

APPENDIX 1

Response and evidence for the Review of Economic Development Policy on behalf of Belfast City Council

1. Introduction

- 1.1 This document incorporates evidence which Belfast City Council considers to be appropriate in the context of the Review of economic policy within DETI and Invest NI launched by the Enterprise Minister in December 2008.
- 1.2 The document has the endorsement of the Senior Management Team within Belfast City Council. Its contents will also be formally endorsed by the elected members of the Council in due course. Given the tight turnaround of this call for evidence, it has not been possible for this to be formally endorsed at political level. We will confirm with the Review Panel once formal political endorsement has been achieved.
- 1.3 We remain supportive of all efforts to improve the economic performance of the city and the wider region and trust that we can make a useful contribution to the debate on the future economic policy for Northern Ireland.

2. Context

- 2.1 In advance of providing the evidence to support our comments, there are a number of points the Review Panel should take into account in their endeavours. These are as follows:
 - 2.1.1 Belfast City Council is the largest of the local authority areas and the regional capital. It is the location of more than 3 in 10 international investments and provides around one third of all jobs in the region. It is clearly the regional driver and, in terms of economic policy, will require distinct and focused support to ensure its continued development and growth.
 - 2.1.2 Around 35,000 jobs were created in Belfast in the period 1995-2005¹. This was set against the backdrop of a decreasing population at that time. Although more recent figures suggest that the population levels have now steadied, it is nonetheless clear that Belfast is providing employment not only for those living in the city but also for

¹ <http://www.belfastcity.gov.uk/stateofthecity/docs/CurrentDevelopmentBrief/DevelopmentBrief1.pdf>

the wider population. This presents its own challenges in terms of pressure on the city's infrastructure and it is important that government investment is geared towards addressing this issue.

- 2.1.3 Through its Corporate Plan, Belfast City Council is committed to improving the quality of life, now and for future generations. Economic development is clearly an important component part of this challenge. As the city's only democratically-elected forum, the Council accepts that while economic growth is important in creating a prosperous society, it is important that this development happens in a sustainable and balanced manner and that all citizens have an opportunity to take advantage of the city's growth.
- 2.1.4 The current economic downturn has affected the city – and the region – and it will require a focused effort by all partners to minimise the adverse affects of the crisis on the citizens.
- 2.1.5 Belfast City Council is concerned that the review is limited to DETI and Invest NI activity in the field of economic development, given the imminent transfer of some – albeit limited – economic development activity to councils as part of the ongoing Review of Public Administration in Northern Ireland (RPANI). Councils will also have the responsibility of undertaking actions to promote the economic and social wellbeing of their area as part of the Community Planning process which is also to be introduced as part of RPANI. We ask that, while the Review Panel may have excluded local authorities' work on economic development as part of this review, it gives consideration to their contribution to and role within the future economic development arena post-2011.
- 2.1.6 Along with its counterparts, Belfast City Council is keen to undertake additional responsibility in the field of economic development following the Review. Certain activity is better undertaken at the local area and we are prepared for the challenge of delivering additional support, particularly in the field of business start-up, development and growth. There has been considerable collective experience built up within local authorities in the field of economic development and this experience should be utilised in the development and delivery of new activities to support economic development in local areas.

- 2.1.7 Belfast City Council is disappointed by the proposals on economic development proposed as part of the Review of Public Administration. We are ambitious to carry out additional activity but we will be hampered in doing so if due consideration is not given to providing local authorities with additional legislative powers in this field. The current plans appear to us to be limited to the transfer of a range of programmes that are already in operation rather than providing scope for local authorities to engage in any new activity related to the needs of their area.
- 2.1.8 Belfast City Council would also be keen to explore collaborate working relationships with Invest NI on property asset management. While we accept that the property portfolio of Invest NI is not to be transferred to Councils, we feel that there is merit in exploring opportunities for the development and management of facilities to target specific, defined sectors. In the case of Belfast – and possibly Derry – this could include the creative industries and both councils have significant experience of initiatives in this field. Belfast has a successful track record of asset development and management for business purposes, including the award-winning Gasworks development. In Belfast, a number of Invest NI property assets are empty or under-utilised. We consider that there is this can act as a brake on entrepreneurship and is at odds with the business start-up and growth targets. We consider that this could be addressed by closer planning between the Council and Invest NI to secure the optimal use of all assets.
- 2.1.9 We consider that there is room for improving the access to and input of local politicians to the debate on economic policy. The Sub-Regional Review of Economic Development and Regeneration² undertaken by the UK Department for Communities and Local Government in 2007 paved the way for representation by local elected representatives on the boards of the English Regional Development Agencies. This is a model that should be considered as part of the review of Invest NI's structures.
- 2.1.10 We support the assertion that “the right mix of governance institutions can have a substantial impact on the competitiveness of local and regional economies”.³ We consider that local authorities are an important element of that mix and look forward to a more productive working environment with Invest NI, DETI and other

² DCLG (2007) *Sub-regional review of economic development and regeneration*, London, HMSO

³ Herrschel, T. (2004) *Governance and new regionalism in the capital city regions of England and Germany* in Wood, A. and Valler, D. (eds.) *Governing local and regional economies*, Aldershot, Ashgate

government departments and agencies working in the field of economic development.

3. Evidence on issues within the review terms of reference

3.1 The following section includes some evidence to argue our case under a number of the points referred to in the terms of reference for this work, as requested in the call for evidence.

3.1.1 Policy options to stimulate economic growth/productivity and build a larger and more wealth creating private sector

It is widely accepted that one of the key attributes of a successful city is a dynamic economy which high levels of business start-up. According to the Belfast report from the Global Entrepreneurship Monitor (GEM)⁴ report for 2007, the level of early stage entrepreneurial activity in Belfast was 2.8 per cent which equates to around 4,500 individuals involved in a new business venture creation. This compares to 4.9 per cent in Northern Ireland as a whole and 5.6 per cent for the UK. Compared to urban areas in England the number of individuals engaged in new business venture creation in Belfast is significantly lower: 3.2 per cent compared to 5.2 per cent.

One of the best known and effective Invest NI interventions to address start-up rates in the region has been the Start a Business Programme. While the focus on the programme to date has been on *volume* of start-ups, the new programme appears to place more of a focus on the quality of business starts, particularly those in the high-end sectors. While this approach may have been appropriate prior to the economic downturn, there may now need to be further consideration of this proposed approach, given that self-employment may now become an option for some “necessity entrepreneurs” as a result of becoming unemployed or being made redundant.

3.1.2 Structure and remit of Invest NI and the existing governance arrangements between DETI, DFP and Invest NI

The work on entrepreneurship and some business growth support is largely driven by Invest NI’s local office network. In Belfast, the network operates on a wider basis than the Belfast City Council local authority area. It is our impression that, as a result, of this, there has been

⁴ Hart, M. (2007) Entrepreneurial Activity in Belfast: results from the GEM Northern Ireland 2007 survey

no method of regular, formal discussion and discourse between the organisations. Having said that, strong operational, working relationships do occur.

In line with the previous drive for co-terminosity as part of the Review of Public Administration, there may be merit in considering whether the local office network – if this is to continue to exist – should reflect the new council area structures. Again, it is our impression that the lines of responsibility are blurred between the local offices and the head office which is more prominent in Belfast where both are located within the Invest NI HQ.

While the ethos of Invest NI is that the organisation is driven and led by the private sector, it is unclear whether the accountability mechanisms imposed by government allow this to operate as it should.

Conversely, the lack of elected representatives on the board of Invest NI means that there are no checks and balances in terms of the economic *and* social impact of activities undertaken, as opposed to the pursuit of economic goals only.

3.1.3 Issues which may inhibit the delivery of the productivity goal which fall to other Departments in the NI Executive, particularly DEL and DRD

Integration and cooperation needs to take place across government departments to ensure a truly joined up approach to business support is achieved. Currently a number of government departments/agencies (DEL, DARD, DSD, DE, the Strategic Investment Board etc.) and Local Authorities deliver services and initiatives that impact upon the business community. The delivery of these services needs to be considered in the wider business environment, taking account of how these resources can work together to achieve private sector growth and productivity improvements.

There needs to be more recognition of regional/local area needs and how localised support structures (including local authorities) can complement and add value to DETI/INI policies and programmes. This process needs to be two way and clearly identified paths of communication need to be established rather than the ad hoc approach currently in operation. Belfast's needs are clearly different from those of its neighbours. The current one-size-fits-all approach does not work.

Each location has its own specific development needs. In the case of Belfast, specific neighbourhoods within the city are particularly disadvantaged while others have prospered

from the recent economic growth in the city. These disparities are clearly illustrated in a recent report undertaken by Regional Forecasts to look at skills demand and supply in the city of Belfast⁵. Some headline statistics produced in this report include:

- Current estimates suggest over 64,000 people inactive in Belfast of which over 34,000 are long-term sick or looking after the home. This is more people than are employed in public administration throughout Northern Ireland
- In 2006 13 of Belfast's Wards are estimated to have less than half the working age population in work. Going forward, 12 wards are likely to exhibit this alarming trait. In 2006 it is estimated that in 15 Belfast wards less than 10% of residents have a graduate qualification
- Over half of net new jobs in Belfast over the next decade will require graduate qualifications. Less than 1 in 7 are expected to require no qualifications.
- In the recent period (or prior to the economic downturn), the city centre (Duncairn, Island and Shaftesbury wards) has been the 'red hot core' of jobs growth in Belfast, and will continue to be - creating over three-quarters of Belfast's 13,980 jobs in the next decade (2007 projections)
- Even with a forecast end in population decline and improvement in resident skills as better qualified young people start replacing older less qualified workers, Belfast's economy will depend on an increasing number of commuters (or more migrants) across all skill levels, particularly at graduate level. This is partly because the number of inactive residents is forecast to remain extremely high still in 2015 (63,000). Of this 63,000, almost 37,000 are forecast to still have no qualifications in 2015.
- The extent and longevity of disparities within Belfast are remarkable. In the 2001 Census year, differences in resident employment rates ranged from 77% (Orangefield) to 32% (Falls), while the difference in the graduate share of working age population ranges from 59% (Malone) to 2% (Crumlin). By 2015, it is forecast that 12 wards will have a resident employment rate of less than 50% (the NI overall employment rate in 2015 is forecast to be 75% to put a rate of less than 50% in context).

These figures illustrate very clearly the point that, despite the best efforts of DETI and Invest NI to promote economic development, there is a need to ensure that supporting policy areas are dovetailing their priorities in order to underpin the growth potential of the region. This is clearly inhibiting the delivery of the productivity goal.

⁵ Regional Forecasts (2007) *Belfast Skills Demand and Supply*

In the business development and support arena, there are a number of partners (Invest NI, DARD, DEL) operating a range of programmes. There is significant disparity in the operating mechanisms, targets, approach and funding regime of each of these. This adds to the confusion that already exists around business support mechanisms and could inhibit the numbers of businesses accessing these support initiatives.

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