



Response on behalf of

Belfast City Council

to the

**Independent Review of Economic Policy
(DETI and Invest NI)**

October 2009

Proposed response on behalf of Belfast City Council

Overarching Message

- Belfast City Council welcomes the opportunity to respond to the recent Independent Review into Economic Policy (DETI/Invest NI) as this seminal report and its recommendations will make an effective contribution to the future of the Northern Ireland economy and the future of economic development activity.
- Council is deeply dissatisfied at the lack of recognition of the role of local authorities as bodies that are capable of making a unique and complementary contribution to the social and economic prosperity of the city and the NI region.
- Local authorities are strategic leaders in place-shaping, responding to residents' ambitions and aspirations and working with partners to deliver necessary services at the local level.
- The expansion of LED activities undertaken is highlighted by an almost zero base in the early 1990s, through to a commitment of around £30million per annum in 2008/09 (Belfast City Council - £12,433,255) two-thirds of which is made up from rates contributions with the remaining third coming from other sources, mainly EU funds.
- Despite recent commitments by the Northern Ireland Assembly to give increasing responsibility for this work to local authorities with the Review of Public Administration (RPA), this review makes inadequate reference to the RPA and the subsequent increase in economic functions to be devolved to local authorities. As a report that seeks to consider the period to 2015, this represents a significant weakness.
- Council acknowledges the need for an integrated and coherent approach to economic development within the region and the role of partners in delivering a shared economic agenda, with an emphasis on the need to reform, modernise and improve service delivery.
- However a strong institutional and financial framework is a pre-requisite if councils are to play a lead role in local economic development within their district. Equally, it is clear that the concept of joint planning and prioritisation of activity with partners at all levels of government – as well as in the community and private sectors – is essential.

Barnett Review

Belfast City Council welcomes the opportunity to respond to the recent Independent Review into Economic Policy (DETI / Invest NI).

In advance of providing comments on the specific recommendations and issues as detailed in the review, there are a number of general points we would like to raise with the Review Panel including:

- the definition of economic development and local economic development activities
- the role of local authorities in supporting economic development activity
- the powers of local economic development since 1972
- the central purpose of local government and its place-shaping agenda

- the impact of the Review of Public Administration.

General Comments

Belfast City Council is the elected voice of the people – the channel through which the views and best interests of its citizens are represented. Our role as a Council is to improve quality of life across Belfast. We do this by providing strong leadership and direction and by providing the most efficient and effective customer-focused services. Our **Corporate Plan** for 2008-2011 sets out six main objectives that aim to realise the vision for a better Belfast. The themes are:

- City leadership - strong, fair, together;
- Better opportunities for success across the city;
- Better care for Belfast's environment - a clean, green city now and for the future;
- Better support for people and communities;
- Better services - listening and delivering;
- Better value for money - a can-do, accountable, efficient council.

Our Development strategy, '**Belfast Capital City 2006-2010**', has been built upon the Council's unique bank of knowledge on how to deliver city development using a wide range of expertise, from support for cultural and the arts, through to planning, economic development, project management, tourism development and through the Belfast: State of the City initiative. Under the 'Belfast: Capital City Strategy', the Council works to drive a competitive Belfast forward as the economic driver of the region.

The Council's role in supporting and promoting economic development within the city is a key priority identified within the Belfast: Capital City development agenda and described in detail by the associated **Local Economic Development (LED) Plan – 'Staying Competitive'**. The LED plan, covering the period 2006 – 2010, exemplifies the Council's efforts to make Belfast a better place in which to live, work and do business. It represents a commitment on behalf of the Council to drive economic competitiveness and prosperity while consolidating economic and social cohesion.

Definition of Economic Development

Local economic development (LED) is a "set of activities aimed at improving the economic well-being of an area... in most cases it is governments that are the major supporters...in partnership with other funders."¹ The specific activities undertaken vary from area to area, depending on local priorities which complement the wider offering at regional and national level in Northern Ireland. They can include:

- **Business start up and development activities** to support the creation and growth of new small to medium enterprises.
- **Sectoral development** of strategically important sectors which create high value added products and new employment opportunities.
- **Employability & skills development** by ensuring citizens are adequately equipped for the labour market.
- **Urban regeneration** to improve the social sustainability, economic stability and the infrastructure of the urban landscape.

¹ Beer, A. & Haughton, G. and Maude, A. (eds) 2003a, Developing locally: an international comparison of local and regional economic development.

- **Rural development** through rural business development, diversification and rural tourism.
- **Physical regeneration** to create and maintain an environment conducive to attracting and retaining businesses as well as encouraging visitors.
- **Tourism** promotion through the development and marketing of local attractions and tourism accommodation.
- **Community regeneration** to enable local communities to access information, knowledge, skills and resources to improve their lives.

This review and its key recommendations has significant implications for Council's existing support for business start up and development activities, and our sectoral development work. Our key issues and concerns are noted within this document.

The Powers of Local Economic Development

Council wishes to remind the Review Panel that legislative funding for LED activity began through the **1972 Local Government Act (Section 115)**, which permitted councils to spend up to ½ pence in the pound of the rate for any purpose which was in the interest of its district or inhabitants. However legislative authority to undertake and promote LED specifically was not awarded until 1992 when councils were given the opportunity to allocate up to 2p (later increased to 5p) in the pound from rates monies towards "promoting the economic development of its district"².

A decade later the **Local Government (Miscellaneous Provisions) Bill for 2002** awarded enhanced powers to local authorities to "hold, acquire, and develop land for economic development purposes" to support the wider regeneration activity within their area. The enactment of this bill was accompanied by the repeal of the 1992 bill and the removal of the 5p limit on economic development spend.

However local economic development remains a discretionary function in Northern Ireland with no sustained source of direct funding from central government. As such, it is principally resourced from council budgets, with some match funding coming from external sources (particularly EU funding).

Currently, English councils are required to produce three year local area agreements (LAAs) for the economic development and regeneration of their area. These allow for more collaborative action and service delivery by bringing together partners from the public, private and voluntary sectors. As part of the development of LAAs, a growing proportion of government funding streams is now combined in a single Area Based Grant (ABG). This funding is used alongside mainstream budgets to support the achievement of specific 'improvement targets' identified in the LAAs.

However local economic development is soon to become a mandatory function for top tier councils (i.e. county, metropolitan district, shire unitary and London borough councils) under the **Local Democracy, Economic Development and Construction Bill**³. This Bill places on local government a range of additional duties including the preparation of an assessment of the economic conditions in their area. Councils will also be asked to work together with their neighbouring districts in the development of multi-area agreements (MAAs) – widening out the local area agreement referred to

² http://www.niassembly.gov.uk/legislation/primary/2001/niabill7_01.htm

³ <http://services.parliament.uk/bills/2008-09/localdemocracyeconomicdevelopmentandconstruction.html>

above. These statutory groupings bring together partners at regional and sub-regional level to tackle issues such as economic development, transport and infrastructure and skills issues. “Economic Prosperity Boards” can be established to oversee these agreements. These will consist of council members from at least two council areas who will agree to pool resources to work on economic development issues. Council recommends the potential for applying for similar agreements in NI should be explored, particularly in the context of developing and implementing an economic strategy for the region.

One of the most important new imminent functions for local government as a result of the Review of Public Administration will be community planning. Community planning can be defined as “anything which it considers is likely to promote or improve the well-being of its area and persons within that area...”⁴.

Issues for Local Government in Northern Ireland

Council requests that a strong institutional and financial framework in NI is a prerequisite if councils are to play a lead role in local economic development within their district. Equally, it is clear that the concept of joint planning and prioritisation of activity with partners at all levels of government – as well as in the community and private sectors – is essential.

Resources for local economic development – as part of the wider development of a council area – are drawn in directly from central government and the dependence on council funding or other external funding is much less than is the case for Northern Ireland.

Central Purpose of Local Government

Council would like to draw the attention of the Review Panel to the central purpose of local government which is to develop vibrant and cohesive local communities, in which all citizens have a voice and opportunities to shape the service which contribute to their quality of life. This means creating and sustaining the social, environmental and economic conditions which enable communities to thrive.

The Local Government White Paper for England (**Strong and Prosperous Communities, October 2006**) supports the role for councils to lead their communities, shape neighbourhoods and bring local public services together.’

Operating at the heart of communities Local Government is best placed to respond flexibly to local need and opportunity. Councils are ideally placed to tackle complex issues in a joined up way. Through community planning, functions including economic development can be integrated and delivered to address local need. This method of delivery was endorsed by The Northern Ireland Sustainable Development Strategy which outlined the role of local authorities’ community planning work under the proposals of the then RPA decisions as follows:

“To achieve this we will introduce a new power of community planning with a statutory duty on councils to initiate, maintain and facilitate a community planning process which aims to draw together all service providers within the council boundary to address community needs in a strategic and sustainable way”.

Council would also highlight that 'place-shaping' is now widely understood to describe the ways in which local players collectively use their influence, powers, creativity and

⁴ http://www.opsi.gov.uk/legislation/scotland/acts2003/asp_20030001_en_1

abilities to create attractive, prosperous and safe communities, places where people want to live, work and do business.

Local authorities are strategic leaders in place-shaping, responding to residents' ambitions and aspirations and working with partners to deliver necessary services at the local level.

Within the Council's new Corporate Plan for the period 2008-2011, there is a clear commitment to supporting the place shaping agenda within the city under the auspices of the City Leadership theme.

Within the context of the emerging Community Planning framework, the Council, working with key partners, will seek to reshape public services around the needs of citizens and communities, accelerate delivery and achieve value for money outcomes.

Local Economic Development Activities

Council is deeply dissatisfied at the lack of recognition as to the role of local authorities in supporting economic development within the report.

Delivered as a core function of local government, LED has contributed to the achievement of Northern Ireland economic goals through a programme of council-led locally driven business support and regeneration activities that compliment the wider offering at regional and national level in Northern Ireland.

Around 70% of businesses in the Belfast City Council area employ less than 10 people and those businesses are largely supported by Council (rather than Invest NI) – local authorities should therefore be recognised for their role in economic development.

The expansion of LED activities undertaken is highlighted by an almost zero base in the early 1990s, through to a commitment of around £30million per annum in 2008/09 (Belfast City Council - £12,433,255), two-thirds of which is made up from rates contributions with the remaining third coming from other sources, mainly EU funds⁵. Prior to the early 1990's councils were able to use other powers in order to carry out economic development functions, including physical and community regeneration based projects.

Between 2000 and 2006 the Northern Ireland Programme for Building Sustainable Prosperity (BSP) was one of two Operational Programmes which implemented the Community Support Framework (CSF) and assisted a range of projects to develop economic growth, employment, urban and social revitalisation, agriculture, rural development, forestry, fisheries and the environment. BSP was delivered mainly through the NI Government departments.

Throughout the duration of BSP Belfast City Council committed around £3.3million to business development activities and £0.5million to business start activities, half of which is made up from rates contributions. Local Councils have committed 353 employees to the delivery of local economic development activities of which 73 undertook those functions specifically related to business development and creation.

The current period of Structural Funds Programmes is defined by the European Sustainable Competitiveness Programme 2007-2013 and is co-financed by the European Regional Development Fund (ERDF). The programme supports regional strategy by promoting investment in research and technological development and by

⁵ Source: Survey carried out by NI LED Forum, July 2009

encouraging enterprise and entrepreneurship in an overall context of sustainable development. Approximately £211m of ERDF funding has been allocated to the Programme and the Managing Authority for the Programme is DETI.

In the first two rounds of Structural Funds, councils were originally required to submit an action plan for funding for the duration of the individual programmes. However, in the current programme, applications are made on a project-by-project basis, in line with the priority themes of the Structural Funds programme and complementary to wider economic development activity being undertaken by other statutory partners.

The piecemeal nature of the current round of Structural Funds Programme places greater difficulties upon local councils to deliver integrated and co-ordinated approach to their local economic development challenges.

We affirm that local councils firstly be recognised as being best placed to deliver local economic development initiatives as supported by the current delivery of the NI Rural Development Programme, and that council must be able to apply for Structural Funds based upon an integrated action plan approach.

Review of Public Administration

The review makes limited reference to role of local authorities in the delivery of economic development activity across the region, despite recent commitments by the Northern Ireland Assembly to give increasing responsibility for this work to local authorities with the Review of Public Administration (RPA).

Council is deeply distressed by the absence of consideration in relation to the RPA and the wider implications of this for the development and delivery of economic development policy and activities in the region.

Whilst Council appreciates this is a review of DETI and Invest NI, the impact of RPA and the transfer of functions which are being considered as part of the RPA have not been addressed sufficiently as to inform the recommendations outlined in the review document.

The current and increasing role local authorities' play in local economic development is firmly embedded into the economic development of the NI economy. The absence of due consideration of local authorities current and future economic development activities pending RPA has implications on many of the reviews recommendations and subsequent delivery.

To support the transfer of functions, legislative responsibility for Local Economic Development should be considered to reflect the changing role of Local Government.

Background:

The background section to the review makes reference to a number of specific recommendations including an integrated approach to economic development, SME development and improving the productivity gap. Council's comments are as follows:

Integrated Approach to Economic Development

It is important to ensure that economic development activity creates a legacy for future generations and addresses the entrenched inter-generational problems facing deprived communities across the region. The Council acknowledges the current fragmented nature of service delivery within the region with numerous agencies and departments pursuing economic development agendas with little shared coherence or strategic vision. Council agrees with the recommendation that there is need for a real and sustainable change within the region through an agreed, coherent vision to which all partners are willing and committed to deliver.

Council would stress however that local government is ideally placed to co-ordinate and deliver an integrated approach to local economic development based upon the needs of our communities.

Although it is recognised the key role DETI and Invest NI play in the economy, Council would stress that these two organisations are only part of the wider range of stakeholders involved in developing the NI wide economy and addressing those issues such as the NI productivity gap. Other stakeholders include universities, colleges, sector skills councils, trade and sectoral bodies and others involved in enterprise and social economy networks.

Whilst it is appreciated the review identifies recommendations based upon a medium to longer timescale and that current market conditions such as the recession have not been considered, it is believed that the current difficulties in the economy caused by the recession will require a more medium term approach that needs to be reflected in the development of a future economic policy.

Micro-Enterprise and SME Development

A key priority for local government is to stimulate and strengthen the local business base and to promote competitiveness within the SME and micro-enterprise sectors through the locally based activities that meet the needs of the indigenous private sector. Our LED plan for the period 2002 – 2006 delivered resoundingly positive results for Belfast including:

- £11million investment in the city
- support for the creation/retention of 1911 jobs
- creation of 914 new businesses
- support for 873 businesses through its programmes
- delivery of 42 business development programmes

During the period 2006 - 2009 Council, through its economic development agenda, has also delivered:

- £8million investment in the city
- support for the creation of 500 jobs
- support for 1,012 businesses through its programmes
- delivery of 66 business development programmes
- delivery of Council led events and seminars for 3,436 individuals

These outputs represent sound investments and real jobs that would not have been created without Council's support and they clearly underpin the vital role that we play in supporting local economic development.

The role of local authorities in supporting SMEs, micro-enterprises and the social economy sector is not highlighted in this review which we feel is an omission given the

important role we play as a partner on leading business development programmes and promotional activities.

In order to maximise the impact of our work in this area and to avoid duplication of services, consideration should be given to collaborative development in programme preparation and design as well as greater information sharing between Invest NI and local councils and other support agencies. Council would welcome the formalisation of the relationship between Invest NI and local councils in supporting businesses so that there is a clear focus identified for each partner.

Council is in agreement that the NI economy needs a larger and more dynamic private sector to grow in the upturn. This finding is also the verdict of a recent report published for Council, by the Centre for Cities – a London based think tank that works with a range of cities in Britain to help them improve their economic performance.

Implementation of European Programmes such as NI Rural Development Programme and Interreg IV demonstrates the ability of local councils as being best positioned to respond to local need. In recognition of this, the needs of the indigenous business community must be recognised as being best served by local councils. We therefore recommend that responsibility for small business support should take Council's expertise and experience into account.

Throughout, the report recommends greater integration between indigenous SME's and the supply chains of larger companies. This is a welcome recommendation, particularly in the context of the current economic climate when enhanced local opportunities offer a financial lifeline for SME's.

As a funder of local capital build projects Council is already investigating options to enhance the opportunity for local sub-contractors to gain work on local projects. Council is currently developing a Construction Supply Model based around the Titanic Quarter build. This project will provide an opportunity for suitably skilled and experienced sub-contractors from the local area to gain work on the build, maximising the benefit to the local community in terms of job creation and wealth.

To support SME integration into the supply chains of larger companies Council also held local sourcing events in 2004, 2006 and 2009 aimed at enhancing SME prospects for securing contracts to supply both the public and private sectors. These projects have consisted of pre-event tailored mentoring support, a meet the buyer event with speed networking sessions between buyers and suppliers and post event mentoring designed to support the SMEs to follow up on contacts made on the day. A wide range of sectors have been catered for over the course of these programmes including hospitality, print, design and marketing, manufacturing, environmental and creative industries. Preparations are currently being made for a specific Creative Industries Sector programme for 2010.

Council recommends that Invest NI should engage with local councils on new FDI companies to the region to facilitate private sector engagement in their supply chains.

A recent survey of 500 Belfast businesses revealed that only 45% of the companies interviewed were selling into the public sector. Given the disproportionately large size of the public sector in NI, this could be construed as a missed opportunity.

A further surprising result highlighted that almost 80% of the companies participating in the survey were not accessing any government support at present. There is clearly a job to make companies aware of the support on offer and to help them access that support. Council would like to see the IREP pointing to the need for better coordination

between enterprise support partners in order to make it easier for businesses to access the help that they need to grow their company.

Improving the Productivity Gap

Council endorses the recommendation as outlined within the consultation document to propose alternative approaches to improve productivity and living standards in Northern Ireland and welcomes the importance placed on the role of cities in driving growth and productivity.

Belfast, as the region's capital city, is the engine for regional growth. Success or failure in Belfast has deep resonating implications not just for its suburbs and metropolitan area, but for the entire economy of Northern Ireland.

Our role as a capital city and regional driver will be further enhanced post RPA. Our new economic development plan (2011) provides an opportunity to demonstrate our continued commitment to the cities growth and development.

Council is supportive of a single integrated regional strategy and proposes that all 11 councils should be instrumental in shaping the priorities and actions of this essential strategic document. Council would also propose an integrated economic strategy for Belfast to support the regional strategy. This strategy would act as a focus for economic development within the capital city, with Council and all local stakeholders working together to achieve the agreed outcomes.

The review recognises that there will be competition between places within a region and there will be a role for the councils in defining and articulating their individual strategic advantages in terms of their unique social, economic and environmental characteristics. This identification of differentiated locations should be recognised in the strategy in support of an enhanced regional offer.

Council concur with the view that NI must improve investment in R&D and innovation if it is to close the gap with other international competitors. It should be noted, however, that NI universities have lower research budgets than their UK counterparts – an issue that should be addressed. There is a need for greater levels of investment from the private sector – something which could prove difficult to cultivate in NI's (and particularly Belfast's) predominantly SME environment.

Council would like to draw attention to the issue of incubation which appears to be absent from the document, other than references in the Annex. Incubation, a key remit of Invest NI, should be an important element of the regional development strategy that targets the higher value sectors and R&D. It is therefore important for Invest NI to clearly define its strategy for the development of business incubator facilities as this is an area proven to deliver results to start up businesses in high value sectors.

Council has recently undertaken business incubation research and is willing to share key findings with DETI/Invest NI. Our research has highlighted that the great majority of business incubators in the UK are publicly funded and focus on public policy objectives. Further, it outlined incubation best practice in the UK and the USA and their applicability in the Belfast context. The majority of these facilities are sector specific and deal with the very sectors Invest NI target (technology, knowledge based, and environmental).

The review also states that in order to address the productivity gap, productivity gains are required in sectors some of which are outside DETI's remit e.g. agriculture, transport, distribution etc. Belfast City Council is already engaged in many of these

sectors through existing initiatives therefore recognising the importance of involving these sectors to achieving the productivity gain this further enhances the need to engage with local authorities when developing economic policies.

The report also recommends measures that might be adopted to continue attracting inward investment, as well as growing indigenous firms. Council would highlight that Belfast City Council acquired the licence to develop a World Trade Centre (WTC) for Belfast in 2002 and since this time has been actively developing and managing a wide range of services available through the workings of this centre.

WTC Belfast provides local companies with an effective global gateway to new business opportunities, business contacts and market intelligence and should be seen as an additional conduit for achieving greater levels of inward investment for the region. It supports companies in all aspects of international trade including global sourcing, finding international business partners and identifying new customers and offers a range of services including:

- hosting local networking events for companies involved in international trade the aim of which will be to inform companies on relevant global trade issues and to facilitate networking.
- managing group trade missions which are differentiated from other trade missions available and are coordinated with other World Trade Centres.
- offering trade education workshops to develop the business skills of local companies focusing upon practical export topics including global supply chain management, export documentation and legislation.
- delivering Business development programmes for small Belfast based companies to assist them in developing and improving their global supply chain management.
- offering a Global Gateway service to companies unable to access Invest NI's in-market assistance. It offers local companies the ability to access global market information, make new business contacts and avail of consultancy services carried out by other World Trade Centres.
- offering a free Investor Gateway service to companies considering establishing a business base in Belfast. Through the Investor Gateway Service potential investors can access useful information on Belfast, be supported in inward fact finding visits as well as property search service.

WTC Belfast is part of a network of over 300 WTC's which have 750,000 associated organisations and is therefore well placed to raise the profile of Belfast/NI as an ideal inward investment location and as a place to do business and visit. The existence of WTC Belfast should be noted and taken into account when considering measures to adopt to attract inward investment to the region. For more information on WTC Belfast please visit www.wtcbelfast.com

Council agrees that NI has substantial assets – a comparatively highly skilled population and low cost office space – and would propose that this message needs to be promoted more widely in order to attract business investment to the region.

Full List of Recommendations:

The review contains a full list of recommendations designed to maximise the competitiveness of the economy and help build a larger export base and one that promotes and supports the importance of innovation and R&D. Council's comments are as follows:

1. Policy Development

Recommendation:

As part of the review of structures with DETI (proposed in Chapter 8), the department should ensure that more resources are dedicated to policy development and monitoring.

Council: We would welcome that as part of the recommended review of structures within DETI, that additional resources are dedicated to policy development however linkages should be made with current structures currently involved with economic policy. We believe there should be a single economic policy for Northern Ireland with underlined specific action plans. Any economic policy should be thoroughly equality screened to ensure that social considerations are being met. Resources devoted to policy development and monitoring should not be at the expense of actual policy implementation.

Recommendation:

DETI should appoint an independent economic advisor to strengthen capacity in economic policy making.

Council: Council agree with this recommendation. However it is important that the advisor is someone with international experience and has successfully assisted developed economies in achieving and increasing levels of productivity.

2. Policy Delivery (Invest NI)

Recommendation:

The concept of Invest NI ‘clients’ should be removed to allow Invest NI to work throughout the entire business base to raise awareness and provide support for businesses undertaking Innovation, R&D and exports.

Council: Council understands the definition that Invest NI currently uses in order to determine its clients focus but recommends that the term ‘client’ be revisited to suggest a more inclusive ‘partnership’.

We feel that the services that we – and other local authorities offer - can complement the Invest NI offering and we consider there is sufficient market for both parties to work together.

Belfast City Council and all other councils have taken cognisance of Invest NI’s client approach to date and have subsequently built their past and current business development support portfolios on the development of the micro-enterprise and SME sector, which are not primarily export focused. Almost three quarters of companies located in Belfast employ fewer than 10 people (73.5%) and 87.3% employ fewer than 20 – clearly demonstrating the importance of the SME sector in the city.

The recommendation to remove this concept/definition of Invest NI ‘clients’ therefore raises significant questions which need addressed in terms of the interface between support offered by Councils and that of Invest NI. Local authorities have by default over recent years played a key role in supporting the SME sector and have subsequently built up a great deal of expertise in this area and filled a gap in the enterprise pipeline. We recognise that SME support needs attention but would ask for clarification in terms of the implications the removal of this definition will have for local government. Council

wishes to see a clear definition of the roles and responsibilities of both Invest NI and local authorities in terms of supporting the SME sector.

Council wishes to see a more formalised relationship being implemented between Belfast City Council and Invest NI in the future, and particularly at a political level.

Council is looking forward to the creation of the new enterprise strategy. However recognition of the integral role of local councils in developing enterprise and wider local economic development initiatives must be identified. As such we are eager to play a full role in the future development of an Enterprise Strategy for Northern Ireland.

Recommendation:

Invest NI should work to significantly reduce the number of its support programmes.

Council: Council agree with this recommendation, however not at the expense of smaller companies that need support.

Recommendation:

Grants for business expansions should be phased out towards 2013, after which such grants are unlikely to be available under EU state aid rules.

Council: Although it is recognised that business expansion grants will be affected by changing EU State Aid rules concerns exist as to the ability of the private sector to raise finances to undertake business expansion projects post 2013. In many areas of Northern Ireland, a combination of inward investors and indigenous large businesses provide the backbone to the local economies, providing employment opportunities as well as sub-contracting opportunities to local small businesses. Caution must be given to the removal of business expansion grants to ensure private sector funding is available so as to not impede the growth of the private sector.

Recommendation:

Business expansion not involving innovation and R&D should, where necessary, be based supportive in the form of co-investment in companies that have already been successful in securing funding from the private sector. Invest NI assistance should only be in the form of sub-ordinate debt or equity.

Council: Council agree there has been an over reliance from the private sector on Government grants and this has stagnated the development of the co-investment type organisations. Implementation of this recommendation would go some way to enabling this support structure to grow. However, the willingness of banks and lending institutions to lend monies to business especially over the past twelve months would give cause for concern. The process and structures need to be in place with the various lending organisations prior to this even being considered as an option.

Recommendation:

Invest NI should further reduce its support for company training, and concentrate support mainly to small firms and to projects with a high Innovative content, where retraining is necessary to realise a substantial rise in productivity.

Council: Council agree with this recommendation.

Recommendation:

Invest NI should transfer its budgets relating to tourism accommodation back to DETI to be redistributed to a more appropriate body

Council: Council agree with this recommendation; however we understand there is currently a moratorium on grants for hotel accommodation in Belfast and would like this to be reviewed. Belfast City Council would also like councils to be considered as a potential body to distribute tourism accommodation grants under the RPA.

3. Portfolio of Innovation Policies

Recommendation:

A new institution for commercially-oriented research should be explored in NI, along the lines pioneered by the successful VTT institute in Finland. The institution should be outside the University system and not subject to the constraints of the Research Excellence Framework (REF). It is envisaged that this would incorporate a number of existing near market research organisations in NI and would be charged with reviewing and taking forward the MATRIX agenda.

Council: Council is encouraged by the recommendations regarding a portfolio of new innovation policies being developed over time. However the concept of innovation within the private sector needs to be communicated particularly in those sectors traditionally low in the adoption of innovation. The recommendations identified to develop a more commercially orientated research institution is welcome however the successful adoption of the innovation policies recommended is highly dependant upon the ability to engage the wider private sector.

Council would stress that the review should take account of the Northern Ireland Science Park when considering its proposal for a new institution for commercially – orientated research in NI. NISP was established in 1999 as a not-for-profit company limited by guarantee to be:-

- An internationally recognised centre for the commercialisation of scientific and technological developments which is founded on a targeted range of academic and private sector research activity.
- An entity which can demonstrate the successful commercial application of the research and development activities in Northern Ireland.
- A viable asset providing real and growing value to the local economy with demonstrable benefits shared socially and geographically.
- An organisation founded on a strong mutually supportive partnership between business, higher education and the public sector.

CONNECT (formerly University California San Diego CONNECT) has assisted in the formation and development of over 1,200 companies and is widely regarded as the United States' most successful regional economic development program. CONNECT supported companies have been twice as likely as other entrepreneurial companies to be successful and in business after five years.

NISP CONNECT is the Northern Ireland element of the Connect network and acts as the catalyst between NI's entrepreneurs, research institutions, investors, technology corporations and service providers by linking entrepreneurs with the resources they need for success. The portfolio of programmes create the networks which serve to breakdown social and professional hierarchies and drive lateral learning and

knowledge transfer; the social infrastructure on which the growth and sustainability of new enterprise depends. The end result is an increase in the quantity of science and technology businesses and their chances of success.

Connect focuses on five key programs on a year round basis:

- **Springboard (Enzyme)** – a year-round, flagship program that assists technology-based companies and entrepreneurs refine their business and financial strategies through a group mentoring process.
- **Frameworks (Innovanet Entrepreneur series)** – a series of 23 half-day workshops targeted at entrepreneurs and the research community. Content is delivered by experts from service providers (law firms, IP, accounting). Key themes are demystifying the Venture capital process or intellectual property basics. Workshops are delivered onsite at the Universities which will further promote NISP to the local audience.
- **Innovanet Evening Series** – Case studies of successful ventures from inside and outside of the region or leading innovation breakthroughs from established European technology companies delivered at the Innovation Centre
- **25K** (potentially 85K award in 2008)– continuation and expansion of the successful program to stimulate action around good ideas
- **halo** – business angel network

Council asks the Review Panel to note that an evaluation of the property and non-property aspects of the Northern Ireland Science Park is currently underway and key findings are expected to be published in November. This evaluation evaluates the performance and impact of the Science Park over the past 10 years.

Recommendation:

Additional research in Universities and public sector bodies should be aligned closely with the needs of industry in NI and potential inward investors to NI. The development of specific new research capabilities should be used as an incentive to attract potential investors.

Council: Council welcomes the development of new research capabilities which can be used in Belfast's value proposition to attract potential investors.

Recommendation:

Industry-led Innovation communities, as suggested in the MATRIX report, should be developed as a pilot to bring together business, academia and Government and exploit available market opportunities.

Council: Council agree with this recommendation.

Recommendation:

More should be done to support innovation in service sector firms beyond software.

Council: Council agree with this recommendation as the Belfast economy is moving from a manufacturing dominated environment towards a service sector environment. If we are to address the productivity gap in the future we will need our service businesses to innovate to keep up and succeed in the marketplace.

Council advocates the need for providing support for businesses undertaking Innovation, R&D and exports but recommends there must be greater clarity and understanding of the concepts of innovation, R&D and exports which need to be communicated and understood by all stakeholders operating within the economic development environment.

Recommendation:

Invest NI's export assistance should become more dedicated and professional, adopting a similar model to the fee-charging export agencies identified in Chapter 6, with two tiers of charges depending on whether the company is an SME or large firm.

Council: Concerns exist as to the proposed changes to Invest NI's export assistance. Although the recommendation to make it more dedicated and professional is welcome, the proposed fee charging model may act as a barrier from companies seeking advice on exporting or beginning to export entirely.

4. Policy Delivery (DETI)

Recommendation

As soon as practicable, DETI and other relevant departments should commence work on preparing a case for retaining state aid limits that support the changes outlined in this Review.

Council: Council agree that departments should prepare the case for retaining state aid limits. Existing state aid limits imply that competitive businesses in the market place can only receive a limited amount of support from a public source – the threshold of which is 200,000 euros over a three year fiscal period. A reduction in state aid limits would impact upon the ability of LED to deliver business development support to the existing SME and micro-enterprise market.

Recommendation:

DETI and Invest NI should undertake an immediate and focused review of its overall strategic and sectoral approach to capitalise on the benefits of new telecommunications connectivity in NI.

Council: Council agree on the need to undertake this strategic and sectoral review and would welcome the opportunity to work in partnership with DETI to encourage adoption through local economic development initiatives and to ensure connectivity of new physical infrastructures to initiatives such as Project Kelvin.

5. Policy Performance

Recommendation:

DETI, as the funding department, should report on the strategic performance of Invest NI, with the co-operation of Invest NI statistical staff.

Council: Council agree that as the main policy provider, DETI should take overall responsibility for the monitoring of Invest NI's performance against targets. The performance should be reported regularly against initial targets.

Recommendation:

Relevant policies and accompanying resources should be updated annually to quantifiably demonstrate how individual policies/organisations contribute to the PfG productivity goal.

Council: Council would endorse the need to update policies annually and agrees there should be a clearer link between intervention and the overarching PfG productivity goal. However, when reporting on how individual policies/organisations contribute to the PfG productivity goal, consideration of LED activities and how they too contribute to the PfG productivity role should be considered in order to get a complete picture of performance against overarching outputs. DETI and Invest NI should not be the only organisations considered. Policies should also be reviewed regularly as the external environment changes and if need be, should be updated accordingly.

Recommendation:

The Invest NI data collection system needs to be developed as a single database, to be maintained by DETI. The IREP database, constructed specifically for the Review, will be transferred to DETI to help facilitate this process.

Council: Council agree with this recommendation but would strongly advise that other stakeholders involved in local economic development (e.g., local councils) should also have access to this information to facilitate a more joined up approach in terms of overall programme development and support for local companies. Council is developing its own system of data collation and monitoring - entitled Belfast Citystats and we would be very keen to share our information with any system that DETI will have in place.

6. Finance

Recommendation:

Aside from those funds designed to support seed stage projects, Invest NI should disengage its direct involvement with venture capital (VC) funds. Rather than direct participation in the market, Invest NI should act as a facilitator between companies and VCs. In the case of seed stage VC funds, Invest NI should avoid placing restrictions on the market as outlined previously (Chapter 3).

Council: Council agree with this recommendation. However in consideration of the increasing emphasis on innovation and R&D the removal of direct activity within the VC market needs to be carefully managed. Traditionally companies that are highly innovative and/or engaged in R&D would be the likely target for VC funding and as such any removal of direct involvement by Invest NI in this market may affect the deliverability of other recommendations.

The retention of direct involvement in seed corn funding is welcomed but must be developed in line with local authorities who will be given the responsibility for entrepreneurship through RPA.

We recommend Invest NI's venture capital initiatives should be linked to and support local economic development activities undertaken by local councils to ensure indigenous locally operating businesses have accessibility to VC funding.

7. Project Appraisal

Recommendation:

Project appraisal rules should be re-assessed to ensure that projects involving investment in innovation and R&D, which generally present uncertain and wider outcomes, are not placed at an unreasonable disadvantage with NI.

Council: Linking in with the above point on VC funding, the removal of Invest NI's involvement in VC funding may affect the ability of enterprises with greater risk associated with their activities to access funding.

8. Further Research

Recommendation:

A study should be undertaken to determine how NI can more rapidly shift the pattern of inward investment towards higher value sectors.

Council: Council would strongly encourage the review to recognise existence of the WTC Belfast and its offering of an Investor Gateway service. Any study that is commissioned must capture and take account of the activities already engaged with by Council in the area of inward investment.

This engagement with Council is further supported by the reports recommendation for latitude with regards to FDI's ability to locate essentially where they want to which naturally results in the majority of FDI's interested in urban locations. The targeting of higher value sectors should therefore be carried out in line with urban authorities such as Belfast City Council to ensure the infrastructure; talent base and supporting value chain (i.e. smaller private sectors) are matched to the needs of higher value sectors.

Recommendation:

The need to provide industrial land should be analysed to see if the perceived need for Invest NI to purchase large amounts of land is correct.

Council: This approach would be supported where it could be embedded within broader spatial coordination and integrated with the work on the Regional Development Strategy to provide a robust basis for the development of regional policy. This approach would support future work to develop a basis for the identification of a land supply through the new Local Development Plans to be developed by the post RPA local councils as part of their changed statutory roles.

Recommendation:

DETI and other relevant departments should undertake a study to establish how the social economy might be further helped to reduce deprivation and increase labour force participation in disadvantaged areas within NI.

Council: Council agree with this recommendation but would ask the Review Panel to note that Council engages in a wide range of support mechanisms for the SME and social economy sector and this role is expected to increase with responsibility for this sector being given to local councils through RPA.

Council has identified the development and growth of the social economy as a key element of its enterprise support plan for the period 2009-2011. We agree there should be a focus on enhancing the business viability of the social economy sector and to that

end, we have opened our range of business support initiatives to businesses from the social economy sector and endeavoured to ensure that at least one social economy business participates in each of our business development programmes. Therefore any study on the development of this sector must include the role and activities of Belfast City Council.

9. Co-ordination of Economic Policy

Recommendation:

If Northern Ireland is to achieve a step change in economic performance, the economy should remain the top priority of the Executive for many years to come.

Council: Council considers economic growth to be a very important aspect of the overall development of the NI economy however social aspects should also be considered.

Recommendation:

DETI, DEL and Invest NI should work together to more effectively implement their existing liaison arrangements.

Council: NILGA would welcome a more effective and efficient liaison arrangement between DETI, DEL and Invest NI but would suggest that local authorities, DSD and DARD should be included as a strategic partner in these arrangements in order to produce a more holistic picture of sustainable economic development activity.

Recommendation:

As part of the review of strand one institutions, the core economic functions (covering existing DETI and DEL areas of responsibility) should be brought together under a single 'Department of the Economy'.

Council: Council welcome the creation of one department with responsibility for both skills and the economy.

Recommendation:

The Executive sub-committee should agree an economic strategy, building on the findings of the IREP, as a matter of urgency.

Council: Council agree with this recommendation however would stress that the findings should not be considered in isolation for the formation of an economic strategy. As the author states the wider economic environment has not been considered and recent economic conditions such as the recession have not been taken into account. Council is disappointed and gravely concerned that the findings do not consider RPA and the implications on future economic activity, or the current and future role undertaken by local authorities.

10. Governance Arrangements

Recommendation:

DETI should undertake an internal review of its structures to ensure that the allocation of staff is more fully aligned with its policy objectives.

Council: Council recommends that the internal review also considers the allocation of staffing in Invest NI and DEL.

Recommendation:

The core functions of strategic policy development and performance monitoring should be brought together within any revised DETI structures. The department should also provide the necessary support, professional and otherwise, to the Executive sub-committee on the economy.

Council: Council agree with this recommendation however it is important to note there are a wide range of other organisations involved in policy development and performance monitoring (e.g., Council). These other organisations should be consulted.

Recommendation:

A small business unit should be created within Invest NI, with responsibility for the development and coordination of relevant support to SMEs throughout NI.

Council: The promotion and encouragement of enterprise development is critical to the economic vitality of the region and aligns with the priorities of Council in supporting economic development. Council acknowledges that a vigorous enterprise culture is central to the success of Belfast and the region and welcomes the focus on supporting an innovative culture, particularly within the SME and micro-enterprise sector, which is a major growth engine for the Belfast and NI economy.

Although Council welcomes the development of an Enterprise Strategy for Northern Ireland we are disappointed that no progress has been taken regarding the advancement of this strategy. This condition has resulted in an absence of a co-ordinated approach for enterprise activity. Although we recognise the impact of the Barnett Review's findings on this strategy, council requests that dialogue from DETI takes place on developments surrounding this document.

However, concerns exist around the recommendation to develop a small business support unit, the purpose of which is to develop and co-ordinate relevant support to SMEs throughout NI. Given the current activities of local authorities and their increasing remit through RPA the relationship between the small business support unit and local government LED teams needs close attention.

It is proposed under RPA that the responsibility for the Enterprise Development (EDP), Social Economy (SEP) and Youth Entrepreneurship (Prince's Trust and Advantage NI) programmes are transferred to councils however the recommendation contained within the document does not take this into account. The creation of a small business unit would diminish the work currently being completed through council's economic development initiatives. Belfast City Council has close linkages with the business base in the city and has plans to further support the SME sector in years to come.

The degree of local awareness which councils possess is critical if future policy-making is to be focused on the appropriate areas where there is most need. A centrally-managed and controlled small business unit will not achieve those objectives.

As well as the wide range of business support and training available from Invest NI and Council, the review should also acknowledge the role of the Department for Employment and Learning (DEL). DEL has many training mechanisms currently in

place to support small businesses to build the talents of their workforce and boost their competitiveness.

Recommendation:

Given the non-executive composition of the Invest NI Board, it should cease to perform executive functions and focus on providing strategic direction and oversight.

Council: Council agree with this recommendation.

Recommendation:

A senior member of the DETI Departmental Board should be represented on the Invest NI Board.

Council: Council agree with this recommendation.

Recommendation:

High level experience in international business and expertise in economic development should be sought when the Invest NI board is reconstituted.

Council: Council agree with this recommendation but would highlight that the Board must also have sufficient local representation.

11. Advisory bodies

Recommendation:

The ETI Minister should stand down the Economic Development Forum and establish a small advisory body, comprising expertise on regional economic development (drawn from business and economics) to provide independent advice on the economy.

Council: Council welcomes the recommendation for a small advisory body, comprising expertise on regional economic development to be established and the recommendation to include representatives from the local community. Council would stress that local authorities (including Belfast City Council) must be considered as a representative on the new advisory body in consideration of the current and growing responsibility for local economic development.

12. Skills

Recommendation:

The local education system should prepare now to meet the anticipated increased demand for higher level skills in STEM and other Innovation relevant subjects arising from the increased prioritisation of Innovation and R&D.

Council: Council agrees with this recommendation. We have recently commissioned research on skills demand and supply which suggests that over half of net new jobs in Belfast over the next decade will require graduate qualifications while less than 1 in 7 are expected to require no qualifications. We would be happy to share this information with DETI and Invest NI.

However Council would argue that increasing employment levels cannot be done by completely ignoring the lower value added sectors as these can potentially provide an avenue through which people can get into employment (or back into employment). There needs to be considerable focus on skills development, with work required on what skills are needed for the current and future employment opportunities.

In addition to knowledge-based industries, Council would suggest that the creative industries and health sectors be acknowledged as growth industries and adequate support be provided to help the capacity and skills base within the region to accommodate this growth.

The knowledge industries are a priority area in Council's own LED Plan and we have undertaken a baseline study of the city's knowledge industries in order to develop our strategic work in this area. We have also undertaken sector analysis on Financial Services, Business Services, Health and Education and would be happy to share these findings with DETI/Invest NI.

The significant challenge to maintain and improve the skills base suggests a need to retain and attract back graduates and well-qualified persons into the labour market (aimed at NI students graduating locally, NI students graduating in GB and NI professionals working in GB, ROI and beyond.) Such a flow of skilled labour could help to address managerial and diversity of graduate subject weaknesses.

However, we have a concern that too much emphasis is placed on high-level skills and graduates - people with lower skills levels and those who are long-term unemployed should not be forgotten either. Any economic policy should take into account the impact of economic growth, and more recently, a recession, on those at the bottom of the skills scale. Re-skilling, further skills development and capacity building should also play a part in the economic policy.

After recognising there are many agencies responsible for the delivery of employment and skills policy and programmes, but no one single agency with the responsibility for coordinating activity, Council convened a Belfast Employment and Skills Board in May 2009 involving representatives from central and local government, universities, colleges, community organisations and employer bodies with the main aim of helping address current and future needs facing the city and developing new ideas and approaches to tackling skills and employability deficiencies.

In January 2010 Belfast City Council will have an agreed strategic framework and action plan which will outline how Belfast will play a role in meeting the Northern Ireland Programme for Government's key objective of having an employment rate of 75% by 2020.

Recommendation:

DEL, DETI and Invest NI should work to significantly develop management and leadership skills in NI and support the proposal for government to sponsor a 'Management Masterclass' to identify and develop the best managers from local industry and the public sector.

Council: Council agree with this recommendation.

13. Infrastructure

Recommendation:

The Executive should ensure that the third ISNI plan takes a much greater economic focus by committing more investment into projects that will maximise NI's future economic performance.

Council: Council agrees for greater economic focus into projects that will maximise NI's future economic performance as this will further enhance and benefit the attractiveness of NI from an investor perspective and recognising the importance of the urban cities in attracting the infrastructure investment should be reflected of this.

This recommendation should be linked to the Regional Development Strategy to ensure the investment is sustainable and seeks to maximise the value of existing assets and infrastructure.

14. Planning

Recommendation:

In the context of reform, the Planning Service should be given processing time targets which are comparable and competitive with those countries and regions against which NI is competing for mobile international investment.

Council: This recommendation would be supported with the obligations transferring to councils following RPA - with the caveat that the transfer should be adequately resourced in recognition of the importance ascribed to the process by the report. The focus should not be exclusively on FDI or larger development proposals the transformation of the system and the targets should benefit the whole economy.

Scope needs to be included that will result in improvements to the timeline of planning applications for SME's and NI indigenous planning applications especially in light of European funding timescales which can be greatly affected by planning processing timescales.

Recommendation:

Planning Service should work to ensure that the legislative timetable for reform is met.

Council: The recommendation for the timetable to be met should also make reference to the importance of the system being adequately resourced and the necessity for appropriate continued delivery of effective support from the departments that will continue to be involved in a consultancy capacity such as DRD and DoE.

Recommendation:

The Strategic Projects Team should deal with all applications relating to investment new to NI. In addition, in terms of what constitutes a 'regionally significant development', a clear definition and qualifying criteria should be developed and agreed between DoE, DRD, DETI and Invest NI.

Council: The Council would suggest that this recommendation be reconsidered or reframed to take account of the transfer of functions under RPA. The source of

investment (“new to NI”) should not form the basis for regional significance or which body should determine the application. The Council has in the responses to the reform has also highlighted the need for clarity around the issue of “Regionally Significant” applications. The Council considers that the number of applications that would fall within this category should be kept to a minimum to ensure there is clarity in the delivery of the planning function post RPA. Only application of such a scale to be considered to have a wider regional impact or those clearly contrary to approved plans should be considered to fall within a regionally significant category that would be determined by the elements of Planning Service retained by the DoE.

Recommendation:

The Pre-Application Discussion (PAD) process must be as efficient as possible and the

Council: Council would support the continued refinement of the PAD process as outlined in the reform document both in relation to the requirement of planning authority and the obligation on the applicant to satisfy the necessary information requirements.

15. Conclusion

Council remain supportive of all efforts to improve the economic performance of the region and believe that Councils should be more involved in the debate on the future economic policy for Northern Ireland.

We support many of the recommendations set out within the review, however, there are a number of specific comments and issues that have been outlined within this response document which it would like to see reflected in the final review document. In particular there are some fundamental issues with regard to the report in respect of the failure to consider the current direct role of Local Authorities in economic development, the potential changes in the roles of local authorities post RPA and the transfer of other functions referred to in the recommendations. As a report that seeks to consider the period to 2015 these represent significant weaknesses.