 16 which has been applied to all current leases and will be used to assess the impact of any new leases entered into before the date of application. This guidance has been used to determine the lease term. The option for lessees to combine lease and service components and account for them as a single lease has also been selected in cases where it is costly to separate lease and service components.

The standard contains a number of recognition exemptions, including short-term leases. Any lease meeting this exemption (i.e. as having a lease term of 12 months or less, after the assessment of any options) will be outside the scope of IFRS 16.

HM Treasury has mandated a number of public sector interpretations to the standard to improve consistency across the public sector and to ease implementation. Upon transition, Invest NI shall recognise the cumulative effect of initially applying the Standard at the date of initial application (1 April 2022) as an adjustment to taxpayers' equity. There will also be no requirement to reassess whether a contract is, or contains, a lease at the date of initial application.

The estimated impact of adopting IFRS 16 in 2022-23 will be:

SoCNE Impacts IFRS 16	**£'000**
Depreciation expected - 2022-23	797
Interest expense expected - 2022-23	43
IAS 17 basis Rental payments expected - 2022-23	800
Increased Expenditure	40
CSoFP Impacts IFRS 16	**£'000**
Existing IAS 17 Operating Leases - Right of Use Assets - 1 April 2022	4,523
Existing IAS 17 Operating Leases - Lease Liabilities - 1 April 2022	(4,523)

Basis of consolidation
The consolidated financial statements incorporate the financial statements of Invest NI and the entities controlled by Invest NI (its subsidiaries) made up to 31 March each year. Control is achieved where Invest NI has the power to govern the financial and operating policies of an investee entity.

Where material, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenditure are eliminated on consolidation.

Property, plant and equipment
Expenditure on property, plant and equipment of £1,000 or more is capitalised. On initial recognition, assets are measured at cost including any costs directly attributable to bringing them into working

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

condition. All property, plant and equipment is reviewed annually for impairment and is carried at fair value. Land and buildings are stated at their fair value based on annual professional valuation as at the end of the financial year.

Other non-property assets are deemed to be short-life or low value assets and are therefore valued on the basis of depreciated replacement cost, using appropriate indices to account for the effects of inflation, as an approximation of fair value. Additions and subsequent expenditure are capitalised only when it is probable that the future economic benefits associated with the asset will flow to Invest NI and the cost of the asset can be measured reliably.

Depreciation
Freehold land is not depreciated. For other assets, depreciation is provided on a straight line basis in order to write-off the valuation, less estimated residual value, of each asset over its expected useful life, or lease period if shorter. The base useful lives of assets, which are reviewed regularly, are as follows:

Freehold buildings	50 years
Fixtures and fittings	10 years
Computer equipment	3-5 years

Leasehold alterations are depreciated over the remaining period of the associated lease or 10 years, whichever is shorter.

Revaluation of land and buildings
Land and buildings are revalued every year with the surplus or deficit on book value being transferred to the Revaluation reserve. The only exception is where a deficit in excess of any previously recognised surplus over depreciated cost relating to the same property, is charged to Net Expenditure.

On disposal of an asset that has been previously revalued, the gain or loss recorded in Net Expenditure is based on the net carrying amount rather than the historical cost. Any previously revalued amounts are realised and transferred to the General reserve account as a reserve movement.

Investment properties
Properties that are held for long term rental yield, for capital appreciation or both, and that are not occupied by group companies, are classified as investment properties. Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recorded in Net Expenditure.

Assets held for sale
Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amount will be recovered through

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and it should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Intangible assets

Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Invest NI's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of any non-controlling interest in the acquiree.

Acquired intangible assets
Acquired intangible assets, such as software and software licences for internal recording and reporting systems, are measured initially at cost, using appropriate indices to account for the effect of inflation, as an approximation of fair value. These assets are amortised on a straight line basis over their estimated useful lives of 3 to 5 years. The minimum level of capitalisation is £1,000.

Internally-generated intangible assets
Development expenditure incurred on an individual project is carried forward only if all the criteria set out in IAS 38 'Intangible Assets' are met, namely:

- an asset is created that can be identified (such as software or licences);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Following initial recognition of development expenditure, the cost, adjusted for inflation using appropriate indices, is amortised over the project's estimated useful life of 3 to 6 years. The minimum level of capitalisation is £1,000.

Impairment of tangible and intangible assets
At each reporting date, Invest NI reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell, and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Any impairment recognised on goodwill is not subsequently reversed.

Financial instruments
Financial assets and liabilities are recognised in Invest NI's Statement of Financial Position when Invest NI becomes a party to the contractual provision of the instrument.

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

(i) Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. Assets can only be written off when non-recovery is considered certain and after the appropriate approvals have been granted.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in Net Expenditure.

For debt instruments, the subsequent measurement depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

income from these financial assets is included in Other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in Net Expenditure and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are included within the Financial instruments gains or losses heading in the Statement of Comprehensive Net Expenditure.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses that are recognised in Net Expenditure. Interest income from these financial assets is included in Other operating income using the effective interest rate method. Foreign exchange gains and losses are presented in Other gains/ (losses) and impairment expenses are included within the Financial instruments gains or losses heading in the Statement of Comprehensive Net Expenditure.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in Net Expenditure and presented net within Other gains/ (losses) in the period in which it arises.

Derivative financial instruments
The group enters into derivative financial instruments to manage its exposure to interest rate risk using interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each financial year end. The resulting gain or loss is recognised in Net Expenditure immediately unless the derivative is designated and effective as a hedging instrument.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The group's derivative financial instrument is valued under level 2 in the fair value hierarchy. The fair value of the group's derivative financial instruments is obtained from counterparty valuation, and is based on observable market data.

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets
The group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost, trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The group always recognises lifetime Expected Credit Loss (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments, the group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the group's debtors operate.

(ii) Definition of default
The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the group, in full (without taking into account any collateral held by the group).

Irrespective of the above analysis, the group considers that default has occurred when a financial asset is more than 180 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

(iii) Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy
The group writes off a financial asset only when non-recovery is considered certain and after the appropriate approvals have been granted.

(v) Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. For financial assets, the exposure at default is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The group recognises an impairment gain or loss in Net Expenditure for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial liabilities
The group classifies all its financial liabilities as Other financial liabilities. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

The group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Effective interest rate method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest rate basis.

Interest income
Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Cash and cash equivalents
Cash and cash equivalents comprises cash and demand deposits with commercial banks. As at each reporting date, the carrying value of Cash and cash equivalents approximates their fair value due to their short-term nature.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Borrowings
Borrowings are recognised initially at fair value, net of direct issue costs and subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless the entity has an unconditional right to defer settlement of the liability for at least twelve months after the year-end.

Borrowing costs directly attributable to qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the Statement of Comprehensive Net Expenditure in the period in which they are incurred.

Investments in subsidiaries
Investments in subsidiaries are valued at cost less impairment and are eliminated on consolidation.

Investments in associates
An associate is an entity over which Invest NI is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are valued using the equity method, carried at Invest NI's share of the net assets of the associate, in accordance with the distribution of income and capital laid out in the limited partnership agreements. Any significant restriction due to contractual arrangements will be accounted for using this method and will be reflected in the carrying value.

Taxation (including Value Added Tax)
As Invest NI does not have Crown exemption it is liable to Corporation Tax on certain sources of income earned in any year.

Revenues, expenses and assets are shown net of Value Added Tax (VAT) except where irrecoverable VAT is charged to Net Expenditure and included under the heading relevant to the type of expenditure.

The net amount of VAT recoverable from, or payable to, HMRC is included as part of receivables or payables in the Statement of Financial Position.

Provisions
Invest NI makes provisions for liabilities and charges where, at the year-end, a legal or constructive obligation exists (that is a present obligation from past events exists), where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation. Where the time value of money is material and it is possible to predict the timing of future cash flows with reasonable accuracy, Invest NI discounts the provision to its present value using a standard Government discount rate.

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

Financing from DfE
Financing represents net funding received from DfE and is credited to the General reserve.

Foreign currency translation
The functional and presentational currency of the organisation is Sterling (£). Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the year-end are recognised in Net Expenditure.

Income
Revenue from contracts with customers consists primarily of recoupment of costs, client contributions to assistance and additional services to tenants. This revenue is from contracts that typically satisfy their performance obligations as services are rendered/upon completion of the service. Contracts do not have a significant financing component, and payment is typically due within 30 days of the rendering of the service. The contracts are non-complex and there is a single performance obligation to be met for every service provided. The transaction price is the fixed price for the service provided and does not include variable amounts.

This revenue from contracts with customers is from similar supplies made to the same class of customer under the same contracts and as such cannot be disaggregated further.

NI-CO revenue from long term contracts for the delivery of the company's services is recognised according to the percentage of completion method by reference to the value of work completed as a proportion of the total agreed contract value. The amount by which revenue exceeds payments on account is shown under Trade and other receivables as amounts recoverable on contracts. The amount by which payments received for services exceeds revenue recognised is shown under Trade and other payables as payments received on account;

Other operating income includes:

- Funding receivable from other organisations, including funding from the European Union (EU) for core programme expenditure. Such revenue is matched against programme expenditure wherever possible;
- other income receivable, clawback and other recoveries; and
- loan interest, share dividend and property rent receivable.

Grant expenditure
This expenditure comprises grants payable to companies sponsored by Invest NI under the terms and conditions of financial assistance agreements. Grants payable are accounted for in the period in which the recipient carries out the activity that creates an entitlement to the grant. Recognition of entitlement varies according to the details of individual schemes and the terms of the offers made.

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

Programme expenditure
Programme expenditure comprises the costs of operating various economic development schemes and support packages, and associated activities attributable to discharging Invest NI's responsibilities. These components are defined under the programme budgetary framework, as agreed with DfE and accounted for on an accruals basis.

Administration expenditure
Administration expenditure reflects the costs of running Invest NI, as defined under the administrative budgetary framework as agreed with DfE and accounted for on an accruals basis.

Pensions
Present and past employees are covered by the provisions of the NICS Pension arrangements which are unfunded multi-employer defined benefit schemes. Invest NI is unable to identify its share of the underlying assets and liabilities. Invest NI recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the NICS Pension arrangements of amounts calculated on an accruals basis. All pension contributions are charged to Net Expenditure when incurred.

Employee benefits
IAS19 requires that the cost of employee benefits that have been earned but not paid at the reporting date is recognised as a liability. An accrual for the estimated cost of total employee annual leave at the reporting date has been included in the financial statements.

Early Departure Costs
Invest NI is required to meet the additional cost of benefits beyond the normal NICS Pension arrangements benefits in respect of employees who retire early. Invest NI recognises in full for this cost when the early retirement programme has been committed.

Leases
Operating lease rentals are charged to Net Expenditure over the period of the lease. There are a number of 999 year lease arrangements in place with Invest NI being the lessor in receipt of a peppercorn rent. These arrangements are in place in order to control the future use of the properties in line with property best practice. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

PFI contracts
Upon entering into a PFI contract, Invest NI assesses whether it controls or regulates what services the operator of the contract must provide with the infrastructure, to whom it must provide them and at what price. It also assesses if it controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement. If both the above conditions are met, the infrastructure will be recognised on the Statement of Financial Position as an asset. If not recognised as an asset the unitary charge and associated costs under the PFI contract are recognised in Net Expenditure.

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

Notional charges
Some of the costs directly related to the running of Invest NI are borne by other Government Departments or organisations. These costs have been included on the basis of the estimated cost incurred by the providing organisation.

Judgements and key sources of uncertainty
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Since management's judgement involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates.

The judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are in the areas of valuation of non-current assets, impairment of financial assets and provisions for liabilities. These involve estimation of future cash flows that are inherently uncertain, particularly as a result of the circumstances caused by COVID-19. In light of the ongoing COVID-19 pandemic, the Group has considered whether any adjustments are required to reported amounts in the financial statements.

The share of net assets of each associate is determined using the latest available financial information at the time of approval of these financial statements. Each of the associates are investment entities with large portfolios of loan and equity investments. The COVID-19 pandemic led to unprecedented market conditions creating a higher level of uncertainty, although, as evidenced by our increased share of associates in the year, signs of recovery are noted, as previous provisions are unwound.

The grant provision is a critical accounting estimate. Grants are paid by Invest NI to client companies under the terms and conditions of financial assistance agreements. These agreements last for a number of years and assistance is only payable when eligible activities have been satisfactorily undertaken. The grant accruals calculated for financial assistance agreements are based on a review of claims received at the year-end.

The grant provision is an estimation of the amount of grant earned by client companies that has not yet been claimed at the year-end. The diverse range of grants offered by Invest NI requires a variety of methodologies to be used in order to calculate the provision amounts. For offers with a balance remaining of over £1m, a provision is assessed for each individual offer on information obtained from the client company. For R&D grants the provision is based on the individual claim history of each offer. For the other grants under £1m, a forecast of grant drawdown is used as the basis of the provision calculation.

Whilst it is recognised that this involves an element of estimation of the liability owed to third parties, an annual review is carried out to assess the amount of the provision that is subsequently claimed

Notes to the Accounts
Year ended 31 March 2022

1. ACCOUNTING POLICIES (CONTINUED)

by client companies and therefore utilised. Any element of the previous year provision that is not subsequently claimed will be released or re-provided for in the following financial year. Grants will continue to be provided where companies can demonstrate meeting the defined terms of their financial assistance agreement.

The fair value valuation of the group's derivative financial instrument is also a critical accounting estimate. The fair value has been obtained from counterparty valuation, and is based on observable market data (level 2). The valuation provided is reviewed by management.

The valuation of property, plant and equipment is a critical accounting estimate. A valuation has been performed at the reporting date by LPS who are third party qualified valuers. The valuation provided is reviewed by management. This has resulted in the property, plant and equipment being held at fair value in the financial statements.

The valuation of investment property is a critical accounting estimate. A valuation has been performed at the reporting date by LPS. Key assumptions considered are rentals received per sq. ft., market rates and market yields in forming the valuations. The valuation provided is reviewed by management. This has resulted in the investment property being held at fair value in the consolidated financial statements.

The group tests annually whether goodwill has suffered any impairment, in accordance with the group’s accounting policies. The recoverable amounts of cash-generating units have been determined based on value in use. These calculations require the use of estimates as detailed in note 10.

Going concern
All liabilities will be met by future grant-in-aid, received from and approved annually by DfE. DfE core grant funding for 2022-23 has been approved at an opening value of £119.3m, of which £104m relates to Resource funding and £15.3m to Capital funding. Planned activities for 2022-23 have been formulated in light of the requested funding applied to DfE. Therefore, the future financing of any Invest NI liabilities is expected to be met by DfE. The uncertainty as to the future impact on the Group of the COVID-19 pandemic has also been considered as part of the Group’s adoption of the going concern basis. In this context, the accounts have been prepared on a going concern basis.

Notes to the Accounts
Year ended 31 March 2022

2. PRIOR PERIOD ADJUSTMENTS

The Invest NI Annual Accounts for the year ended 31 March 2021 included £39.9m of expenditure in relation to the Large Tourism and Hospitality Business Support Scheme. This was an NI Executive initiative to provide grants to qualifying businesses to help them to meet their ongoing business costs during the COVID-19 crisis. The Scheme was subject to a Ministerial Direction from the Economy Minister.

Included within the above expenditure figure was £2.5m of grants which should have been recorded in the 2021-22 financial year. This expenditure has been removed from the 2020-21 figures by way of a prior period adjustment. The impact of this adjustment is detailed below.

Impact on Statement of Financial Position

	Group 2021 £'000	Invest NI 2021 £'000
Trade and other payables (note 17)		
As previously reported	81,968	72,636
Balance removed relating to Large Tourism and Hospitality Business Support Scheme	(2,539)	(2,539)
Restated balance	**79,429**	**70,097**
General reserve		
As previously reported	116,827	88,185
Expenditure removed relating to Large Tourism and Hospitality Business Support Scheme	2,539	2,539
Restated balance	**119,366**	**90,724**
Taxpayers' Equity		
As previously reported	140,535	105,900
Expenditure removed relating to Large Tourism and Hospitality Business Support Scheme	2,539	2,539
Restated balance	**143,074**	**108,439**

Notes to the Accounts
Year ended 31 March 2022

2. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Impact on Statement of Comprehensive Net Expenditure

	Group 2021 £'000	Invest NI 2021 £'000
Total operating expenditure (note 4)		
As previously reported	427,527	421,545
Expenditure removed relating to Large Tourism and Hospitality Business Support Scheme	(2,539)	(2,539)
Restated balance	**424,988**	**419,006**

	Group 2021 £'000	Invest NI 2021 £'000
Total Comprehensive Net Expenditure		
As previously reported	396,475	400,303
Expenditure removed relating to Large Tourism and Hospitality Business Support Scheme	(2,539)	(2,539)
Restated balance	**393,936**	**397,764**

Impact on Consolidated Statement of Cash Flows

	Group 2021 £'000
Net expenditure before taxation	
As previously reported	396,956
Expenditure removed relating to Large Tourism and Hospitality Business Support Scheme	(2,539)
Restated balance	**394,417**
(Decrease)/increase in trade and other payables	
As previously reported	(108,650)
Balance removed relating to Large Tourism and Hospitality Business Support Scheme	(2,539)
Restated balance	**(111,189)**

Notes to the Accounts
Year ended 31 March 2022

3. STATEMENT OF OPERATING EXPENDITURE BY OPERATING SEGMENT

In line with IFRS 8 Operating Segments, Invest NI identified a number of operating segments (as outlined below) which were operational during the accounting period (it's noted that after the year end Invest NI underwent some department reorganisations with further details about the current structure detailed on page 40):

- Business Solutions
- Business and Sector Development
- Finance and Operations
- Regional Business
- Human Resources
- International Business
- Communications
- Strategy
- Board and CEO

The results of NI-CO are included separately overleaf as they do not form part of any of the Invest NI operating segments. The results of the BSDL Group are included within the Finance and Operations operating segment.

Services provided by each segment

- The Business Solutions Group is responsible for providing a wide range of advisory and financial business support. The group works in partnership with the Sector, Regional and International teams to ensure that businesses get the support they need to help them to start, grow, innovate and export.
- The Business and Sector Development Group is made up of four teams that manage client portfolios organised on a sectoral basis. The four teams are Food & Drink; Life Sciences & Scaling; Advanced Engineering & Manufacturing and Technology & Services.
- The Finance and Operations Group provides a range of corporate functions to the wider organisation including financial management, EU structured funds management, procurement, corporate risk management, legal advice, equality, information technology, business appraisal, offers and claims management, general governance advice and management of the BSDL Group.
- The Regional Business Group supports new and existing businesses, through the Regional Office Network, offering advice and relevant support. The primary objectives of the Regional Business Group are to encourage enterprise and entrepreneurship, to improve the capability and capacity of local businesses to compete in export and global markets and to encourage local economic development and sub-regional economic growth. More widely, as statutory partners in the Community Planning process, the Regional Office Network works closely with Councils and Stakeholders in the development and delivery of local actions to improve economic well-being through the pooling of resources at a sub-regional level.
- The Human Resources Group promotes strong people development and culture, deliver on our core HR services and manages our facilities.

Notes to the Accounts
Year ended 31 March 2022

3. STATEMENT OF OPERATING EXPENDITURE BY OPERATING SEGMENT (CONTINUED)

- The International Business Group develops relationships to secure new business for Northern Ireland, either through increased exports, new Foreign Direct Investment or collaborations, supporting the internationalisation of the Northern Ireland economy.
- The Communications Group is responsible for developing and implementing an integrated marketing and communications strategy for the organisation in both foreign and domestic markets.
- The role of the Strategy Group is to lead the development of Invest NI's business strategy in response to the NI Executive's economic agenda, DfE's policy objectives and the wider economic environment. It also leads on the design and development of advice, guidance and support for businesses in relation to EU Exit and other emerging economic priorities such as COVID-19. Strategy Group plays a lead role in supporting City & Growth deal partners to develop and secure approval for strong, industry led, commercially focused projects that will boost economic recovery and future growth.
- The Board and CEO are responsible for Invest NI's performance and strategic direction.
- The COVID-19 Business Support Schemes were delivered by a team led by Alan McKeown, Executive Director of Regional Business Group. This team drew on expertise from throughout the organisation and as such did not form part of any of the operating segments referred to above. These Schemes, together with those operated and administered by DfE/LPS but accounted for by Invest NI, are therefore reported separately in the segmental analysis below.

2022	Gross expenditure	Income	Total net expenditure per CSoCNE
	£'000	£'000	£'000
Business Solutions	58,858	1,973	56,885
Business and Sector Development	33,352	488	32,864
Finance and Operations	5,806	23,947	(18,141)
Regional Business	14,892	-	14,892
Human Resources	2,780	9	2,771
International Business	15,231	252	14,979
Communications	5,867	11	5,856
Strategy	1,949	-	1,949
Board and CEO	655	-	655
NI-CO	8,761	8,715	46
COVID-19 Business Support Schemes operated and administered by Invest NI	14,701	16	14,685
COVID-19 Business Support Schemes operated and administered by DfE/LPS	13,356	3,090	10,266
Total	**176,208**	**38,501**	**137,707**

Reconciliation to CSoCNE	
Net finance income	(905)
Tax on ordinary activities	148
Net expenditure for the financial year	**136,950**

Notes to the Accounts
Year ended 31 March 2022

3. STATEMENT OF OPERATING EXPENDITURE BY OPERATING SEGMENT (CONTINUED)

2021	Gross expenditure Restated £'000	Income £'000	Total net expenditure per CSoCNE Restated £'000
Business Solutions	62,009	1,915	60,094
Business and Sector Development	21,519	556	20,963
Finance and Operations	27,328	17,598	9,730
Regional Business	10,070	-	10,070
Human Resources	2,651	-	2,651
International Business	14,746	49	14,697
Communications	7,168	-	7,168
Strategy	1,889	-	1,889
Board and CEO	502	-	502
NI-CO	8,925	9,035	(110)
COVID-19 Business Support Schemes operated and administered by Invest NI	129,842	1,149	128,693
COVID-19 Business Support Schemes operated and administered by DfE/LPS (restated)	138,339	-	138,339
Total	**424,988**	**30,302**	**394,686**

Reconciliation to CSoCNE	
Net finance costs	(269)
Tax on ordinary activities	837
Net expenditure for the financial year	**395,254**

Notes to the Accounts
Year ended 31 March 2022

4. EXPENDITURE

	Group		Invest NI	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Staff costs				
Wages and salaries	29,000	30,745	28,203	29,887
Social security costs	2,705	2,671	2,623	2,590
Other pension costs	7,240	7,287	7,009	7,056
Recoveries in respect of outward secondments and others	(215)	(278)	(339)	(402)
	38,730	**40,425**	**37,496**	**39,131**
Purchase of goods and services				
Programme support	17,020	15,557	17,020	15,557
Rentals under operating leases	1,057	1,180	1,057	1,180
PFI (and other service concession arrangements) service charges	-	-	5,281	5,070
Other administration expenses	3,123	1,153	3,128	1,224
Cost of servicing contracts	9,095	9,242	-	-
Auditor's remuneration – notional	115	115	115	115
Other notional costs	138	110	138	110
Fees payable to auditors for:				
Audit services	25	25	-	-
Non-audit services	18	21	-	1
	30,591	**27,403**	**26,739**	**23,257**
Depreciation and impairment charges				
Depreciation (note 8)	1,194	1,465	630	923
Amortisation (note 10)	1,854	1,040	1,854	1,040
Asset impairment (note 8)	26	122	26	122
	3,074	**2,627**	**2,510**	**2,085**
Decrease in provisions	**(10,575)**	**(10,968)**	**(10,575)**	**(10,968)**
Other operating expenditure				
Grants	92,251	81,658	92,251	81,658
Programme support activities	71	36	71	36
Property acquisition and development	999	948	999	948
Loss/(Profit) on disposal of Property, Plant and Equipment	634	(428)	634	(428)
(Profit)/Loss on disposal of Financial assets	(1,409)	443	(1,409)	443
Financial instruments gains or losses (note 5)	4,233	12,353	4,233	12,353
Share of results of associates (note 12)	(10,448)	2,310	(10,448)	2,310
	86,331	**97,320**	**86,331**	**97,320**

Notes to the Accounts
Year ended 31 March 2022

4. EXPENDITURE (CONTINUED)

	Group		Invest NI	
	2022	2021 Restated	2022	2021 Restated
	£'000	£'000	£'000	£'000
COVID-19 Business Support Schemes				
Small Business Grant Scheme *	(111)	23,248	(111)	23,248
Tourism and Retail Sectors Grant *	25	73,630	25	73,630
Large Tourism and Hospitality Business Support Scheme *	13,504	37,361	13,504	37,361
Wet Pubs Scheme *	(63)	4,100	(63)	4,100
NI Micro-Business Hardship Fund **	-	23,343	-	23,343
Covid Restrictions Business Support Scheme Part A **	10,742	65,440	10,742	65,440
Covid Restrictions Business Support Scheme Part B **	3,956	12,754	3,956	12,754
Limited Company Directors Support Scheme **	4	19,583	4	19,583
Newly Self Employed Support Scheme **	-	8,722	-	8,722
	28,057	**268,181**	**28,057**	**268,181**

* Scheme operated and administered by LPS/DfE
** Scheme operated and administered by Invest NI

Further analysis of staff costs is located in the Staff Report within the Accountability Report.

Further information is available on page 51 in relation to the inherent risk of fraud and error within COVID-19 schemes, including the estimate provided by DfE in relation to fraud and error across all of the COVID-19 schemes of 2.08%. Invest NI acknowledges the difficulties in arriving at this estimate and notes the view of the C&AG on the methodology that means the actual rate of fraud and error may differ from the estimate.

Grant payments of £nil (2021: £135,000) were made by Invest NI to Deloitte (auditors of BSDL Group).

Notes to the Accounts
Year ended 31 March 2022

4. EXPENDITURE (CONTINUED)

Total operating expenditure	Group		Invest NI	
	2022	2021 Restated	2022	2021 Restated
	£'000	£'000	£'000	£'000
Staff costs	38,730	40,425	37,496	39,131
COVID-19 Business Support Schemes	28,057	268,181	28,057	268,181
Other COVID-19 Response grants	16,430	1,768	16,430	1,768
Revenue grants	29,676	25,479	29,676	25,479
Innovation, research and development	34,595	39,888	34,595	39,888
Capital grants	7,307	8,826	7,307	8,826
Skills grants and competitiveness programmes	6,819	7,876	6,819	7,876
International Business support	2,883	2,051	2,883	2,051
Promotion and marketing	6,228	6,795	6,228	6,795
Programme support activities	2,986	2,423	2,986	2,423
Property acquisition and development	3,416	3,093	3,416	3,093
Rentals under operating leases	1,057	1,180	1,057	1,180
PFI (and other service concession arrangements) service charges	-	-	5,281	5,070
Other administration expenses	3,124	1,153	3,129	1,224
Cost of servicing contracts	9,095	9,242	-	-
Fees payable to auditors for:				
Audit services	25	25	-	-
Non-audit services	18	21	-	1
Depreciation and impairment charges	3,074	2,627	2,510	2,085
Auditor's remuneration – notional	115	115	115	115
Other notional costs	138	110	138	110
Loss/(Profit) on disposal of Property, Plant and Equipment	634	(428)	634	(428)
(Profit)/Loss on disposal of Financial assets	(1,409)	443	(1,409)	443
Financial instruments gains or losses (note 5)	4,233	12,353	4,233	12,353
Share of results of associates (note 12)	(10,448)	2,310	(10,448)	2,310
Decrease in provisions	(10,575)	(10,968)	(10,575)	(10,968)
Total operating expenditure	**176,208**	**424,988**	**170,558**	**419,006**

5. FINANCIAL INSTRUMENTS GAINS OR LOSSES

	Group and Invest NI	
	2022	2021
	£'000	£'000
Fair value adjustment on shares and convertible loan notes (note 13)	2,845	444
ECL allowance on fixed rate loans (note 13)	(126)	11,082
ECL allowance on variable rate loans (note 13)	-	(5)
ECL allowance on trade receivables (note 21)	1,638	443
ECL allowance on other receivables	(7)	12
Fair value adjustment on re-measurement of financial assets held at amortised cost (note 13)	(117)	377
	4,233	**12,353**

Notes to the Accounts
Year ended 31 March 2022

6. INCOME

	Group		Invest NI	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Revenue from contracts with customers				
Recoupment of programme expenditure and related costs from client companies and third parties	590	488	590	488
Other	289	380	-	-
NI-CO turnover	8,715	9,035	-	-
	9,594	**9,903**	**590**	**488**
Other operating income				
Other	31	7	31	7
Property rent	1,717	1,759	1,178	1,256
Interest income on financial assets at amortised cost	320	1,359	320	1,359
Interest income on convertible loan notes	437	-	437	-
Share dividend income	56	2	56	2
Grant clawback	3,451	2,996	3,451	2,996
Core programme receipts from EU	22,895	14,276	22,895	14,276
Consolidated Fund income *	1,423	21	1,423	21
Amount payable to the Consolidated Fund*	(1,423)	(21)	(1,423)	(21)
Gain on revaluation of Property, Plant and Equipment and Investment Property	-	-	-	-
	28,907	**20,399**	**28,368**	**19,896**
Total income	**38,501**	**30,302**	**28,958**	**20,384**

* These amounts were collected by Invest NI acting as agent for the Consolidated Fund (and are otherwise excluded from these financial statements).

The core programme receipts from EU relate to funding under the European Union Investment for Growth and Jobs Programme (IGJ) 2014-2020. Income accrued but not yet received from the EU is included in Trade and Other Receivables (note 14).

Under the current terms of the Withdrawal Agreement, the UK will continue to participate in EU annual budgets funded under the current Multiannual Financial Framework (2014-2020 MFF). This means that the UK will continue to make its contribution to and get receipts from current EU programmes under the existing EC rules. This will guarantee Invest NI receives funds under the IGJ Programme for remainder of eligibility period which is until 31 December 2023.

Notes to the Accounts
Year ended 31 March 2022

7. TAXATION

(i) Tax charge in the year	Group		Invest NI	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Analysis of charge in year				
Current tax:				
UK corporation tax on taxable income for the current year	-	614		-
Adjustments to tax charge in respect of previous periods	(588)	(70)		-
Total current tax	**(588)**	**544**		**-**
Deferred tax:				
Origination and reversal of temporary differences	483	293		-
Impact of rate changes	253	-		-
Total deferred tax	**740**	**293**		**-**
Total tax charge	**148**	**837**		**-**

(ii) Factors affecting tax charge

	Group	
	2022	**2021 Restated**
	£'000	**£'000**
Net expenditure before taxation	(136,803)	(394,417)
Net expenditure before taxation multiplied by the standard rate of Corporation Tax in the UK of 19% (2020: 19%)	(25,984)	(74,939)
Tax effects of:		
Add: expenditure not deductible for tax purposes	32,406	79,615
Less: income not subject to tax	(5,502)	(3,873)
Tax relief applied	(638)	-
Origination and reversal of temporary differences	483	289
Capital allowances	59	46
Impact of rate changes	253	-
Adjustments in respect of previous periods	(588)	(70)
Exempt amounts	(341)	(231)
Total tax charge	**148**	**837**

Invest NI does not have Crown exemption in relation to Corporation Tax and therefore is subject to Corporation Tax in relation to:

- property transactions;
- chargeable gains;
- interest receivable; and
- profits derived from certain activities such as the provision of scientific services.

Notes to the Accounts
Year ended 31 March 2022

7. TAXATION (CONTINUED)

(iii) Deferred tax

Invest NI
Invest NI has not recognised deferred tax assets of £901,500 (2021: £684,000) in relation to brought forward tax losses at 1 April 2022 of £3,606,000 (1 April 2021: £3,602,000), as deferred tax assets are recognised for tax loss carry-forwards only to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Group
The movement on the group deferred tax account is as follows:

	Revaluation of financial assets £'000	Capitalised interest £'000	Accelerated tax depreciation £'000	Revaluation of building £'000	Total £'000
At 1 April 2021 – asset/(liability)	961	(105)	(1,201)	(610)	(955)
Credited/(charged) to CSoCNE	(146)	(32)	(369)	(193)	(740)
Charged to Other Comprehensive Income	-	-	(17)	-	(17)
At 31 March 2022	**815**	**(137)**	**(1,587)**	**(803)**	**(1,712)**

The tax charge relating to components of other comprehensive income is as follows:

	Group 2022 £'000	2021 £'000
Fair value gains on Property, plant and equipment		
Before tax (note 8)	2,804	1,304
Tax credit/(charge)	(17)	(2)
After tax	**2,787**	**1,302**

Notes to the Accounts
Year ended 31 March 2022

8. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Land £'000	Buildings £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost/Valuation:					
At 1 April 2021	45,916	36,271	3,151	2,061	87,399
Additions	286	-	142	183	611
Disposals	(5,777)	(7,922)	(23)	-	(13,722)
Revaluation gain	2,053	212	57	94	2,416
Transfer from/(to) Assets held for sale (note 16)	-	150	-	-	150
Impairment (note 4)	(26)	-	-	-	(26)
At 31 March 2022	**42,452**	**28,711**	**3,327**	**2,338**	**76,828**
Depreciation:					
At 1 April 2021	-	6,513	2,457	572	9,542
Charge for year (note 4)	-	596	428	170	1,194
Revaluation (loss)/gain	-	(454)	44	23	(387)
Disposals		(3,344)	(23)	-	(3,367)
At 31 March 2022	**-**	**3,311**	**2,906**	**765**	**6,982**
Net Book Value:					
1 April 2021	45,916	29,758	694	1,489	77,857
31 March 2022	**42,452**	**25,400**	**421**	**1,573**	**69,846**

Notes to the Accounts
Year ended 31 March 2022

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Invest NI					
	Land £'000	**Buildings £'000**	**Computer equipment £'000**	**Fixtures & fittings £'000**	**Total £'000**
Cost/Valuation:					
At 1 April 2021	40,316	14,189	2,944	1,263	58,712
Additions	286	-	142	12	440
Disposals	(5,777)	(7,922)	(19)	-	(13,718)
Revaluation (loss)/gain	2,052	198	57	94	2,401
Transfer (to)/from Assets held for sale (note 16)	-	150	-	-	150
Impairment (note 4)	(26)	-	-	-	(26)
At 31 March 2022	**36,851**	**6,615**	**3,124**	**1,369**	**47,959**
Depreciation:					
At 1 April 2021	-	5,931	2,287	341	8,559
Transfer to Intangible assets (note 10)	-	-	-	-	-
Charge for year (note 4)	-	128	415	87	630
Disposals	-	(3,344)	(19)		(3,363)
Revaluation	-	-	44	23	67
At 31 March 2022	**-**	**2,715**	**2,727**	**451**	**5,893**
Net Book Value:					
1 April 2021	40,316	8,258	657	922	50,153
31 March 2022	**36,851**	**3,900**	**397**	**918**	**42,066**

Notes to the Accounts
Year ended 31 March 2022

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group				
	Land £'000	**Buildings £'000**	**Computer equipment £'000**	**Fixtures & fittings £'000**	**Total £'000**
Cost/Valuation:					
At 1 April 2020	46,407	36,129	5,807	1,811	90,154
Transfer to Intangible assets (note 10)	-	-	(2,551)	-	(2,551)
Additions	653	-	360	260	1,273
Disposals	(1,591)	-	(476)	-	(2,067)
Revaluation gain/(loss)	569	292	11	(10)	862
Transfer from/(to) Assets held for sale (note 16)	-	(150)	-	-	(150)
Impairment (note 4)	(122)	-	-	-	(122)
At 31 March 2021	**45,916**	**36,271**	**3,151**	**2,061**	**87,399**
Depreciation:					
At 1 April 2020	-	6,222	3,321	427	9,970
Transfer to Intangible assets (note 10)	-	-	(975)	-	(975)
Charge for year (note 4)	-	739	579	147	1,465
Revaluation (loss)/gain	-	(448)	8	(2)	(442)
Disposals	-	-	(476)	-	(476)
At 31 March 2021	**-**	**6,513**	**2,457**	**572**	**9,542**
Net Book Value:					
1 April 2020	46,407	29,907	2,486	1,384	80,184
31 March 2021	**45,916**	**29,758**	**694**	**1,489**	**77,857**

Notes to the Accounts
Year ended 31 March 2022

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Invest NI					
	Land £'000	**Buildings £'000**	**Computer equipment £'000**	**Fixtures & fittings £'000**	**Total £'000**
Cost/Valuation:					
At 1 April 2020	40,807	14,061	5,606	1,217	61,691
Transfer to Intangible assets (note 10)	-	-	(2,551)	-	(2,551)
Additions	653	-	347	56	1,056
Disposals	(1,591)	-	(469)	-	(2,060)
Revaluation gain/(loss)	569	278	11	(10)	848
Transfer (to)/from Assets held for sale (note 16)	-	(150)	-	-	(150)
Impairment (note 4)	(122)	-	-	-	(122)
At 31 March 2021	**40,316**	**14,189**	**2,944**	**1,263**	**58,712**
Depreciation:					
At 1 April 2020	-	5,654	3,160	260	9,074
Transfer to Intangible assets (note 10)	-	-	(975)	-	(975)
Charge for year (note 4)	-	277	563	83	923
Disposals	-	-	(469)	-	(469)
Revaluation gain/(loss)	-	-	8	(2)	6
At 31 March 2021	**-**	**5,931**	**2,287**	**341**	**8,559**
Net Book Value:					
1 April 2020	40,807	8,407	2,446	957	52,617
31 March 2021	**40,316**	**8,258**	**657**	**922**	**50,153**

Notes to the Accounts
Year ended 31 March 2022

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

IAS 16 requires measurement at fair value. Land and property was re-valued by LPS on 31 March 2022, and in previous financial years, on the basis of open market value for existing use. Management considers this basis to be the best available estimation of fair value.

Details of the group's land and buildings and information about the fair value hierarchy (as described in note 1) as at 31 March 2021 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 March 2022
	£'000	**£'000**	**£'000**	**£'000**
Land	-	42,452	-	42,452
Buildings	-	25,400	-	25,400

There were no transfers between Level 1 and Level 2 during the year.

With the exception of assets held by Invest NI for its own use, the majority of the land and property portfolio is used to facilitate Northern Ireland's long-term strategic economic development. Invest NI owns all its assets and has no finance leases.

9. INVESTMENT PROPERTIES

	Group £'000
At 1 April 2020	**7,600**
Gain arising on fair value adjustment	-
At 1 April 2021	**7,600**
Gain arising on fair value adjustment (note 6)	-
At 31 March 2022	**7,600**

The investment property was revalued at 31 March 2022 on an open market value basis by LPS. This property is not depreciated. The depreciation which would have otherwise been charged would have been based upon the property's estimated useful economic life of 50 years.

Notes to the Accounts
Year ended 31 March 2022

9. INVESTMENT PROPERTIES (CONTINUED)

Details of the group's investment property and information about the fair value hierarchy as at 31 March 2022 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 March 2022
	£'000	£'000	£'000	£'000
Investment property	-	7,600	-	7,600

There were no transfers between Level 1 and Level 2 during the year.

10. INTANGIBLE ASSETS

	Group			
	Goodwill	Software licences	Software development	Total
	£'000	£'000	£'000	£'000
Cost/Valuation:				
At 1 April 2021	20,031	2,926	3,829	26,786
Additions		627	881	1,508
Disposals		(537)	(101)	(638)
Revaluation gain		75	100	175
At 31 March 2022	**20,031**	**3,091**	**4,709**	**27,831**
Amortisation/Impairment:				
At 1 April 2021	97	1,223	2,023	3,343
Charge for year (note 4)	-	1,160	694	1,854
Disposals	-	(537)	(102)	(639)
Revaluation loss	-	30	21	51
Indexation	-	-	-	-
At 31 March 2022	**97**	**1,876**	**2,636**	**4,609**
Net book value:				
1 April 2021	19,934	1,703	1,806	23,443
31 March 2022	**19,934**	**1,215**	**2,073**	**23,222**

Notes to the Accounts
Year ended 31 March 2022

10. INTANGIBLE ASSETS (CONTINUED)

	Software licences £'000	Invest NI Software development £'000	Total £'000
Cost/valuation:			
At 1 April 2021	2,926	3,829	6,755
Additions	627	881	1,508
Disposals	(537)	(101)	(638)
Revaluation gain	75	100	175
At 31 March 2022	**3,091**	**4,709**	**7,800**
Amortisation:			
At 1 April 2021	1,223	2,022	3,245
Charge for year (note 4)	1,160	694	1,854
Disposals	(537)	(101)	(638)
Revaluation loss	30	21	51
Indexation	-	-	-
At 31 March 2022	**1,876**	**2,636**	**4,512**
Net book value:			
1 April 2021	1,703	1,806	3,509
31 March 2022	**1,215**	**2,073**	**3,288**

Details of the group's intangible assets and information about the fair value hierarchy as at 31 March 2022 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2022 £'000
Goodwill			19,934	19,934
Software licences		1,215		1,215
Software development		2,073		2,073

There were no transfers between Level 1 and Level 2 during the year.

Notes to the Accounts
Year ended 31 March 2022

10. INTANGIBLE ASSETS (CONTINUED)

	Group			
	Goodwill	**Software licences**	**Software development**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost/Valuation:				
At 1 April 2020	20,031	1,708	1,089	22,828
Transfer from computer equipment (note 8)	-	120	2,431	2,551
Additions	-	1,294	729	2,023
Disposals	-	(205)	(433)	(638)
Indexation	-	9	13	22
At 31 March 2021	**20,031**	**2,926**	**3,829**	**26,786**
Amortisation/Impairment:				
At 1 April 2020	97	859	1,004	1,960
Transfer from computer equipment (note 8)	-	5	970	975
Charge for year (note 4)	-	561	479	1,040
Disposals	-	(205)	(433)	(638)
Indexation	-	3	3	6
At 31 March 2021	**97**	**1,223**	**2,023**	**3,343**
Net book value:				
1 April 2020	19,934	849	85	20,868
31 March 2021	**19,934**	**1,703**	**1,806**	**23,443**

Notes to the Accounts
Year ended 31 March 2022

10. INTANGIBLE ASSETS (CONTINUED)

	Software licences £'000	Invest NI Software development £'000	Total £'000
Cost/valuation:			
At 1 April 2020	1,708	1,089	2,797
Transfer from computer equipment (note 8)	120	2,431	2,551
Additions	1,294	729	2,023
Disposals	(205)	(433)	(638)
Indexation	9	13	22
At 31 March 2021	**2,926**	**3,829**	**6,755**
Amortisation:			
At 1 April 2020	859	1,004	1,863
Transfer from computer equipment (note 8)	5	970	975
Charge for year (note 4)	561	479	1,040
Disposals	(205)	(433)	(638)
Indexation	3	3	6
At 31 March 2021	**1,223**	**2,023**	**3,246**
Net book value:			
1 April 2020	849	85	934
31 March 2021	**1,703**	**1,806**	**3,509**

Impairment tests for goodwill

Goodwill has been allocated between the cash generating units (CGU) as follows:

	2022 £'000	2021 £'000
Bedford Street Developments Limited	4,325	4,325
MRDE Limited	15,609	15,609
Total	**19,934**	**19,934**

Notes to the Accounts
Year ended 31 March 2022

10. INTANGIBLE ASSETS (CONTINUED)

The recoverable amount of the CGUs has been determined using value in use. This calculation uses a pre-tax cash flow based on financial projections covering the remaining useful economic life of the properties. Management developed the projections based on past performance and based on current market factors. The key assumptions used for value in use are as follows:

	Cash generating unit	**2022**	**20201**
Gross margin	MRDE	63%	63%
Future rentals (per sq. ft.)	BSDL & MRDE	£22	£22
Discount rate	BSDL & MRDE	4.30%	4.05%

Future rentals are based on information supplied at 31 March 2022.

Management have considered and assessed reasonably possible changes to the key assumptions above. If future rentals were to decrease to £21.77 per sq. ft., the remaining headroom in BSDL would be eliminated. The reasonably possible change of £0.33 per sq. ft. in future rentals represents uncertainty over future rentals. If the discount rate used increased to 4.36% the recoverable amount of BSDL would be equal to its carrying amount. Management have not identified any other instances that would cause the carrying amount of CGUs to exceed its recoverable amount.

Notes to the Accounts
Year ended 31 March 2022

11. INVESTMENTS IN SUBSIDIARIES

	Invest NI 2022 £'000	Invest NI 2021 £'000
At 1 April and 31 March	**17,593**	**17,593**

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

Interests in group undertakings

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by the parent %	Proportion of ordinary shares held by the group %
Northern Ireland Co-Operation Overseas (NI-CO) Limited	UK	Management of international development projects on behalf of Government Departments and other Public Bodies	100	-
Bedford Street Developments Limited	UK	Property leasing	100	-
Bedford Street Management Company Limited	UK	Dormant	-	100
MRDE Limited	UK	Property leasing	-	100
MRDE FM Limited	UK	Dormant	-	100

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held do not differ from the proportion of the ordinary shares held. Copies of subsidiary financial statements can be obtained from Companies House: www.companieshouse.gov.uk.

Notes to the Accounts
Year ended 31 March 2022

12. INVESTMENTS IN ASSOCIATES

(i) Share of results in associates:

	Group and Invest NI	
	2022	**2021**
	£'000	**£'000**
Share of net assets of associates:		
At 1 April	53,002	55,241
At 31 March	65,300	53,002
(Decrease)/Increase	12,298	(2,239)
Distributions from associates (note 26)	14,687	10,293
Less additional capital paid in during year (note 26)	(16,537)	(10,364)
Share of results recorded in Net Expenditure (note 4)	**10,448**	**(2,310)**

(ii) Summarised financial information on a combined basis:

	Group and Invest NI	
	2022	**2021**
	£'000	**£'000**
Non-Current Assets	94,655	83,096
Current Assets	18,975	17,245
Current Liabilities	(1,161)	(2,110)
Non-Current Liabilities		-
Net Assets	**112,469**	**98,231**
Revenue	5,214	3,662
Profit	4,446	1,687
Other comprehensive income	-	-
Total comprehensive income	4,446	1,687
Distributions from associates	14,687	10,293

All the information in the table above is based on figures prepared in accordance with FRS102.

Notes to the Accounts
Year ended 31 March 2022

12. INVESTMENTS IN ASSOCIATES (CONTINUED)

(iii) Net investment in associates:

	Group and Invest NI	
	2021	**2021**
	£'000	**£'000**
NITECH Growth Fund Limited Partnership (NITECH)	215	563
Crescent Capital II	-	3,129
NI Growth Loan Fund	4,709	7,986
NI Small Business Loan Fund	245	579
Crescent Capital III LP	-	1,173
Kernel Capital Growth Fund (NI)	7,746	3,806
Techstart NI SME Equity Limited Partnership (Techstart)	14,365	11,976
QUB Equity Limited Partnership	536	431
Ulster Equity Limited Partnership	665	554
NI Growth Loan Fund II	17,940	12,315
NI Small Business Loan Fund II	2,907	3,119
Growth Finance Fund	5,005	3,386
Techstart Ventures II LP	10,967	3,985
Net investment in associates	**65,300**	**53,002**

Invest NI, when applying the equity method, has determined using the distribution of income as the best estimate of the share of net assets. The share of net assets of each associate is determined using the latest available financial information at the time of approval of these financial statements. Each of the associates are investment entities with large portfolios of loan and equity investments. The COVID-19 pandemic led to unprecedented market conditions creating a higher level of uncertainty, although, as evidenced by our increased share of associates in the year, signs of recovery are noted, as previous provisions are unwound.

NITECH

Invest NI is the limited partner of the NITECH Growth Fund, which terminated on 21 January 2013. The remaining portfolio of three active investments continues to be monitored by Clarendon Fund Managers, who originally managed NITECH and currently manages a co-investment fund on Invest NI's behalf. There is no fee payable for this ongoing monitoring. It was decided the fund will be terminated when deemed appropriate, but will continue to be included in the financial statements until the process is complete.

Crescent Capital II

Invest NI is a limited partner of Crescent Capital II LP. The Fund, managed by Crescent Capital NI and operating in the UK, was established in April 2004 and was extended until April 2022 to allow for divestment of the remaining portfolio. Invest NI has received its £7.5m capital commitments and does not expect any further distributions.

Notes to the Accounts
Year ended 31 March 2022

12. INVESTMENTS IN ASSOCIATES (CONTINUED)

NI Growth Loan Fund

Invest NI is a limited partner of the NI Growth Loan Fund, a partnership established in May 2012 and operating in the UK. The Fund is managed by WhiteRock Capital Partners LLP. The Growth Loan Fund provides loans, primarily unsecured in nature, typically between £50,000 and £500,000 to businesses that can demonstrate sales and profitability growth or growth potential. The Fund targets businesses with export potential which are mainly in the manufacturing, engineering or tradable services sectors. The fund has now reached the end of the investment period and will continue to collect payment on outstanding loans. The partnership has a term of ten years. It is planned that the fund life will be extended to facilitate the maximisation of collections from borrowers.

NI Small Business Loan Fund

Invest NI is the limited partner of the NI Small Business Loan Fund LP, a partnership established in January 2013 and operating in the UK. This is a limited partnership registered in Northern Ireland and is managed by Ulster Community Investment plc. The Fund typically provided unsecured loans, between £1,000 and £50,000, to individuals, private companies and social enterprises in the SME and micro enterprise size range, in the start-up and growth phases of development. The fund has reached the end of the investment period and will continue to collect payment on outstanding loans. The partnership has a term of ten years.

Crescent Capital III LP (ERDF *)

Invest NI is a limited partner of the Crescent Capital III LP Development Fund, a partnership established in July 2013 and operating in the UK. The Fund is managed by Crescent Capital NI. The Fund is targeted with making equity investments in high growth potential companies with total investment of up to £3m over a series of investment rounds available to each investee company. The fund has reached the end of the investment period and there will be no investments made in any new companies. The fund can make follow on investments in existing portfolio companies. The partnership has a term of ten years.

Kernel Capital Growth Fund (NI) (ERDF *)

Invest NI is a limited partner in the Kernel Capital Growth Fund, a partnership established in October 2013 and operating in the UK. The Fund is managed by Kernel Capital. The Fund is targeted with making equity investments in high growth potential companies with total investment of up to £3m over a series of investment rounds available to each investee company. The fund has reached the end of the investment period and there will be no investments made in any new companies. The fund can make follow on investments in existing portfolio companies. The partnership has a term of ten years.

Techstart NI SME Equity Limited Partnership (ERDF *)

Invest NI is the limited partner of Techstart which was established in July 2014 and operates in the UK. This is a limited partnership registered in Northern Ireland and is managed by Techstart Ventures LLP and operating in the UK. The purpose of the partnership is to invest in seed and early stage SMEs engaged in or investing in the technology sector. The partnership has a term of ten years.

Notes to the Accounts
Year ended 31 March 2022

12. INVESTMENTS IN ASSOCIATES (CONTINUED)

Queen's University of Belfast Equity Limited Partnership (ERDF *)
Invest NI is a limited partner of the Queen's University Belfast Equity Limited Partnership which was established in July 2014 and operates in the UK. This is a limited partnership registered in Northern Ireland and is managed by Techstart Ventures LLP. It was formed for the purpose of making equity and equity-related investments in connection with providing seed capital for the development of post-research post-proof-of-concept spin-out/spin-in companies from Queen's University Belfast including from the technology sectors related to the Queen's University Belfast research base. The partnership has a term of ten years.

Ulster Equity Limited Partnership (ERDF *)
Invest NI is a limited partner of the Ulster Equity Limited Partnership which was established in July 2014 and operates in the UK. This is a limited partnership registered in Northern Ireland and is managed by Techstart Ventures LLP. It was formed for the purpose of making equity and equity-related investments in connection with providing seed capital for the development of post-research post-proof-of-concept spin-out/spin-in companies from Ulster University including from the technology sectors related to the Ulster University research base. The partnership has a term of ten years.

NI Growth Loan Fund II (ERDF*)
Invest NI is a Limited Partner of the NI Growth Loan Fund II, a partnership established in October 2018 and operating in the UK. This is a £30m revolving loan fund with £22m capital contribution provided solely by Invest NI. The Fund is managed by WhiteRock Capital Partners LLP. Loans are typically between £100,000 and £500,000 and provided to export focused NI SMEs demonstrating strong growth or growth potential.

NI Small Business Loan Fund II
Invest NI is the limited partner of the NISBLF II LP, a partnership established in August 2018 and operating in the UK. The partnership has a term of ten years. The Fund is managed by Ulster Community Finance on behalf of Invest Northern Ireland and delivered in partnership with Enterprise Northern Ireland. Ulster Community Finance is a subsidiary of the social finance organisation Ulster Community Investment Trust. The Fund typically provides unsecured loans between £10,000 and £100,000 to individuals, private companies and social enterprises in the SME and micro enterprise size range, in the start-up and growth phases of development.

Growth Finance Fund
The Growth Finance Fund, established 30 November 2018 with a ten-year term, is a three-way partnership between Invest NI, British Business Bank and NILGOSC. This is a £30m Fund managed by WhiteRock Capital Partners LLP and operating in the UK. Loans are typically between £500,000 and £2,000,000 and provided to export focused NI SMEs demonstrating strong growth or growth potential.

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12. INVESTMENTS IN ASSOCIATES (CONTINUED)

Techstart Ventures II Limited Partnership (ERDF *)
Invest NI is a limited partner of the Techstart Ventures II Limited Partnership which was established in September 2019 and operates in the UK. The fund is managed by Techstart Ventures LLP. The purpose of the partnership is to invest in start-up and early stage technology companies in NI. The fund has an initial investment range of £50,000 - £750,000, with potential of up to £2m total investment in follow on rounds. The partnership has a term of ten years.

* These funds are funded from the European Union Investment for Growth and Jobs Programme 2014-2020.

13. FINANCIAL ASSETS

The group holds the following financial assets:

	Group and Invest NI	
	2022	**2021**
	£'000	**£'000**
Financial assets at amortised cost		
Fixed rate loans	4,167	14,366
Variable rate loans	-	-
Financial assets at fair value through profit or loss (FVPL)		
Investments in ordinary shares	27,915	25,309
Investments in preference shares	377	457
Convertible loan notes	3,151	5,493
	35,610	**45,625**

Notes to the Accounts
Year ended 31 March 2022

13. FINANCIAL ASSETS (CONTINUED)

Financial assets at fair value through profit or loss (FVPL)

	Group and Invest NI			
	Investments in ordinary shares £'000	**Investments in preference shares £'000**	**Investments in convertible loan notes £'000**	**Total £'000**
Fair value at 1 April 2021	25,310	457	5,493	31,260
Additions	4,471	-	293	4,764
Conversions	1,334	-	(1,334)	-
Repayments and disposals	(875)	(45)	(760)	(1,680)
Dividend income (note 6)	-	(56)	-	(56)
Fair value adjustment (note 5)	(2,325)	21	(541)	(2,845)
Fair value at 31 March 2022	**27,915**	**377**	**3,151**	**31,443**

Financial assets at amortised cost

	Group and Invest NI		
	Fixed rate loans £'000	**Variable rate loans £'000**	**Total £'000**
Gross amount			
At 1 April 2021	31,395	111	31,506
Additions	233	-	233
Repayments	(9,488)	-	(9,488)
Interest received	(1,519)	-	(1,519)
Interest income on financial assets at amortised cost (note 6)	320	-	320
Accrued interest	(48)	-	(48)
Fair value adjustment on re-measurement (note 5)	117	-	117
Amount written off	(14,461)	-	(14,461)
At 31 March 2022	**6,549**	**111**	**6,660**
Loss allowance			
At 1 April 2021	17,029	111	17,140
ECL allowance (note 5)	(126)	-	(126)
Amount written off	(14,521)	-	(14,521)
At 31 March 2022 (note 21)	**2,382**	**111**	**2,493**
Net balance			
1 April 2021	14,366	-	14,366
31 March 2022	**4,167**	**-**	**4,167**

Notes to the Accounts
Year ended 31 March 2022

13. FINANCIAL ASSETS (CONTINUED)

The group's exposure to various risks associated with financial instruments is discussed in note 21.

Financial assets at amortised cost

	Group and Invest NI	
	2022	**2021**
	£'000	**£'000**
Gross carrying amount		
Fixed rate loans	6,549	31,395
Variable rate loans	111	111
	6,660	31,506
Loss allowance (note 21)	(2,493)	(17,140)
	4,167	**14,366**

Amounts recognised in Net Expenditure

The amounts recognised in Net Expenditure in relation to financial assets held at FVPL are detailed in note 5.

The following table explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is included in note 1.

Details about the fair value hierarchy as at 31 March 2022 are as follows:

	Level 1	**Level 2**	**Level 3**	**Fair value as at 31 March 2022**
	£'000	**£'000**	**£'000**	**£'000**
Fixed rate loans	-	-	4,167	4,167
Variable rate loans	-	-	-	-
Investments in ordinary shares	2,738	24,694	483	27,915
Investments in preference shares	-	-	377	377
Convertible loan notes	-	3,151	-	3,151
	2,738	**27,845**	**5,028**	**35,610**

There were no transfers between levels during the year.

Notes to the Accounts
Year ended 31 March 2022

13. FINANCIAL ASSETS (CONTINUED)

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices
- The use of recent market prices for instruments that are not traded in an active market
- Discounted cash flow analysis
- Adjusted net asset value

As detailed in note 1, the valuation of financial assets involves estimation of future cash flows that are inherently uncertain, particularly as a result of the unprecedented market conditions caused by COVID-19.

Collateral
Invest NI takes collateral in support of its lending activities when deemed appropriate. In some instances, depending on the individual client circumstances, Invest NI may lend unsecured. The main types of collateral for loans to clients are fixed and floating charges over property and other assets.

Co-Fund NI
Included within investments in ordinary shares and investments in convertible loan notes, Invest NI participates in Co-Fund NI (ERDF*) and Co-Fund NI II (ERDF*).

Co-Fund NI (ERDF*) was a £28m fund that co-invested in SMEs based in Northern Ireland. Clarendon Fund Managers Limited managed the fund under a six year Management Services Agreement (June 2011-May 2017) and invested in deals which were led by business angels and private investors. The deals ranged from £150,000 to £1m and Invest NI provided £16.4m of funding on the same terms as the private investors. The overall fund ratio of private to public funding was at a minimum 55:45, with no more than a 50:50 split in any one round.

Co-Fund NI II (ERDF*) commenced as is a £50m fund, also managed by Clarendon Fund Managers Limited under a six year Management Services Agreement (June 2017-May 2023). The fund invests in the same way as Co-Fund NI. In December 2020 the fund size was increased to £70m, with British Business Investments (BBI) now also participating alongside Invest NI and the private investors. The overall fund ratio of private to public funding will be at a minimum 60:40, with no more than a 50:50 split in any one round. The deals typically range from £150,000 to £1.75m and to date to 31 March 2022 Invest NI has provided £14.1m.

* Co-Fund NI and Co-Fund NI II are funded from the European Union Investment for Growth and Jobs Programme 2014-2020.

Notes to the Accounts
Year ended 31 March 2022

13. FINANCIAL ASSETS (CONTINUED)

COVID-19 Equity Investment Fund
The COVID-19 Equity Investment Fund (CEIF) was launched in September 2020 with the aim of helping high growth potential SMEs access financing to progress their business plans and prepare for recovery and growth. Together with other investors, the CEIF provided matched equity investment or convertible loan notes of up to a maximum of £700,000 for technology and innovative businesses. The scheme was typically focussed on the sectors of advanced manufacturing, materials and engineering, digital and creative technologies, life and health sciences, cyber security, precision medicine, big data, internet of things and analytics.

Applications to the CEIF originally closed on 31 March 2021, however the scheme was then extended until 30 June 2021 to permit further investments. Invest NI provided £2.4m of funding on the same terms as private investors. There has been one disposal of an investment and two conversions of loan notes to equity in the reporting period. At the reporting date £1.5m of investments by way of convertible loan notes remain included under the investments in convertible loan notes, as well as £0.6m of equity investments.

14. TRADE RECEIVABLES AND OTHER RECEIVABLES

	Group		Invest NI	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Amounts falling due within one year:				
Trade receivables	17,000	17,569	16,129	16,946
Loss allowance (note 21)	(10,753)	(10,114)	(10,753)	(10,114)
	6,247	7,455	5,376	6,832
Other receivables	4,392	2,888	4,112	2,620
EU receivables	14,735	21,483	14,735	21,483
Amounts due from subsidiaries	-	-	123	123
Prepayments	811	938	781	924
Accrued income				
Loan interest	413	334	413	334
Other	800	1,554	19	1,412
	27,398	**34,652**	**25,559**	**33,728**
Amounts falling due after more than one year:				
Other receivables	2,451	1,060	2,451	1,060
EU receivables	2,387	2,387	2,387	2,387
	4,838	**3,447**	**4,838**	**3,447**

Notes to the Accounts
Year ended 31 March 2022

14. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

As at each reporting date the carrying value of trade, other and EU receivables approximate their fair value due to their short-term nature.

Information about the impairment of trade receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 21.

15. CASH AND CASH EQUIVALENTS

	Group		Invest NI	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April	29,403	18,087	2,332	(4,264)
Net change in cash and cash equivalent balances	36	11,316	(2,230)	6,596
Balance at 31 March	**29,439**	**29,403**	**102**	**2,332**
The following balances at 31 March were held at:				
Commercial banks and cash in hand	29,674	29,403	337	2,332
Bank overdraft (note 18)	(235)	-	(235)	-
Balance at 31 March	**29,439**	**29,403**	**102**	**2,332**

Reconciliation of liabilities arising from financing activities

	Group			
	31 March 2021	**Cash flows**	**Non-cash movements**	**31 March 2022**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans (note 18)	15,435	(418)	18	15,035
Financial instrument (note 21)	5,055	-	(1,794)	3,261
	20,490	**(418)**	**(1,776)**	**18,296**

16. ASSETS HELD FOR SALE

	Group and Invest NI	
	2022	**2021**
	£'000	**£'000**
Land	-	-
Buildings	-	150
	-	**150**

Notes to the Accounts
Year ended 31 March 2022

16. ASSETS HELD FOR SALE (CONTINUED)

There was one building included within assets held for sale at 31 March 2021. The sale of this property took place during the FY21-22 financial year with no other assets being held for sale as at 31st March 2022.

17. TRADE PAYABLES AND OTHER PAYABLES

	Group		Invest NI	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
		Restated		**Restated**
Amounts due within one year:				
Bank Overdraft	235	-	235	-
Trade payables and accruals	18,903	15,565	9,692	6,238
Accrued grant payables	32,414	58,569	32,414	58,569
Other taxation and social security	626	(19)	592	(19)
Amount owed to subsidiaries	-	-	106	34
Other payables	2,492	4,767	2,491	4,767
Deferred income	208	530	196	491
Amounts due to DfE: other income surrendered	1,440	17	1,440	17
	56,318	**79,429**	**47,166**	**70,097**

At each reporting date the carrying values of the above instruments approximate their fair value due to their short-term nature.

The Accrued grant payables balance of £32m (2021: £59m) includes £Nil (2021: £35m) relating to amounts accrued but not yet paid at 31 March 2022 in relation to the COVID-19 Business Support Schemes as outlined in note 4.

18. BORROWINGS

	Group		Invest NI	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Current				
Bank Loans	348	635	-	-
	348	**635**	**-**	**-**
Non-current				
Bank loans	14,452	14,800	-	-
	14,452	**14,800**	**-**	**-**

The fair value of borrowings is not materially different from their carrying value as the impact of discounting is not significant. For the purposes of IFRS 7, the financial liabilities noted above are classified as other financial liabilities. The carrying amount of the group's borrowings is denominated

Notes to the Accounts
Year ended 31 March 2022

18. BORROWINGS (CONTINUED)

in Sterling. The effective interest rate at the reporting date of bank term loans is 1 month Bank of England less 0.00685% plus 1.05% margin.

Maturity of financial liabilities
The maturity profile of the carrying amount of borrowings is as follows:

	Group	
	2022	**2021**
Bank loans	**£'000**	**£'000**
Amounts due in less than one year	348	635
In more than one year but not more than two years	353	348
In more than two years but not more than five years	1,888	1,410
After more than five years	12,211	13,042
	14,800	**15,435**

The amounts included in the table below are the contractual undiscounted cash flows of current and non-current borrowings:

	Group	
	2022	**2021**
Bank loans	**£'000**	**£'000**
Less than one year	1,250	1,565
In more than one year but not more than two years	1,235	1,250
In more than two years but not more than five years	4,349	3,973
After more than five years	14,374	15,986
	21,208	**22,774**

BSDL has given a floating charge over its assets to secure the borrowings of MRDE.

Notes to the Accounts
Year ended 31 March 2022

19. PROVISIONS FOR LIABILITIES AND CHARGES

(i) Amounts falling due within one year:

	Group and Invest NI Grants £'000
At 1 April 2020	**41,970**
Provided in the year	27,662
Under provision from prior year/ (Provisions not required written back)	(3,937)
	23,725
Provisions utilised in the year	(34,692)
At 31 March 2021	**31,003**
Provided in the year	13,739
Under provision from prior year/ (Provisions not required written back)	(1,807)
	11,932
Provisions utilised in the year	(22,506)
At 31 March 2022	**20,429**

(ii) Analysis of expected timing of discounted flows

	Group and Invest NI	
Provisions	**2022 £'000**	**2021 £'000**
Not later than one year	20,429	31,003
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March	**20,429**	**31,003**

Grants
The majority of grant provisions are due to be paid within one year, hence the effect of discounting is considered to be immaterial. As detailed in note 1, a grant provision is made where companies can demonstrate meeting the defined terms of their financial assistance agreement. It is however acknowledged that the COVID-19 pandemic has given rise to a continued challenging set of conditions for clients which may lead to a risk of postponement or abandonment of current and future initiatives. Invest NI Client Executives maintain regular contact with clients to closely monitor current and proposed grants.

Notes to the Accounts
Year ended 31 March 2022

20. STATEMENT OF CASH FLOWS

Adjustments for non-cash transactions

	2022 £'000	2021 £'000
Notional expenditure on COVID-19 Business Support Schemes *	16,784	286,093
Notional costs (note 4)	253	225
Movement in Provisions for the year (note 19)	11,932	23,725
Depreciation (note 4)	1,194	1,465
Amortisation (note 4)	1,854	1,040
Loss/(Profit) on disposal of Property, plant and equipment	634	(428)
(Profit)/Loss on Financial asset disposal	(1,409)	443
Impairment (note 4)	26	122
Financial instruments gains or losses	3,537	12,353
Share dividend income (note 6)	56	(2)
Interest income on financial assets at amortised cost (note 6)	(320)	(1,359)
Share of results of associates (note 12)	(10,448)	2,310
Foreign exchange loss/(gain)	763	995
Total non-cash transactions	**24,856**	**326,982**

* This represents the amounts paid under the COVID-19 Business Support Schemes operated and administered by DfE/LPS. An equivalent amount of notional grant-in-aid was received from DfE to cover the expenditure in year.

21. FINANCIAL INSTRUMENTS

Financial Risk Management

Financial instruments are primarily held as part of the overall financial assistance to client companies. Invest NI is not exposed to the degree of financial risk faced by business entities because of the largely non-trading nature of its activities and the way NDPBs are financed. Moreover, Invest NI has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to mitigate the risks facing Invest NI in undertaking its activities. Invest NI is primarily exposed to credit risk, currency risk and market risk (including price risk and interest rate risk).

Invest NI's net resource requirements are financed by resources voted by the Assembly through DfE. The organisation is therefore not exposed to significant liquidity risks.

Credit risk

Invest NI's principal financial assets are cash and cash equivalents, receivables, investments in ordinary shares and preference shares, investments in convertible loan notes and fixed and variable rate loans. Invest NI's credit risk is primarily attributable to its receivables and investments in shares, loan notes, and fixed and variable rate loans. The amounts presented in the Statement of Financial Position are net of allowance for expected credit loss. Invest NI has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Notes to the Accounts
Year ended 31 March 2022

21. FINANCIAL INSTRUMENTS (CONTINUED)

The group's maximum exposure to credit risk is the value of the financial assets referred to in note 13 and receivables in note 14. The group has the following assets that are subject to the expected credit loss model:

- Trade and other receivables
- Fixed and variable rate loans

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there was no identified impairment loss. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings.

Trade and other receivables – loss allowance

The group always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The group considers that default has occurred when a financial asset is more than 180 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Reconciliation of loss allowance on trade receivables

	Group and Invest NI £'000
Loss allowance on trade receivables at 31 March 2021	**10,114**
Release of loss allowance on write off	(999)
ECL allowance on trade receivables (note 5)	1,638
Loss allowance on trade receivables at 31 March 2022	**10,753**

	Current	Group More than 30 days past due	More than 90 days past due	More than 180 days past due	Total
At 31 March 2022					
Expected loss rate	62.1%	2.0%	20.7%	63.7%	59.0%
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	2,427	1,132	256	14,395	18,210
Loss allowance	**1,506**	**23**	**53**	**9,171**	**10,753**

Notes to the Accounts
Year ended 31 March 2022

21. FINANCIAL INSTRUMENTS (CONTINUED)

	Invest NI				
	Current	**More than 30 days past due**	**More than 90 days past due**	**More than 180 days past due**	**Total**
At 31 March 2022					
Expected loss rate	62.1%	2.0%	20.7%	63.7%	59.0%
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	2,427	1,132	256	14,395	18,210
Loss allowance	**1,506**	**23**	**53**	**9,171**	**10,753**

	Group				
	Current	**More than 30 days past due**	**More than 90 days past due**	**More than 180 days past due**	**Total**
At 31 March 2021					
Expected loss rate	1.5%	13.8%	22.2%	68.2%	59.7%
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	2,032	159	18	14,737	16,946
Loss allowance	**31**	**22**	**4**	**10,057**	**10,114**

	Invest NI				
	Current	**More than 30 days past due**	**More than 90 days past due**	**More than 180 days past due**	**Total**
At 31 March 2021					
Expected loss rate	1.5%	13.8%	22.2%	68.2%	59.7%
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross carrying amount	2,032	159	18	14,737	16,946
Loss allowance	**31**	**22**	**4**	**10,057**	**10,114**

Fixed and variable rate loans – loss allowance

	Group and Invest NI			
	12-month ECL £'000	**Lifetime ECL £'000**	**Impaired £'000**	**Total loss allowance £'000**
Fixed rate loans (note 13)	470	-	1,912	2,382
Variable rate loans (note 13)	-	-	111	111
Loss allowance at 31 March 2022	**470**	**-**	**2,023**	**2,493**

Notes to the Accounts
Year ended 31 March 2022

21. FINANCIAL INSTRUMENTS (CONTINUED)

	Group and Invest NI			
	12-month ECL £'000	**Lifetime ECL £'000**	**Impaired £'000**	**Total loss allowance £'000**
Fixed rate loans (note 13)	586	-	16,443	17,029
Variable rate loans (note 13)	-	-	111	111
Loss allowance at 31 March 2021	**586**	**-**	**16,554**	**17,140**

The group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For assets classified as impaired above, there is objective evidence of impairment, including the following indicators:

- Significant financial difficulties of the debtor
- Probability that the debtor will enter bankruptcy or financial reorganisation, and
- Default or late payments

Significant estimates and judgements
The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
Invest NI receives reimbursement of certain grant payments from the EU. Transactions with the EU are denominated in Euro and therefore exposed to currency risk. The revenue due from the EU is recognised as a receivable when it is initially paid to grant recipients. However, only when Invest NI submits claims to the EU is the relevant portion of the receivable subject to exchange rate risk.

Market risk
Invest NI is exposed to equity price risks arising from equity investments. The shares included in the financial statements represent investments in listed and unlisted equity securities that present Invest NI with opportunity for return through dividend income and capital growth.

Notes to the Accounts
Year ended 31 March 2022

21. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk
The majority of Invest NI's financial assets and all of its financial liabilities carry nil or fixed rates of interest. Movement in interest rates does not represent a significant risk to the organisation's operation.

The group's interest rate risk arises from borrowings, which are comprised of bank term loans. The group manages this risk by a mixture of variable interest rates on term loans and by the use of interest rate swap contracts. The interest rate is monitored on a regular basis with reference to movements in global interest rates and the potential impact upon the group's cost of borrowing.

Derivative financial instruments
The group has entered into an interest-rate swap whereby the group pays a fixed rate and receives a variable rate.

The fair value of this interest rate swap is recognised as a financial liability under non-current liabilities on the Consolidated Statement of Financial Position with fair value movements being reported in the Statement of Comprehensive Net Expenditure under finance costs.

The group's derivative financial instrument is valued under level 2 in the fair value hierarchy.
The fair value of the group's derivative financial instrument, a liability (designated for hedging) of £3,261,000 (2021: £5,055,000) is obtained from counterparty valuation, and is based on observable market data.

The movement on the group's derivative financial instrument is as follows:

	2022 £'000	2021 £'000
At 1 April	5,055	6,270
Fair value adjustment	(1,794)	(1,215)
Liability at 31 March	**3,261**	**5,055**

It is not possible to determine the portion of the group's derivative financial instrument that will fall due within 12 months as it will depend on the movement of interest rates.

Notes to the Accounts
Year ended 31 March 2022

22. LEASES

Invest NI as lessee
£1,057,000 (2021 £1,180,000) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure.

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	Group and Invest NI	
Obligations under operating leases for the following periods comprise:	**2022 £'000**	**2021 £'000**
Buildings:		
Not later than one year	722	804
Later than one year and not later than five years	2,300	2,243
Later than five years	632	961
	3,654	**4,008**

Operating lease payments represent rentals payable by Invest NI for certain of its regional and international office properties. Leases are negotiated for periods of up to 15 years. There are no purchase options in the leases, but a number of the leases contain an option to extend for a further period at the then prevailing market rate.

Invest NI as lessor
Net property rental income earned during the year was £1,179,000 (2021: £1,256,000). The group earned rental income of £1,718,000 (2021: £1,759,000). All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. At 31 March, Invest NI had contracted with tenants for the following future minimum lease payments:

	Group	
Obligations under operating leases for the following periods comprise:	**2022 £'000**	**2021 £'000**
Buildings:		
Not later than one year	325	1,577
Later than one year and not later than five years	1,047	3,094
Later than five years	215	5,097
	1,587	**9,768**

	Invest NI	
Obligations under operating leases for the following periods comprise:	**2022 £'000**	**2021 £'000**
Buildings:		
Not later than one year	171	1,191
Later than one year and not later than five years	508	3,093
Later than five years	215	5,097
	894	**9,381**

Notes to the Accounts
Year ended 31 March 2022

23. OTHER FINANCIAL COMMITMENTS

	Group and Invest NI	
	2022	**2021**
	£'000	**£'000**
Commitments in relation to unclaimed grants under financial assistance offers and agreements at the year-end comprised:	**147,891**	**192,913**
Commitments in relation to further CRBSS payments to existing applicants due for the period 1 April 2021 to 14 April 2021	**-**	**7,271**

It is not possible to determine the date of future claims by client companies in relation to the above obligations.

24. COMMITMENTS UNDER PFI CONTRACT

The contract for the Bedford Square headquarters Private Finance Initiative (PFI) project was signed in November 2004. Invest NI is committed to the terms and conditions in the final contract. The contract is on a 25 year basis from October 2005. The service charge payable by Invest NI includes unitary charges for facility (property and car parking), reprographic and catering. The Bedford Square headquarters is not an asset of Invest NI and it is an off Statement of Financial Position property. In 2013-14 Invest NI acquired the BSDL Group that manages the PFI contract, as such the asset now forms part of the Consolidated Statement of Financial Position.

The total amount charged in the Invest NI Statement of Comprehensive Net Expenditure in respect of off-balance Sheet (SoFP) PFI transactions was £5,258,000 (2021: £5,070,000).

The asset has been revalued by LPS on 31 March 2022 at £25,500,000 (2021: £25,500,000). Total future minimum payments due under this PFI contract are given in the table below for each of the following periods:

	Invest NI	
		Restated
	2022	**2021**
	£'000	**£'000**
Not later than one year	5,803	5,147
Later than one year and not later than five years	23,769	21,108
Later than five years	21,789	27,594
	51,361	**53,849**

The above is subject to annual service performance review adjustments and includes an assumption that charges will increase by an inflation factor of 0.95% per annum, an impact of approximately £2.3m. The prior year figures have been restated to include adjustment for inflation. Invest NI may avail of other services at an additional cost and reduced service requirements in accordance with the provisions set out in the contract.

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Year ended 31 March 2022

25. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

Invest NI receives EU grants and administers programmes that are funded by EU financial assistance. Therefore Invest NI is bound by the appropriate EC regulations and requirements. Invest NI has a potential liability to repay EU grants if the relevant EC regulations and requirements are not met or complied with. Any potential future liability would be dependent upon any irregularity not yet identified. Therefore at the end of the financial year, the maximum amount of potential liability is not quantifiable but the inherent risks remain as Invest NI has continued to carry out the administrative role.

Invest NI does not have any other contingent liabilities which are required to be disclosed under IAS 37 or for Assembly reporting and accounting purposes.

26. RELATED PARTY TRANSACTIONS

Transactions with the Parent and other Government Departments
Invest NI is a NDPB of DfE. DfE is regarded as a related party. During the year, Invest NI has had various material transactions with DfE. At the reporting date Invest NI had the following outstanding balances with DfE:

	2022 £'000	2021 £'000
Payables: amounts due within one year (note 17):		
Balances with other central government bodies	1,440	17

In addition, Invest NI had various transactions with other government departments and their agencies, and other central government bodies. Most of these transactions have been with DoF and HMRC. There were no material outstanding balances with these bodies, local authorities, HSS Trusts, public corporations or trading funds.

Transactions with associates
The relationships with associates are detailed in note 12. The following payments were made to associates during the year:

	2022 £'000	2021 £'000
Crescent Capital III LP	525	750
Kernel Capital	1,537	1,125
Techstart NI SME Equity	1,983	2,163
QUB Equity Limited Partnership	50	50
Ulster Equity Limited Partnership	50	50
Small Business Loan Fund II	-	94
Growth Finance Fund	1,469	2,501
NI Growth Loan Fund II	5,349	2,248
Techstart Ventures II LP	5,499	1,383
Ulster Equity LP	75	-
	16,537	**10,364**

Notes to the Accounts
Year ended 31 March 2022

26. RELATED PARTY TRANSACTIONS (CONTINUED)

The following distributions were received from associates during the year:

	2022 £'000	2021 £'000
Crescent Capital II LP	3,129	3,597
Techstart Ventures II LP	4,951	-
Small Business Loan Fund	265	645
Techstart NI SME Equity	768	954
NI Growth Loan Fund	5,574	4,832
Crescent Capital IV LP	-	265
	14,687	**10,293**

Transactions involving ELT

A beneficial interest exists when the Chief Executive or Executive Director is either directly, or through a family connection, a material shareholder or receives a payment from the entity for their services. A family connection will give rise to a beneficial relationship where the family member occupies a senior position in the relevant organisation.

<u>Financial assistance transactions:</u> (Refer to the key at end of note)

ELT member	Company	Nature of relationship	New financial assistance offered 2022 £'000	Amount paid 2022 £'000	New financial assistance offered 2021 £'000	Amount paid 2021 £'000
Alan McKeown	Inpresspics	(a)	-	9	9	-
Alan McKeown	Belfast City Council	(a)	-	360	(i)	(i)

<u>Payments made by Invest NI for services (inclusive of VAT where applicable):</u>

ELT member	Company	Nature of relationship	Amount paid 2022 £'000	Amount paid 2021 £'000
Alan McKeown	Belfast City Council	(a)	43	(i)

<u>Amounts invoiced by Invest NI (inclusive of VAT where applicable):</u>

ELT member	Company	Nature of relationship	Amount invoiced 2022 £'000	Amount invoiced 2021 £'000
Alan McKeown	Belfast City Council	(a)	84	(i)

Notes to the Accounts
Year ended 31 March 2022

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Balance owed to the company at 31 March:

ELT member	Company	Nature of relationship	Balance 2022 £'000	Balance 2021 £'000
Alan McKeown	Inpresspics		-	9
Alan McKeown	Belfast City Council	(a)	137	(i)

Balance owed from the entity at 31 March:

ELT member	Company	Nature of relationship	Balance 2022 £'000	Balance 2021 £'000
Alan McKeown	Belfast City Council	(a)	3,807	(i)

There were no provisions held against the above balances.

Transactions involving Board members

Due to the nature of Invest NI's operations and the composition of its Board members (being from local private and public sector organisations), it is inevitable that transactions will take place with companies and organisations in which Board members may have a beneficial or non-beneficial interest. A beneficial interest is when the Board member is either directly, or through a family connection, a material shareholder or receives a payment from the entity for their services. A family connection will give rise to a beneficial relationship where the family member occupies a senior position in the relevant organisation.

Further details regarding the Register of Interests are on page 40.

Transactions with these related entities are conducted on an arm's length basis. Financial assistance packages are subject to normal project and programme rules and internal appraisal procedures. The purchase of goods and services are subject to normal tendering processes, and the organisation's procurement policy, which complies with DoF guidelines. All proposals and transactions are approved in line with the delegation policies approved by DfE.

During the year, the transactions in the tables below (inclusive of VAT where applicable and aggregate value in excess of £1,000) were made with entities in which Board members have had a beneficial interest during the year. On this basis, where disclosure was made in 2020-21 for bodies from which Board members resigned or retired during 2020-21, these are not replicated in the 2021-22 financial statements. Similarly, where a Board member retired from Invest NI in 2020-21 no disclosure has been made in respect of this individual for 2021-22. The 2020-21 information has

Notes to the Accounts
Year ended 31 March 2022

26. RELATED PARTY TRANSACTIONS (CONTINUED)

been retained for comparative purposes. Where a Board member has been appointed to Invest NI in 2021-22, no comparative information for 2020-21 has been provided in respect of this individual.

Where a Board member has resigned/retired from either Invest NI or another organisation during the year, transactions with the relevant organisation during the year are disclosed but balances owing to/from the body at the year-end are not on the grounds that no beneficial relationship existed at that date.

Financial assistance transactions:

Board member	Company	Nature of relationship	New financial assistance offered 2022 £'000	Amount paid 2022 £'000	New financial assistance offered 2021 £'000	Amount paid 2021 £'000
Brian Baird	Repstor Limited	Non-Executive Chair and Shareholder	(b)	(b)	864	28
	Flowlens Limited (d)	Non-Executive Director	(b)	(b)	5	-
	Replify Limited (e)	Non-Executive Director	(b)	(b)	14	-
Padraig Canavan	Hunter Apparel Solutions Limited	Chair and Shareholder	(c)	(c)	50	2
	Lithe IT Limited	Shareholder		10	-	10
Mark Nodder	Cadshare Technology Limited (g)	Chair		26	360	12
	Traynors Limited	Director		14	-	-
Judith Totten	Queen's University Belfast	(a)		5,646	743	4,690
Colin Coffey	Agri-Food and Biosciences Institute	Chair		7	91	11
	Flint Studios Limited	Chair		36	21	10
	Natural World Products Limited	Chair		4	(i)	(i)
Kevin Kingston	Northern Bank Limited t/a Danske Bank UK (f)	Chief Executive and Shareholder		-	-	106
	Belfast Harbour Commissioners	Board Member	6	-	-	-
Kieran Kennedy	O'Neills Irish International Sports Company Limited (f)	Managing Director	-	116	-	19
	21 Training Limited	Chair	5	-	-	-

Notes to the Accounts
Year ended 31 March 2022

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Board member	Company	Nature of relationship	New financial assistance offered 2022 £'000	Amount paid 2022 £'000	New financial assistance offered 2021 £'000	Amount paid 2021 £'000
Rose Mary Stalker	Belfast Harbour Commissioners	Board Member	6	-	-	-
Deborah Lange	Belfast Harbour Commissioners	Board Member	6	-	-	-

Payments made by Invest NI for services (inclusive of VAT where applicable):

Board member	Company	Nature of relationship	Amount paid 2022 £'000	Amount paid 2021 £'000
Judith Totten	Queen's University Belfast	(a)	335	322
Brian Baird	Repstor Limited	Non-Executive Chair and Shareholder	(b)	-
Colin Coffey	Agri-Food and Biosciences Institute	Chair	4	5
	Flint Studios Limited	Chair	-	4
	Institute of Directors	Member and Chartered Director Assessor	14	2
Marie-Therese McGivern	Northern Ireland Water Limited	Non-Executive Director	26	19
	Strategic Investment Board Limited	Non-Executive Director	131	11
Mark Nodder	Eman8 Limited	Director and shareholder	-	2
Kieran Kennedy	North West Regional College	Member of Governing Body	90	(i)
Michael McQuillan	South Eastern Regional College	Member of Governing Body	5	(i)

Notes to the Accounts
Year ended 31 March 2022

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Amounts invoiced by Invest NI (inclusive of VAT where applicable):

Board member	Company	Nature of relationship	Amount invoiced 2022 £'000	Amount invoiced 2021 £'000
Padraig Canavan	Hunter Apparel Solutions Limited (c) (h)	Chair & Shareholder	-	28
Mark Sweeney	Northern Ireland Transport Holding Company	Board member	(f)	(20)
Mark Nodder	Cadshare Technology Limited (g)	Chair	1	-

Balance owed to the company at 31 March:

Board member	Company	Nature of relationship	Balance 2022 £'000	Balance 2021 £'000
Judith Totten	Queen's University Belfast	(a)	1,810	2,280
Brian Baird	Repstor Limited	Non-Executive Chair & Shareholder	(b)	113
Colin Coffey	Agri-Food and Biosciences Institute	Chair	23	11
Kieran Kennedy	O'Neills Irish International Sports Company Limited	Managing Director	(f)	31
	North West Regional College	Member of Governing Body	74	(i)
Marie-Therese McGivern	Northern Ireland Water Limited	Non-Executive Director	-	4
	Strategic Investment Board Limited	Non-Executive Director	14	-
Michael McQuillan	South Eastern Regional College	Member of Governing Body	26	(i)

There were no loan or receivable balances outstanding at 31 March 2022 (2021: £Nil) from any company in which a Board member had a beneficial interest.

Notes to the Accounts
Year ended 31 March 2022

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Investments held at 31 March 2022:

Invest NI holds investments in the following companies in which Board members have a beneficial interest:

Board Member	Company	Nature of relationship	Investment category	Investment cost £'000
Mark Nodder	Cadshare Technology Limited (g)	Chair	Shares	150
	Cadshare Technology Limited (g)	Chair	Convertible Loan Notes	260

No dividends were received in respect of the above investments.

Notes to the Accounts
Year ended 31 March 2022

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Key
(a) Connected via family relations.

(b) The Board member retired from Invest NI during 2020-21 therefore no disclosures have been made in respect of this individual for 2021-22.

(c) The Board member's beneficial relationship with this organisation ceased during 2020-21 therefore no transactions or balances are disclosed for 2021-22.

(d) Crescent Capital III holds an investment of £2,350,920 in Flowlens Limited. Crescent Capital III is an associate of Invest NI. The relationship between Invest NI and this body is described in note 12.

(e) Crescent Capital II holds and investment of £2,040,000 in Replify Limited. Crescent Capital II is an associate of Invest NI. The relationship between Invest NI and this body is described in note 12.

(f) The Board member's relationship with this organisation ceased during 2021-22 therefore transactions with the company are disclosed but not balances at 31 March 2022 on the grounds that no beneficial relationship existed at that date.

(g) Techstart NI SME Equity holds an investment of £395,013 in Cadshare Technology Limited. Techstart NI SME Equity is an associate of Invest NI. The relationship between Invest NI and this body is described in note 12.

(h) Approval was granted to waive this invoice in December 2020. The Board member's beneficial relationship with this company had ceased prior to that date.

(i) The Board member's beneficial relationship with this organisation commenced during 2021-22 therefore no transactions or balances are disclosed for 2020-21.

27. EVENTS AFTER THE REPORTING PERIOD

There have been no other significant events since the year-end, which affect the financial statements.

Date of authorisation for issue
The Accounting Officer authorised the issue of these financial statements on 08 July 2022.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN ASSEMBLY

Introduction

1. Invest Northern Ireland (Invest NI) is a Non-Departmental Public Body, established in 2002 to grow the local economy by helping new and existing businesses compete internationally and by attracting new investment. Invest NI is a separate legal entity with its own independent board and Accounting Officer. It is sponsored by the Department for the Economy (the Department), but it is not part of the Department nor are its financial statements consolidated with those of the Department. In 2021-22 it recorded £157.4million (2020-21, £508.1 million) of grant-in-aid funding from the Department; a proportion of this funding related to COVID-19 business support grants to Northern Ireland businesses.

2. Given the political and economic concerns at the time, these grant schemes were delivered at extreme pace and in a challenging environment. The situation was made worse by the imposition of home working and a lack of appropriate resources. Given the urgency and speed with which these schemes were designed and delivered, the accounting treatment, has been complex.

Purpose of the Report

3. I am required to examine, certify and report upon the financial statements prepared by Invest NI under the Industrial Development Act (Northern Ireland) 2002. I provided adverse regularity and true and fair audit opinions on the 2020-21 financial statements of Invest NI. This report explains the reasons for my opinions on the Invest NI financial statements for the year ended 31 March 2022, reflecting similar issues to those noted in my previous report.

4. I have qualified audit opinions due to:

- COVID-19 business support grant expenditure totalling £13.4 million in 2021-22 and £138.3 million (restated) in 2020-21, together with related transactions and balances, which was controlled and administered by the Department but was, in my view, incorrectly recorded in Invest NI's financial statements. In my view this expenditure was also therefore irregular since reliance cannot be placed on Invest NI's legal powers to confirm that the expenditure was regular. Further details are provided in paragraphs 5-14 and 17-18 below.
- limitations in the scope of my work due to insufficient evidence available to satisfy myself that £14.7 million of COVID-19 business support grants controlled and administered by Invest NI complied with the schemes' eligibility criteria. Further details are provided in paragraphs 19-20 below.

Qualified True and Fair audit opinion

5. Invest NI's financial statements include expenditure on a number of COVID-19 emergency business support grants totalling £13.4 million in 2021-22 and £138.3 million (restated) in 2020-21, which were administered and paid by the Department. The opening balance of net assets at 1 April 2020 was also affected by transactions related to these schemes. A breakdown of expenditure between these schemes is provided in Figure 1. Neither Invest NI nor any of its staff were directly involved in their delivery.

Figure 1: Department for the Economy administered COVID-19 business support schemes

Scheme	Expenditure in 2021-22 £ million	Expenditure in 2020-21 £ million	Expenditure in 2019-20 £ million
Small Business Grant Scheme	(0.1)	23.2	220.0
Tourism and Retail Sectors Grant	0.03	73.6	0.0
Large Tourism and Hospitality Business Support Scheme	13.5	37.4	0.0
Wet Pubs Scheme	(0.06)	4.1	0.0
TOTAL	**13.37**	**138.3**	**220.0**

Source: Invest NI 2021-22, 2020-21 and 2019-20 Annual Report and Accounts

6. Despite the schemes being administered and paid by another organisation, rather than by Invest NI, the expenditure was included in Invest NI's financial statements, under the instructions of the Department. This unusual accounting arrangement was used because the Department did not have the legal authority to make the required payments itself. The aim of this arrangement was to reflect scheme expenditure in the entity with the appropriate legal authority to make the payments. Invest NI has the relevant authority under the Industrial Development (NI) Order 1982. So essentially the Department designed and delivered these schemes and incurred the expenditure, while instructing Invest NI to include the expenditure in its accounts on the basis that it had the correct legal powers. However, neither International Accounting Standards nor the Government Financial Reporting Manual (FReM) allow for legal vires as a basis for recognition.

7. The Department, Invest NI, DoF's Land & Property Services (LPS) and Account NI all agreed a Memorandum of Understanding (MOU) which set out the roles and responsibilities of those involved in the policy, design, operation and delivery of the Covid-19 business support grants. In the MOU, the sole duty allocated to Invest NI is to "record the full estimated costs of the grant scheme on an accruals basis in 2019-20 budgets and accounts". However, the primary duties in relation to establishing the scheme, its design and delivery, payment approval and taking responsibility for any losses arising from its administration, were allocated to, and accepted by, the Department. While there was some early consultation with Invest NI on the scheme, no Invest NI staff were involved in scheme delivery and Invest had no role in the payments that were made to grant recipients.

8. Invest NI is required to provide financial statements which show a true and fair view of its financial transactions and its financial position. Therefore, including the expenditure of another entity led to misstatements within Invest NI's financial statements in 2021- 22, including the corresponding figures for 2020-21 and the opening balance of net assets at 1 April 2020. I have therefore qualified my audit opinion on the financial statements.

9. During my audit of the 2020-21 financial statements the Department consulted with the Departmental Solicitor's Office (DSO) and the Department of Finance (DoF) on this novel accounting treatment and both bodies gave their support to it. However, the legal advice is not based on the application of relevant accounting standards and DoF, although supportive, did not issue an accounts direction to the Department to provide a clear basis for the approach taken. It is a requirement of my role to form an independent audit opinion on whether the financial statements reflect a true and fair view, and comply with accounting standards and the Government Financial Reporting Manual. Since the Department controlled and administered the scheme and made the payments to recipients, without any meaningful involvement of Invest NI, it is my opinion that this money was not spent by Invest NI and therefore should not have been recorded in its financial statements.

10. In addition to the grant expenditure in Figure 1, Invest NI also included notional grant-in-aid from the Department of £16.8 million (2020-21, £286.1 million), representing payments made by the Department to grant recipients of these schemes. No related accruals where reflected at 31 March 2022 (2021, £4.5 million (restated)). In my opinion, Invest NI did not have an obligation at 31 March 2021 or 1 April 2020 for these schemes since it was not involved in controlling or delivering them and therefore should not have reflected an obligation for accruals in its corresponding figures at 31 March 2021 or in the opening balance of its net assets and reserves at 1 April 2020. Income from grant clawbacks of £3.1 million (2020-21, £nil) was also reflected in the 2021-22 financial statements together with associated debtors of £0.5 million (2020-21, £nil) after providing for £1.5 million (2020-21, £nil) of debtors which are not expected to be recovered. These all represent further misstatements which I have taken into account in determining my audit opinion.

Figure 2: Misstatements resulting from the accounting treatment for Department for the Economy administered COVID-19 business support schemes

Account area	Misstatement in 2021-22 £ million	Misstatement in 2020-21 £ million	Misstatement in 2019-20 £ million
Grant-in-Aid – i.e. payments to grant recipients made by from the Department's bank account	16.8	286.1	67.7
Grant expenditure on DfE administered schemes	(13.4)	(138.3)*	(220.0)
Charge for expected credit loss (ECL) on grant clawback debtors	(1.5)	-	-
Income from clawback of grants for these schemes	3.1	-	-
Accruals	-	4.5 *	152.3
Debtor – grant clawback still owed net of ECL	(0.5)	-	-
General Fund – relating to opening accruals	(4.5)	(152.3)	0.0

*These figures have been restated, see paragraphs 15-16 below for more details.

11. This is a matter of 'substance over form', an accounting concept which means that, in order to present a true and fair view, financial statements should reflect the economic substance of transactions or events, not their legal form. Financial statements representing a legal form that differs from the economic substance, do not result in a faithful representation. Following a detailed technical review, it is my opinion that the economic substance of the grant schemes outlined in Figure 1, is that the Department, not Invest NI, controlled and delivered the schemes and made the payments to recipients with assistance from the Land and Property Services (LPS). As a result, these transactions should not have been recorded in Invest NI's financial statements. I also note that the Invest NI Accounting Officer had no opportunity to govern those schemes or influence the expenditure.

12. I provided Invest NI with an opportunity to reconsider its accounting treatment and proposed that it make an adjustment to its 2020-21 financial statements to rectify the issue. There was constructive engagement on this issue and Invest NI demonstrated openness to my recommendation, however, Invest NI understandably wanted to wait until the Department decided its course. Following a decision by the Department not to adjust its own accounts, Invest NI took the same position. There was a further opportunity for Invest NI to resolve this issue by amending its 2021-22 financial statements, including its corresponding figures for 2020-21 and opening balances at 1 April 2020, but it declined to do so.

13. Invest NI operates under a Management Statement and Financial Memorandum (MSFM) with the Department which states that "accounts be prepared in accordance with any directions issued by the minister, Department or DoF". While Invest NI was instructed by the Department to account for the expenditure in this way (see paragraph 7 above) that instruction does not, in my view, constitute an Accounts Direction. Therefore, I must provide my opinion on the basis of my disagreement with the accounting treatment of these grants and the associated grant-in-aid and accruals, since in my opinion they should not have been included in Invest NI's financial statements.

14. The COVID business support grant schemes administered by the Department of £13.4 million for 2021-22 and £138.3 million (restated) for 2020-21 and the associated transactions noted in Figure 2 above have been included in Invest NI's financial statements. Opening accruals of £152.3 million at 1 April 2020 also impacted on opening net assets at 1 April 2020. Since in my view none of these transactions should have been reflected in Invest NI's financial statements I have therefore qualified my true and fair audit opinion. Given my view on the regularity of this expenditure, noted in paragraph 18 below, I have also qualified my true and fair opinion on the basis that disclosure of this irregularity has not been made in the notes to the financial statements as required by the Accounts Direction.

A Prior Period Error had not been notified on a timely basis

15. I issued my audit opinions on Invest NI's 2020-21 financial statements on 4 March 2022, having received representations from the Accounting Officers of both the Department and Invest NI that they had provided me with relevant audit information that I would need to undertake my audit work. As noted in Figure 2 above, in its 2021-22 financial statements Invest NI has restated the corresponding figures relating to 2020-21 for DfE administered COVID-19 business support scheme grants and associated accruals, after reducing both by £2.5 million following identification of an overaccrual. Invest NI was dependent on the Department for the provision of information on these financial transactions. Whilst both bodies appear to have been aware of a potential overaccrual in the 2020-21 financial statements, the Department had clearer detail on the issue as far back as January 2022.

16. Both bodies had a responsibility to bring this to my attention before I certified the 2020-21 financial statements, but failed to do so. Although both assure me that this was not intentional, I am none-the-less concerned that this was not disclosed to me in a timely manner and I expect both bodies to put communications in place to prevent this from happening again in the future. Had I received this information before I had certified the 2020-21 financial statements I would have referred to the error in my report and audit certificate on those accounts.

Qualified opinion on the regularity of income and expenditure

COVID-19 grant schemes administered by the Department for the Economy

17. In addition to forming an opinion on whether the financial statements show a true and fair view I am required to give an opinion on the regularity of transactions, by considering if the income and expenditure has been applied for the purposes intended by the Assembly and whether the transactions comply with the authorities which govern them.

18. Since, in my opinion, it was the Department and not Invest NI which expended £13.4 million in 2021-22 on the COVID-19 business support grants referred to in Figure 1, reliance cannot be placed on Invest NI's legal powers under the Industrial Development (NI) Order 1982 to prove the regularity of these transactions. In the absence of the Department having sufficient powers in place itself I have qualified my regularity audit opinion in respect of this matter.

COVID-19 grant schemes administered by Invest NI

19. In addition to the grant schemes shown in Figure 1 which were administered by the Department, a number of support schemes were administered by Invest NI in during 2021-22 and 2020-21 in response to the continued impact of the pandemic on Northern Ireland's economy. As part of my work to provide an opinion on the regularity of transactions, I must gather independent audit evidence to assess whether grants administered by Invest NI complied with the eligibility critieria established for each scheme. All of these schemes were designed to rely upon self-declarations made by applicants to confirm eligibility. Therefore, Invest NI could not provide me with sufficient appropriate audit evidence to verify whether the self-declarations made were, in fact, accurate and to allow me to determine whether all of the eligibility criteria relating to expenditure totalling £14.7 million in 2021-22 had been met for the Invest NI administered COVID-19 business support grant schemes set out in Figure 3 below. There were no alternative audit procedures available to me to obtain sufficient appropriate audit evidence to inform my regularity audit opinion.

Figure 3: Invest NI administered COVID-19 business support schemes

Grant scheme	Key self-declarations made to determine eligibility	Expenditure during 2021-22 £ million	Expenditure during 2020-21 £ million
Coronavirus Hardship Fund for Microbusinesses	○ Turnover had dropped by at least 40 per cent due to COVID-19	-	23.3
COVID Restrictions Business Support Scheme (CRBSS) Part A	○ Income had dropped by at least 50 per cent due to COVID-19	10.7	65.4
COVID Restrictions Business Support Scheme (CRBSS) Part A	○ Income had dropped by at least 40 per cent due to COVID-19	4.0	12.8
Newly Self-Employed Support Scheme (NSESS)	○ There a decline of more than 40 per cent in trade due to COVID-19 ○ The business would continue to trade	-	8.7
Limited Company Directors Support Scheme (LCDSS)	○ Taxable income was less than £50,000 due to COVID-19 ○ The predicted drop in remuneration and dividend income was at least 40 per cent due to COVID-19. ○ There was an intention to carry on trading.	-	19.6
TOTAL		14.7	129.8

Source: Invest NI 2021-22 and 2020-21 Annual Report and Accounts

20. Approval for the implementation of the schemes was by Ministerial Direction, since the Department's Accounting Officer was unable to provide evidence that these schemes would provide value for money or that there would not be an unacceptably high risk of error or loss of funds. Reliance on self-declarations without corroborating evidence does not mitigate the risk of fraud and error occurring. As a result of the limitation of scope

created by insufficient audit evidence being available to prove eligibility criteria have been met where self-declarations have been used, I have qualified my regularity audit opinion.

Reporting on fraud and error in the COVID-19 business support schemes

21. Invest NI is required to disclose a fraud and error analysis of its' COVID-19 government support schemes, providing an evidenced based estimate of the extent of the level of fraud and error in these schemes; identifying risks of fraud and error; and explaining how these risks are managed. In addition, its Accounts Direction requires disclosure of any material irregular expenditure or income. Invest NI has made these disclosures in the Performance Report and within Note 4 of the 2021-22 Annual Report and Accounts

22. Protecting public funds from fraud and error is a key responsibility for all public bodies. We accept that these schemes were delivered in response to an emergency situation, nonetheless, public funds may be at risk, particularly in light of self-declarations being accepted by the organisation as proof of eligibility for the grant schemes that it administered, as shown in Figure 3.

23. In my report on the 2020-21 Invest NI financial statements, I recommended that post payment checks were performed, proof of eligibility from corroborating evidence sought and, where necessary, funds are recouped. I noted that, in accordance with the agreed Memorandum of Understanding for the schemes, the Department was responsible for undertaking this work and that I intended to review the outcome of it.

24. The Covid Grants Fraud and Error Project (the Project) was established by the Department in December 2020 "to review all of DfE's Covid-19 Business Support Grant Schemes to validate and provide assurance of payments under the schemes; identify fraud and error; initiate recovery measures and manage the risk of error and fraud going forward". Ten schemes were reviewed during the Project, with a total spend of £518.6 million between 2019-20 and 2021-22. Nine of these schemes, with a total spend of £516.2 million, were reflected in Invest NI's financial statements over those three years (2021-22: £28.1 million). The Project was terminated in November 2021, having estimated a fraud and error rate of 2.08%, suggesting that £10.7 million of spend reflected in Invest NI's financial statements over that time had been incurred due to fraud and error. By June 2022, the Department had recovered or agreed repayment plans for £4.9 million.

25. Internal audit has recently undertaken a review of the Project. I reviewed the draft internal audit report and note that:

- An external support contract for staff substitution of a multi-disciplinary team with expertise in fraud and error risk, fraud investigation and data analytics was awarded under a Direct Award Contract. The estimated budget at the outset of this work was £350,000 in total. However before all phases of the work were completed, the contract was terminated with actual costs of £305,000. It was estimated that to complete the work in full would have cost an additional £267,000. The Project continued within the Department, however without this work being completed, all of the objectives of the Project may not have been met.
- Testing focussed solely on the first three schemes and targeted the risk of duplication of support with other COVID business support schemes. Testing was not undertaken

to address other key risk areas identified, including the validity of self-declarations provided to confirm compliance with certain eligibility criteria for Invest NI administered schemes, despite the recommendation in my report on the 2020-21 financial statements that this was undertaken. A broad assumption was made by the Department that the fraud and error rate for risk areas not tested would be the same as that rate identified by duplicate testing. The Department told me that it was its best estimate, based on the evidence available at the time.

- A risk assessment was made for each of the schemes reviewed. The methodology used to calculate an overall risk rating meant that inclusion of a number of low risk aspects may have reduced the overall scheme risk rating, despite high risk aspects being identified. For example for the CRBSS Part B scheme there were 3 high, 3 medium and 21 low risks, creating an overall assessment of low risk. However, given that this scheme used self-declarations to confirm certain eligibility criteria there was a clear risk of significant fraud and error. While the Department's low risk ratings of the schemes not tested were used to inform the Department's decision to terminate the Project before all phases of the work had been completed, the decision was also informed by the detailed risk assessments..
- Not all schemes and not all high risks were tested, and broad assumptions were used that the duplication error rate identified for the three schemes tested could be used to estimate fraud and error for other risk categories and across the other schemes. In addition, the work undertaken was not subject to review by qualified statisticians. This means that the fraud and error rate calculated may not be statistically valid, and the actual level of fraud and error across these schemes may be higher or lower than estimated.

26. Whilst I acknowledge the recoveries made to date and payment plans agreed, by the Department's own estimation there may have been over £5 million of fraud and error on the schemes which has not been investigated and recovered. Indeed, given the weaknesses in the methodology used to calculate an error rate, fraud and error not addressed could be significantly more. Whilst I acknowledge the urgent need to support businesses at the time meant that normal controls could not be applied before the grants were issued, I am disappointed to note the clear weaknesses in the Department's Project.

Kieran Donnelly

KJ Donnelly
Comptroller and Auditor General

8 July 2022

Northern Ireland Audit Office
1 Bradford Court
Upper Galwally
Belfast
BT8 6RB

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Invest NI Equality

Tel: 028 9069 8273

Text Relay Number: 18001 028 9069 8273

Email: Equality@investni.com

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