Access to Finance Implementation Panel - Final Report

January 2016

1 Introduction

1.1 The Access to Finance Implementation Panel was established back in October 2013 by the Ministers of Finance & Personnel and Enterprise, Trade and Investment. At this time, and following an in depth research piece by the Economic Advisory Group (EAG) on a 'Review of Access to Finance for NI Businesses'[1] (published in March 2013), there were clearly some unique challenges facing local businesses and their ability to access finance. The EAG's report identified a total of 13 recommendations to help address the key issues highlighted.

1.2 The EAG report's first recommendation was for government to appoint an independent implementation panel to take forward the other 12 recommendations listed in the report. These covered a broad range of issues including improving awareness and application of UK wide access to finance initiatives and schemes, improving communications between banks and the business community, securing bank lending data for Northern Ireland, promoting the appeals process, looking at alternate sources of finance including venture capital and reviewing the level of training for bank staff involved in dealing with applications for business finance. These are set out in more detail in Annex A.

1.3 Since its appointment, the Panel has been engaging heavily with key stakeholders including Government, senior representatives from the local banking sector and business sector representatives to gain a better understanding of the local lending environment and to find solutions to address some of the challenges that have been identified. The Panel has also been involved in:

- advising Ministers on what more may be needed to ensure sufficient Access to Finance is available at reasonable terms for businesses in Northern Ireland;
- being a central liaison point for government, banks and business bodies on Access to Finance issues; and
- overseeing the implementation of other actions considered and agreed with Ministers as necessary to address the issue of Access to Finance for Northern Ireland businesses.

[1] http://eagni.com/wp-content/uploads/2015/06/Review-of-access-to-finance-for-Northern-Ireland-Businesses-2013.pdf

1.4 Following an in depth consultation exercise with the local banking sector, government and business organisations, the Panel shared its Interim report with Ministers and officials, outlining details of the work undertaken and highlighting 4 areas that it felt required some attention. The Panel's key recommendations included:

- The need for a better understanding of the NI banking sector, primarily in the rest of the UK and with the Westminster Government, when looking at developing initiatives to help improve access to finance. The Northern Ireland banking community operates distinctly differently to other parts of the UK which fits well with the environment in Northern Ireland. It is the only part of the UK where 'unique' local banks operate as they do not really operate elsewhere in the UK. These banks account for an estimated 80% plus of the lending market and while two of the UK mainland based banks have started to operate more actively in Northern Ireland there is really no room for others without impacting on the local banks;

- To explore a potential new loan or guarantee instrument that would enable <u>viable</u> businesses with property overhang debt to pass the affordability test to access new bank funding. The Panel focussed on this area as others had already plans in place to look at how to help non viable businesses where that non viability was caused by property issues;

- Better education for SMEs and the wider business community on the new norm in bank lending and the conditions attached to this; and

- The establishment of a new NI Banking Committee to provide a stronger more coherent voice for the local banking sector, both here and at Westminster.

1.5 The purpose of this report is to provide an update on progress that has been made since the Panel commenced its programme of work and to highlight what has been achieved over this period. The structure of this report is as follows:

- **<u>Section 2: Where are we now? Trends in the Current Lending Environment</u>**

This section of the report provides a short contextual and positioning piece on the “state of the sector” and current lending trends in Northern Ireland to provide a sense of the distance travelled over the last couple of years whilst highlighting some of the challenges that remain. It uses British Bankers’ Association (BBA) bank lending data for Northern Ireland to illustrate the volume of loan applications, number approved and the value of new lending approved.

- **Section 3: Progress on Actions to Increase Access to Finance**

  This section is aimed at providing an update on progress that has been made to address the areas identified by both the EAG and the Panel (as outlined above) as requiring attention.

- **Section 4: Conclusion**

  This section provides a summary of the work undertaken by the Panel and our overall thoughts on how the lending environment has improved in Northern Ireland and our closing thoughts on the progress made to date.

1.6 The EAG recently published its Access to Finance Update report [2] providing an update on the current access to finance landscape in Northern Ireland. The report considers progress against each of the 13 recommendations made in the EAG report along with a broader review of new evidence available in relation to both bank finance and alternative sources of finance for early stage and growth businesses.

1.7 There is some overlap between what has been reported in the EAG update report and the overall findings from our work as a Panel. Rather than repeat too much of this detail in the main body of our report, we have provided a summary of the progress made against the 13 recommendations in Annex A along with some concluding remarks from the Panel.

[2] http://eagni.com/wp-content/uploads/2015/10/EAG-Access-to-Finance-Update.pdf

2 Where we are Now – Trends in the Current Lending Environment

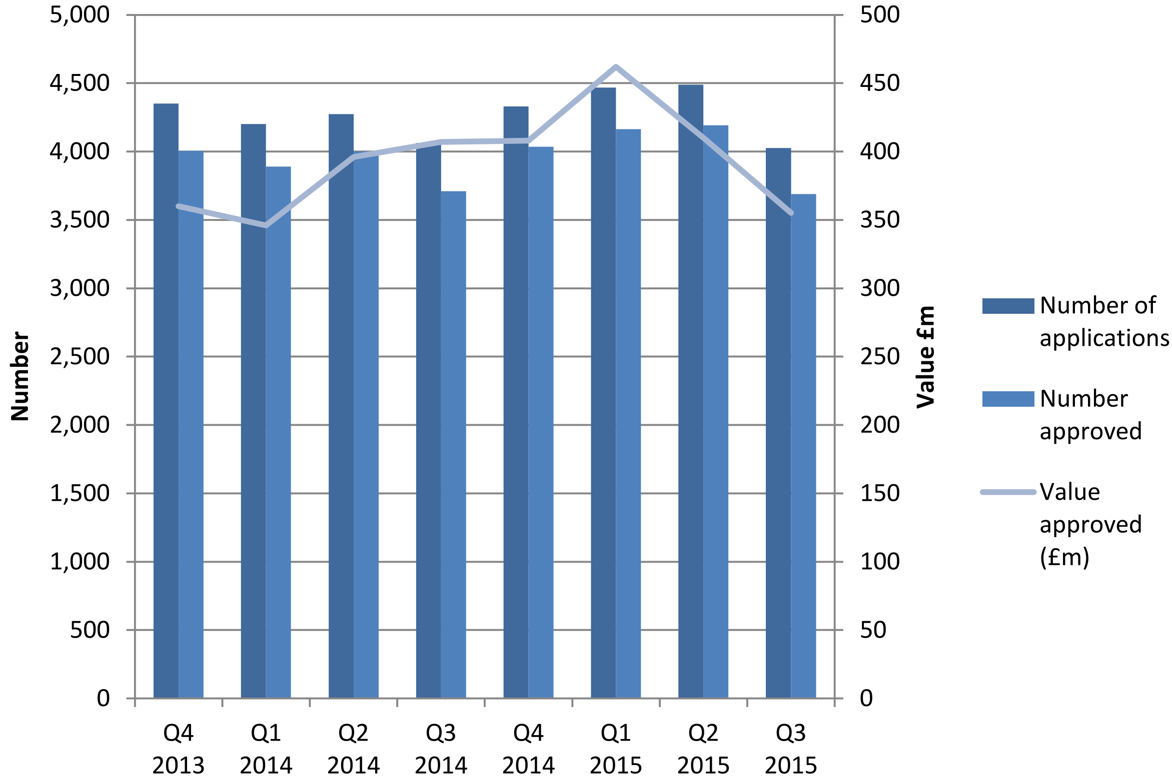
2.1 When the Panel was first established, the NI economy was beginning to emerge from one of the deepest recessions it had ever experienced. Local businesses had been hit hard by the economic downturn and demand for business finance over this period was suppressed, with survival being the main focus of many businesses rather than on investment and growth. For those businesses lucky enough to survive what had been a turbulent journey, 2013 marked an improvement in local economic conditions and with local business confidence on the rise, businesses sought to refocus their efforts on how to rebuild and grow their business output. Key to this was their ability to access finance which in turn presented fresh challenges for local businesses at this time. SMEs also though looked to, in many cases, reduce their debt burden so there has been a net reduction in borrowing across many SME sectors as businesses ‘stored’ their cash or paid off existing debt before taking any more on.

2.2 Following the financial crisis, and the consequences this had for the banking sector as a whole, the lending environment moving forward was never going to be as it was previously. The lending environment had been too lax since the early 2000s with banks prepared to lend where perhaps they should not have and SMEs also being prepared to borrow where perhaps they shouldn’t have. Over the last few years, lending conditions have returned to a more sensible and prudent position which may be seen by some as being drastically tightened, with banks stating that they are open for business but acknowledging that more strict, and perhaps more sensible, lending conditions are now in place. There is a wider educational piece on this that also needs to be implemented and we touch on this later in our report.

2.3 The embedding of this new lending culture, coupled with improving local economic conditions, including rising consumer and business confidence, have resulted in a significant improvement in the local lending environment from when the Panel’s work programme first began.

2.4 The latest bank lending figures for Northern Ireland (Figure 1 below) published by the BBA show that the value of new lending to SMEs in Q3 2015 was £355m. This is a lower amount of new lending than in recent quarters despite a similar number of SME loan applications being approved as in the corresponding period a year earlier.

Figure 1: Value of new approved lending to SMEs



Source: BBA

2.5 This therefore helps to illustrate that the current lending environment in Northern Ireland and the context under which our original programme of work began has improved somewhat, with access to finance appearing to be less of a challenge for local SMEs now than it was.

2.6 The BBA data provides us with a useful indication that access to finance for SMEs in Northern Ireland has improved since the series began back in Q3 2010, with the quarterly amount of approved new lending to SMEs having peaked in Q1 2015. This is supported by other surveys that have been undertaken including the Business Access to Finance 2014 survey[3]. This survey found that almost all SMEs (98%) who applied for a bank loan in 2014 were either wholly or partially successful (compared to about 70% in 2012). In 2014, almost two thirds of SMEs stated the relationship with their bank was either very good or quite good. A fuller analysis of this is provided in the EAG update report.

[3] https://www.detini.gov.uk/sites/default/files/publications/deti/business-access-to-finance-2014.pdf

3 Progress on Actions to Increase Access to Finance

3.1 Over the last couple of years work has been ongoing to implement the EAG report's 13 recommendations. This work has involved the efforts of a number of groups including the Joint Ministerial Taskforce on Banking (JMT), DFP, DETI, Invest NI, the Northern Ireland Office and ourselves. As detailed in our introduction, the EAG recently published an update report in September 2015 which includes a section on the current status of the 13 recommendations, a summary of which can be found at Annex A.

3.2 Overall, the Panel are pleased with the progress that has been made. Of the 13 recommendations, 6 have been fully implemented and 5 have been given amber status as areas where work is still ongoing. It is hoped that the work of the NI Banking Committee (discussed later) once established, will also help in progressing some of these areas further. There are two recommendations that are marked as red. One is the property overhang issue which we touch on later in this section. The other is in relation to DFP engaging with Better Business Finance, the UK Government etc. and ensuring their initiatives are better aligned with the needs of Northern Ireland. However the Panel would agree with the EAG that the wider work of the JMT and the British Business Bank (BBB) to help better promote national schemes in Northern Ireland has largely helped to address this issue.

3.3 Rather than repeat the detail on the progress made against each of the 13 recommendations as set out in the EAG update report we have provided a short commentary piece at annex A on our overall views on this. We have therefore decided to focus this section of our report on looking at each of the areas in turn that we recommended in our Interim report as requiring attention. Although there are some areas of overlap with the EAG's update, we have as far as possible refrained from repeating the detail.

Recommendation 1: The structure and composition of the banking sector in Northern Ireland

3.4 Back in our Interim report we highlighted the different structure of the banking sector in Northern Ireland, including a high degree of foreign ownership and relatively small banks dominating the local market. This presents the local banks with some unique challenges and opportunities compared to elsewhere in the UK including decisions being made by parent banks based outside of the region, and indeed outside of the UK.

3.5 Some of the challenges we identified – which had already been highlighted by the Northern Ireland Executive and covered in the Economic Pact Document, 'Building a Prosperous and United Community' – included the limited effectiveness of some of the UK Government Schemes that had been designed to help improve access to finance including what appeared to be limited consideration of the needs and differences in Northern Ireland's banking sector when designing such schemes.

3.6 The Economic Pact recommended that a Joint Ministerial Taskforce on Banking and Access to Finance (JMT) be established to lead work examining whether tailored support was required for Northern Ireland's banks and to see how best to maximise support for NI businesses.

3.7 The JMT was established in the last Parliament and its membership included the Ministers for Finance and Personnel and for Enterprise, Trade and Investment. The JMT met on a number of occasions to discuss in detail the extent to which the NI banking sector was different to elsewhere in the UK and how more tailored support was required for lenders in Northern Ireland. We as a Panel also met with the JMT in October 2014 to raise this same issue and to highlight some of the difficulties faced by the banks and their inability to avail of current access to finance initiatives.

3.8 Having brought these issues to the attention of the JMT, the BBB sought to promote what its programmes have to offer to lenders in Northern Ireland. Ensuring that lenders in Northern Ireland are aware of the finance initiatives that are on offer through the BBB is crucially important to making them aware of the full spectrum of funding that is available and to help further increase Northern Ireland's uptake of such schemes. What is particularly important is the BBB's engagement with Northern Ireland to extend some of its existing programmes into Northern Ireland including the BBB's Investment Programme and the Wholesale Guarantee Programme. While improving conditions will hopefully decrease the pressing need for such Government interventions, greater Northern Ireland participation can only be a good thing and we would recommend that this continue.

3.9 Another major area of work for the JMT was working with the BBA to build on and to enhance the detail of the NI bank lending data with the aim of producing a publishable data set for Northern Ireland. At the time of our last report, limited data was available on lending to SMEs in Northern Ireland. The BBA was providing data to the Department for Finance and Personnel (DFP) on deposits by, and lending to SMES in Northern Ireland however was doing so on a confidential basis. The Panel felt that in the absence of detailed lending data being published, it was difficult to get a full understanding of the demand for and supply of finance in Northern Ireland. It therefore agreed that this data collection and formation exercise needed to be prioritised in order to provide Northern Ireland with an evidence base upon which initiatives helped at promoting and increasing access to finance could be better informed and designed.

3.10 Following months of hard work and effort from all those involved, including the BBA, the JMT and government officials, bank lending data for Northern Ireland was published for the first time on 2nd July 2014. The data published included figures submitted to the BBA from Northern Ireland banks on lending and deposits for local businesses and households. This data set was further enhanced in November 2014 to include new lending by sector, providing a useful barometer of how the local economy is performing and in what sectors there is appetite for bank finance.

3.11 Work continued to strengthen the data set further and in April 2015, the BBA produced an additional publication on postcode lending to individuals and businesses in Northern Ireland, across more than 200 postcode sectors. This industry-wide data was compiled jointly by the BBA and the Council for Mortgage Lenders, complementing the existing publication of data for postcode sectors in Great Britain. This means that data is now publicly available for SME and personal borrowing right across Northern Ireland.

3.12 Table 1 below summarises the data that has been published by the BBA to date.

Table 1: BBA Northern Ireland Bank Lending Data Publications

Date of Publication	Description
2nd July 2014	Bank lending and deposit data for local businesses and households for Q3/Q4 2013.
14th October 2014	Bank lending and deposit data for local businesses and households for Q1/Q2 2014.
28th November 2014	Bank lending and deposit data for local businesses and households for Q3 2014.
26th February 2015	Bank lending and deposit data for local businesses and households for Q4 2014.
16th April 2015	Postcode lending data for Q3 2014.
9th July 2015	Postcode lending data for Q4 2014.
14th August 2015	Bank lending and deposit data for local businesses and households for Q1 2015.
13th October 2015	Postcode lending data for Q1 2015.
29th December 2015	Bank lending and deposit data for local businesses and households for Q3 2015.
13th January 2016	Postcode lending data for Q2 2015.

3.13 The Panel is very pleased with the progress that has been made and the availability of this information will be very useful to the banking and local business community as well as policymakers. We fully endorse the comments of the EAG in their update report on this issue and in particular, its recommendation that efforts to maximise the granularity of the data should continue. The data though does continue to highlight how small the Northern Ireland lending environment is compared to the rest of the UK and how that size brings both benefits in terms of lenders generally being much closer to, and much more knowledgeable about their customer as some of the larger lenders are, but also challenges in terms of the ability of any new lender to grow in the market.

Recommendation 2: Property Overhang

3.14 Through the Panel's engagement with the local banking sector and business representatives, it became apparent that property debt was hindering some SMEs ability to obtain bank finance, even though their underlying business was performing well and they were able to service the property loan facility. This was preventing a number of businesses from obtaining further funding to support or grow their business.

3.15 A particular issue appeared to be that many SMEs that borrowed money for property/ land transactions did so using a short term loan facility. With the crash in the local property market, this resulted in a significant depreciation of asset values meaning that businesses were left with large loans to service over a much shorter timeframe.

3.16 The Panel recommended that a loan restructuring scheme be examined that would enable viable SMEs to have their short term property loans ring-fenced into a longer term lending instrument, which would allow the SME to free up cashflow, enabling it to borrow new money to fund the growth of its existing business. The Panel stipulated that if this were to be considered as a means of responding to the issue that this should only be done on the basis that the bank would put in new funding, additional to the ring-fenced facility on which the legacy property debt was converted.

3.17 When the Panel shared this proposal with Ministers and officials, we were informed that an alternative option was being explored through the BBB's Investment Programme involving WhiteRock Capital Partners. A formal Northern Ireland proposal was made to the BBB at the end of June 2014. Having liaised with Departmental officials, it is our understanding that the WhiteRock proposal is no longer being taken forward due to a lack of appetite in the commercial sector. Through our discussions with departmental officials who have engaged with the local banks it has been suggested that the lending environment has improved somewhat from when the Panel commenced its work programme and that there may no longer be the same degree of commercial need for such a scheme, partly as a result of improving market conditions and with businesses having been able to restructure some of their debt. This point has also been highlighted in the EAG's update report where it states that engagement with banks has suggested that viable businesses are no longer constrained by property debt to the same extent as before and that available data would support that lending conditions are now much better.

Recommendation 3: Education and the new normal in bank lending

3.18 The financial crisis of 2008 hit local banks hard in terms of bad debt including bad property debts with SMEs and others. As a consequence, banks have drastically changed the methods they use to assess new business finance applications. Essentially what has happened is that banks have returned to sensible risk-based banking including assessing whether a business can service an increased or new credit facility and whether the bank considers that a business has the ability to meet the targets it has set itself.

3.19 We highlighted in our Interim report that in order to embed this 'new norm' in lending there is the need for an educational piece on these changes and the new requirements of banks, particularly for SMEs and their business advisors.

3.20 The banks are already providing information and advice to their business customers through a number of channels including published guides on their websites, road show events, business roundtable events and business breakfasts. However the Panel felt that a more targeted and joined up approach between the banks and the business community might be a more effective means of doing this as well as helping to provide information on and promote alternative sources of finance. This should also include the intermediaries that many SMEs still use and rely on across Northern Ireland.

3.21 With this in mind, the Panel met with the Chartered Accountants Ireland (CAI) Ulster Society in April 2015 to discuss the potential for it to deliver a series of training/ road show events to the SME community on some of the areas highlighted above. The CAI Ulster Society indicated that they are keen to get involved in this area and that they are willing to work with the newly established Northern Ireland Banking Committee (discussed later in this section) to help design and deliver such events across the province. It is hoped that this will gain momentum once this new Committee is established.

3.22 In addition to the above, the banks also agreed that through the Banking Committee they would look to develop a generic set of guidelines on the information that SMEs are advised to include in their application when applying for business finance. This is something that the Panel would encourage the Banking Committee to take forward and feel that this would not only help SMEs gain a better understanding of what banks now require but that it would also assist SMEs in the preparation of finance applications, hopefully helping to simplify the application process for all involved.

Recommendation 4: Northern Ireland Banking Committee

3.23 One of the most important themes emerging from the Panel's consultation with the banking sector in Northern Ireland was the need for a Northern Ireland Banking Committee to help provide a stronger and more coherent voice for the banking sector both here in Northern Ireland as well as at a UK Government level. This is of particular importance in the context of seeking to ensure that the unique structure of the Northern Ireland banking sector is taken into consideration by the UK Government in the formulation of UK banking policy and schemes to promote lending, something which we stressed to Ministers and also which the JMT came to recognise through its programme of work during the last Parliament. It was felt a group like this, with senior representation from all of the local banks in Northern Ireland, and with the support of the BBA would provide a good vehicle through which to advise the UK Government on specific differences in the local banking sector here and some of the unique challenges it faces.

3.24 Northern Ireland already has a sub-committee of the BBA however many of the key stakeholders that we spoke to felt that it has not performed as it should have. It was agreed that this existing model could potentially be used as a base upon which to build this new Committee albeit better resourced and with a more focussed remit to help address some specific issues for which solutions are needed.

3.25 Following the publication of the Panel's Interim report in June 2014, the Panel met with the heads of the 5 main local banks in Northern Ireland in October 2014 (Bank of Ireland, Barclays, Danske, First Trust and Ulster Bank) to discuss how this proposal could be taken forward, including what resource would be required as well as personnel who would need to be involved. These discussions highlighted that the banks were also keen to have a permanent more visible BBA representative in Northern Ireland, and one with an appropriate level of expertise and calibre to make decisions.

3.26 Following this initial meeting, the banks drafted a proposal for the Committee and shared this with the BBA. Since then, discussions have been ongoing to reach an agreed model including an agreement on arrangements to fund the new Committee.

3.27 In November 2015, the local banks confirmed with the Panel that a model for the new Banking Committee had been agreed between the NI banks and the BBA. It was agreed that a Northern Ireland Banking Committee be established at senior executive level that will focus on NI banking issues of common concern.

3.28 The banks have agreed that for the Committee to work as effectively as possible, that it should have the widest representation of the industry as possible. It has therefore been decided that other banks with representation in Northern Ireland, including Santander, HBOS, HSBC, Nationwide and the Progressive Building Society should also be invited to participate in the Committee.

3.29 Regarding the working of the Committee, it has been agreed that the BBA will appoint a part-time Non Executive Chair who will largely undertake a policy role in Belfast. The Chair/ policy officer will be provided with access to office accommodation provided by the NI Chamber of Commerce and will also be able to avail of the support of BBA staff in London. It has been agreed that this person will:

- Be a person of standing within the banking sector in Northern Ireland;
- Represent the banks collectively when engaging with the NI Executive, the UK Government and local government and the business community and broker common policy issues between the NI banks; and
- Have a key role to play in ensuring that the NI banks have a voice in the BBA nationally on important policy issues in any discussion involving the UK Government and in media activity.

3.30 The local banks and the BBA have agreed that the Non-Executive Chair/ policy officer will initially be committed to two days a week. We understand that this agreed arrangement will remain under review for the initial six months to properly assess, among a number of issues, the level of workload and the demand on the individual's time. The Panel would be supportive of this approach and would encourage the banks and the BBA to closely monitor this so as to ensure that the person appointed for the post has sufficient time to undertake the work that is required of them effectively, including improving engagement with the NI Assembly and Ministers as well as having a more active role in areas of UK wide banking policy. The banks have assured the Panel that should this require more time from the post holder then this will be put in place.

3.31 It is our understanding that the recruitment process to appoint the policy officer will be taking place as soon as possible and it is hoped that a suitable candidate will be in place by spring 2016. It will be essential that the person employed for this position has a wealth of experience of the NI banking sector as well as a full understanding of UK wide banking policy. Having a person of this calibre will help to provide a stronger positioning for the local banking sector both here and at a UK wide level.

3.32 The Panel sees the agreement reached on the Committee as a positive step forward for the local banking sector and appreciates the hard work and effort that both the banks and the BBA have put into this over the last number of months. The Panel hope that through this Committee, the local banks in Northern Ireland will be able to work together more closely and coherently on issues of common concern and that having a policy officer in place will provide them with a permanent voice through which to help improve local banking and access to finance issues for businesses in Northern Ireland. It is hoped that the banks take into consideration the key areas highlighted in our Interim report as areas where they can work more effectively together. These included:

- The establishment of good banking data for Northern Ireland which can help decision making;
- Ways of making the banking initiatives operated by the UK banks and the BBA applicable and more effective in Northern Ireland;
- Coming up with Northern Ireland specific initiatives that either Westminster or the Northern Ireland Assembly can support;
- Working together to see if they can put together common and coherent ways of explaining how they make decisions and other key issues for SMEs in Northern Ireland which allows them all to benefit while maintaining the competitive nature that is good for everyone. Having a good conversation between a bank and its customer is the key to ensuring that both get maximum advantage of that relationship and that requires sometimes a more uniform approach to how issues are set out for customers; and
- From the above work with the Government in the UK and Northern Ireland, local Trade Associations and intermediary community to put in place initiatives that will benefit them all which is lacking at the moment.

3.33 In terms of how successful the Committee might be this can only be judged once it is finally in place and perhaps this is something that the EAG could look to monitor once the Committee is finally established.

4 Conclusion

4.1 When the Panel was first appointed back in October 2013, its remit was to oversee the implementation of all 13 recommendations set out in the EAG's Review of Access to Finance for NI Businesses report. As detailed in the EAG's update report, published in September 2015, much progress has been made on the recommendations (Annex A) which have been taken forward by a number of different groups including the JMT, DFP, DETI, Invest NI, Northern Ireland Office and ourselves.

4.2 Since the work of the Panel began, the overall lending environment and general economic conditions in Northern Ireland have improved significantly with businesses now appearing to be back in growth mode and faced with fewer challenges when looking to access finance than was the case previously. Since our Interim report, we particularly welcome the publication of the BBA Bank lending data for Northern Ireland and commend the JMT for all its hard work towards securing this. We would also continue to encourage the work of the BBB in Northern Ireland and as highlighted in the EAG's report, would be supportive of the continued monitoring of available information on NI's uptake of these programmes. Not only will this provide lenders with alternate sources of finance but will also help to establish whether there is still a continued need for such initiatives.

4.3 One of the main outputs from our work has been the agreement between the main banks in NI and the BBA to have a re-established NI Banking Committee. This is a significant step forward for the local banking and business communities and one which we hope will strengthen existing relationships as well as nurture new ones. A Committee like this will hopefully provide the banking sector with a stronger positioning both here and at Westminster ensuring that UK banking policy is cognisant of the unique structure of the banking sector in NI and the challenges it faces. Furthermore, it will hopefully provide a mechanism through which the banking sector can communicate and respond more effectively to the needs of local businesses.

4.4 Having now completed our programme of work, we will be looking to the heads of the local banks and the BBA to continue with their hard work and efforts and hope to see the NI Banking Committee established by spring 2016. Our programme of work highlighted a number of common issues that this Committee could look to address and which we outlined in our Interim report and we hope that these will be considered and worked into the NI Banking Committee's future work programme.

4.5 In conclusion, much distance has been travelled over the past couple of years, with the lending environment having improved significantly and businesses having easier access to the finance they need to grow and invest.

4.6 We hope that the work that we have undertaken has in some way contributed to this and that the new NI Banking Committee, once established, will help to further strengthen the local banking sector here in Northern Ireland. What has become apparent through this process is the role that everyone has to play in supporting business investment and growth in Northern Ireland. Ensuring businesses have the access to bank finance, including alternate and non traditional sources of finance is crucial to Northern Ireland's economic development and growing its private sector. In recognition of this, we as the Panel feel that there is a continued role for government, its development agencies and the banks to play in helping drive this forward and encourage business development and investment in this new era of lending.

Annex A

Current Status of EAG Recommendations (Reported September 2015)

Recommendation	Current Status
1. We recommend that an independent implementation panel be appointed by government to take forward the recommendations listed in this report. We suggest that this would involve a small group of experienced individuals tasked with facilitating action.	
2. We recommend that banks review the level of training provided to staff dealing with applications for business finance. This should include the development of a more detailed understanding of the financing needs of businesses on a sectoral basis.	
3. We recommend that banks should work with the Independent Reviewer for the UK Banking Appeals Taskforce to strengthen and publicise the credit appeals process in Northern Ireland. Business organisations should also play a role in publicising the process.	
4. We recommend that the British Banking Association and all the banks with a presence in Northern Ireland should consider how communication between banks and the business community can be improved. This includes the role of the Business Banking Roundtable	
5. We recommend that the British Banking Association and all the banks with a presence in Northern Ireland work together to provide data on the scale of lending to Northern Ireland businesses at an aggregate and a sectoral level. This will help to inform future economic policy development and help banks communicate to business the nature of the local lending environment.	
6. We recommend that the accountancy bodies, with the support of the representative business bodies, should organise a series of seminars to advise businesses on how to manage their finances through difficult trading periods.	
7. We recommend that DETI/ DFP, in consultation with banks, should review with BIS and Capital for Enterprise how the Enterprise Finance Guarantee should be strengthened to encourage greater take up in Northern Ireland. We recommend that DFP should consider with the Bank of England the ability of all banks to fully access the benefits of FLS and how this can be improved.	
8. We recommend that DETI/ Invest NI should monitor the implementation of the Access to Finance Strategy, including an ongoing assessment of the interaction between the Funds as well as the funding outcomes for those successful and unsuccessful in securing finance. The Access to Finance Strategy should be delivered in a way that ensures there are no gaps in the funding continuum. It is important that the aggregate impact of the strategy is assessed.	
9. We recommend that DETI should commission further research on the future strategy for Venture Capital/ Equity Finance in Northern Ireland. It is important that this work is undertaken by someone with the	

appropriate technical expertise.	
10. We recommend that Invest NI should increase the funding 'proof of concept' early stage funds, also ensuring there are sufficient funds for the follow on stages of commercialisation and growth.	
11. We recommend that DFP and DETI should liaise with banks to understand the extent of property debt exposure among sound trading businesses, their approach to dealing with the issue and the implications for those businesses and the wider economy going forward. The departments should also be cognisant of the actions being taken in other jurisdictions to address the problem.	
12. We recommend that DFP should discuss with Better Business Finance how awareness and uptake of their national initiatives can be improved to ensure better alignment with the needs of local businesses in Northern Ireland	
13. We recommend that DFP and DETI engage with those responsible for developing a proposal for a new business bank to support the proposals and to ensure that its design is appropriate and relevant to the needs of small businesses in Northern Ireland.	

A.1 It is clear to see that progress has been made against the majority of the thirteen recommendations set out above. The Panel particularly recognises the work of the Joint Ministerial Taskforce on Banking and Access to Finance during the last Parliament in engaging heavily with the BBA to secure bank lending data for Northern Ireland as well as working with the BBB to ensure that UK funding initiatives are more effective in Northern Ireland.

A.2 In relation to Recommendations 2, 4 and 6, we would hope to see further progress made in these areas once the NI Banking Committee is up and running.

A.3 We note that recommendations 11 and 12 have been marked as no progress having been made. In relation to Recommendation 11 (Property overhang), the Panel recommended that consideration be given to a loan restructuring scheme that would enable viable businesses to restructure existing property debt that would free up cashflow and enable them to borrow new money to fund the growth of its existing business. However, at this time an alternative proposal had been submitted by Whiterock to the BBB. Although this proposal is no longer being taken forward due to lack of commercial interest and an improvement in the local economic conditions, at the same time there is no robust evidence to suggest an instrument such as this is not required. Therefore as recommended by the EAG the government may wish to continue to monitor this situation to gauge whether this remains a restrictive issue for SMEs.

A.4 Regarding recommendation 12, the Panel would agree with the EAG that the wider work of the JMT and the BBB to help better promote national schemes in Northern Ireland has largely helped to address this issue. However the Panel would also agree with the EAG's view that given that the Better Business Finance (BBF) is supported by the BBA, that again this may be an opportunity for the new banking Committee to influence and encourage the BBA to ensure that NI interests and circumstances are taken into consideration by the BBF when designing their national schemes.