

Northern Ireland Executive Economic Strategy: Consultation on Priorities for Sustainable Growth and Prosperity

Draft Belfast City Council Response: February 2011

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| 1 | Do you agree with the key economic challenges that are expected to influence the performance of the Northern Ireland economy over the next 10 years? |
| 1.1 | The key economic challenges likely to influence the performance of the regional economy over the next 10 years have been identified as low productivity levels, little improvement in gross value added (GVA) over time, lagging behind other UK regions in emerging from recession, disproportionate levels of private sector job losses and significant parts of the population with low skills levels. |
| 1.2 | These challenges are well rehearsed and have formed the core of the analysis in successive research reports and strategies into the Northern Ireland economy in recent decades. |
| 1.3 | In this regard it is difficult to argue that these are not the key challenges for the Northern Ireland economy in the coming decade. However we would also suggest that account needs to be taken of infrastructure to support economic development. This may include telecoms infrastructure (recent positive developments include Project Kelvin and the investment in broadband infrastructure) as well as transport infrastructure (air, train, road) and workspace and office space which can support entrepreneurship and encourage business growth. |
| 1.4 | In addition to these factors affecting the region's future economic growth, Belfast City Council considers that leadership and strong governance are critical elements underpinning regional growth. This may include both political leadership and business leadership. |
| 1.5 | <u>There is limited recognition of the role of cities – and Belfast in particular – as focal points for economic growth. In the current Regional Development Strategy (RDS) 10 year review, it is noted that the new RDS is being prepared in a very different economic context to its predecessor. The consultation document describes ‘how cities and urban areas will come to the fore and will be the drivers for economic development. The main spatial considerations shaping future growth are the importance of Belfast and Derry with a network of key service centres...’ (para 2.59). Belfast currently provides employment for 108,000 in-commuters from neighbouring districts – over half of all those employed in the city¹. This importance should be reflected in the levels of infrastructure investment to drive and consolidate growth, as an economic generator for the wider region.</u> |
| 2 | Are there any additional aspects that should have been included and which need to be addressed in the full economic strategy? |
| 2.1 | As identified above, the issues of governance and connectivity are also central to an area's economic performance and should be considered in the regional economic strategy. <u>In Belfast, we are currently working on a new masterplan in the city, with a</u> |

¹ Oxford Economics, (2009), *Belfast Flows of People, Skills, Spending and Investment*

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| | <u>view to identifying a blueprint from the city's future development. This will be supported by an integrated economic strategy – to reflect the aspirations of the regional strategy – which will seek to maximise the economic potential of the city.</u> |
| 2.2 | <u>The RDS has, as one of its central aims, to “strengthen Belfast as the regional economic driver”. This aspiration should be reflected more strongly in the current consultation, taking account of the central role that the capitalcity will have in rebuilding and rebalancing the economy.</u> |
| 2.32 | In addition, given the significant concentrations of deprivation and unemployment in many areas across the region, it is considered that the regional economic strategy must take account of these issues and must develop proposals to address these deep-rooted challenges. |
| 2.43 | In the Belfast City Council area, there are a number of pockets of deprivation, focused on the inner and outer areas of Belfast City Council area around the city centre boundary as well as in some of the outlying areas on the city boundary. Unemployment in the city has doubled since the start of the recession, with those aged under 25 and the less skilled bearing the brunt. The resident employment rate remains below the regional average. _, despite the fact that the city creates employment for 108,000 in-commuters on a daily basis². |
| 2.54 | Consideration should also be given to the regulatory environment. While many policies are agreed at a UK level, there is some scope for local interpretation and management. This should include the planning framework, ensuring that it supports appropriate and sustainable economic development, while preserving the nature and character of the region. |
| 3 | Learning from what has worked in economically successful regions across the world and adapting measures to Northern Ireland's circumstances will be key to meeting the challenges. Are you aware of other successful initiatives around the world from which we could learn? |
| 3.1 | There are many examples of successful economic strategies at national, regional and local levels. However we concur with the comment that there is no single correct path, no “one size fits all” approach to promoting economic regeneration. |
| 3.2 | Having said this, it is widely accepted that the issues identified as challenges, in addition to those which we have noted, are generally present to a greater or lesser degree in those strategies deemed as being successful. |
| 3.3 | Belfast City Council has engaged directly with a range of partners to undertake comparative analysis of the city's competitiveness and to identify those areas where improvements must be made if this is to be enhanced. In particular, we draw attention to the work of OECD (Organisation for Economic Cooperation and Development). OECD's LEED (Local Economic and Employment Development) programme. LEED undertakes research to identify and implement new policy responses in cities and regions across the world, focusing on building quality jobs as a means of creating |

² Oxford Economics, (2009), *Belfast Flows of People, Skills, Spending and Investment*

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| | prosperity. Belfast is a member of the network and has benefited significantly from the research and analysis work undertaken. |
| 3.4 | Belfast is also a member of the Phoenix Cities network ³ . This is a network of seven European cities who have engaged in a collaborative research initiative to look at how cities are working to address decline. The work looks at how these cities have approached a range of initiatives including re-shaping city governance, developing special neighbourhood-based initiatives, skills development programmes, and enhancing entrepreneurship levels. |
| 4 | What evidence is there that these initiatives were successful and would be appropriate to meet the challenges facing the Northern Ireland economy? |
| 4.1 | <p>The “phoenix cities” were chosen because of their comparable industrial heritage. All participating cities had tried a range of partnership-based economic development strategies to address the decline. These were generally based around a range of approaches, all of which are valid in a Belfast and Northern Ireland context.</p> <ol style="list-style-type: none"> 1. Economic strategies focused on entrepreneurship, investment, skills development and development of new (niche) sectors 2. Public agencies saw the value of investment in physical infrastructure – both in city centres and in neighbourhoods 3. A high priority was placed on addressing hard-to-tackle social challenges, focused on pockets of disadvantage in certain neighbourhoods 4. Public investment was used to lever in private finance, using a range of innovative financing mechanisms. Public funding – wisely invested – was significant in pump-priming private investment. <p>This work demonstrates how the themes of economic, physical and social regeneration are closely inter-related and the experiences demonstrate the opportunity to replicate this practice in the appropriate context.</p> |
| 4.2 | One of the central elements under consideration by the UK government as a means of rebalancing the Northern Ireland economy is the opportunity to allow the region to lower corporation tax in order to enhance investment in the region. The inward investment levels in Republic of Ireland are undoubtedly considerable when compared to Northern Ireland and are cited as one of the key drivers behind the “Celtic Tiger” years. While there has been no definitive decision as to whether this development would be possible in principle, it has met with support from the key business organisations. However it is acknowledged that corporation tax is only one measure used by the Republic of Ireland and that Northern Ireland could not necessarily implement all those measures ⁴ . |
| 5 | Looking ahead to 2020, do you share the Executive’s long-term vision of the Northern Ireland economy? |
| 5.1 | As with the economic challenges identified, it is difficult not to support the vision for the economy in 2020. However this aspiration appears generic in that it could apply to any other region or economic area. As such, Belfast City Council would be supportive of a |

³ <http://www.jrf.org.uk/publications/phoenix-cities>

⁴ Murphy (2010) *Lowering Northern Ireland’s Corporation Tax: Pot of Gold or Fool’s Gold?*

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| | <p>vision which is more specific – possibly in terms of those sectors which are to be the focus of support in coming years. <u>With regard to the city itself, the Regional Development Strategy identifies Belfast as a regional centre for administration, commerce and specialised services</u></p> <p><u>. We are supportive of this focus and our new corporate plan - currently under development – will align closely with these aims.</u></p> |
| 5.2 | <p>Given the extent of the challenges faced in the economy, this vision may be difficult to achieve within the given timeframe. However it is clear that, with some strategic focus and targeted activity, progress could be made towards achieving the aspirations outlined. A more manageable, realistic vision may help focus activities to achieve progress in the short to medium term.</p> |
| 6 | <p>Given the challenges facing the Northern Ireland economy, do you agree that promoting export-led economic growth should be the key economic priority of the Northern Ireland Executive?</p> |
| 6.1 | <p>Increased exporting is critically important to the recovery and ongoing sustainability of the Northern Ireland economy. It is likely to be one of the outcomes of investment in the challenges previously identified (skills, innovation, R&D, education and enterprise). However this is a policy agenda which has previously been followed by the main development agency Invest NI. Therefore consideration will need to be given to a more radical approach to delivering on this objective and to putting in place the appropriate support structures to allow companies to engage in export activity. This will include both first-time exporters and more experienced exporters seeking to explore new markets for their products.</p> |
| 6.2 | <p>In addition to exporting, there is also considerable value in the service sector, both as an economic generator and as a source of employment – often for those with low skills levels. The tourism and hospitality sector is a major source of revenue and employment in the Belfast City Council area and in the wider region. Last year, the city welcomed over 9 million visitors, contributing £451million to the local economy. Given the range of upcoming events of international relevance (World Police and Fire Games in 2013; City of Culture in 2013), consideration should also be given to the potential role of service industries in the future growth of the region.</p> |
| 6.3 | <p><u>Particular attention needs to be given to micro and small businesses – which dominate the Belfast and regional economy. Traditionally, councils have worked with this target group and have achieved much success in this regard. In Belfast, we worked with over 1000 companies across a range of sectors in the last years. We have also developed specific sectoral initiatives in the creative industries, advanced manufacturing, sustainable technologies and independent retail sectors. These companies require particular support to consider exporting their products and services. This reflects our wider comments on the need for a tailored suite of support, guided by the needs of individual businesses.</u></p> |
| 7 | <p>Do you consider the proposed rebalancing themes to be sufficient to meet the longer-term challenges faced by the Northern Ireland economy?</p> |
| 7.1 | <p>Belfast City Council concurs with the themes as identified, namely innovation and</p> |

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| | R&D; employability, competing in the global economy, encouraging business growth and developing the economic infrastructure. |
| 7.2 | While we recognise that the principle of sustainable development has been included as a cross-cutting theme, we consider that this is of such importance that it should be considered as a theme in its own right. This should involve stimulating the development of “green” businesses, tapping into existing research resources through the local universities. It should also involve measures to support businesses to consider environmental efficiencies as a means of improving their bottom line. There are numerous examples of how this can be achieved and Belfast City Council has just completed the third phase of the BITES (Business Improvements through Environmental Solutions) programme, which has helped the twelve participating companies reduce their overheads by £250,000, divert significant volumes of waste from landfill and reduce carbon emissions. |
| 8 | Recognising the inter-dependence of these themes, which do you consider to be the most important in driving the long-term vision of the Northern Ireland economy? |
| 8.1 | Belfast City Council considers that addressing the skills challenges is fundamental to building a sustainable, innovative, dynamic economy. At present, there appears to be a disjoint between skills training undertaken and those required by industry. |
| 8.2 | <p>A recent study undertaken by Oxford Economics on behalf of Belfast City Council in 2008 found that over half of net new jobs in Belfast over next decade will require graduate qualifications while less than 1 in 7 will require no qualifications. A similar report undertaken at Northern Ireland level sought to forecast future skills needs up to the period 2020 – the period of this strategy⁵. This report noted that, if Northern Ireland had equivalent UK concentrations in sectors, the following could be achieved:</p> <ul style="list-style-type: none"> • 12,000 more people in employment with sub-degree, degree and post-graduate qualifications • 30,000 more managers and 20,000 more professionals • 4,000 more STEM degree holders • 7,000 more creative and arts degree holders in the workforce. <p>The report concluded that there was an absence of a clear sectoral roadmap for the economic future of the region – something that we have also commented on in this response. In order to achieve the targets set within the existing Programme for Government (PfG), it suggested that growth would require uplift in skill levels across the workforce, particularly at graduate and post graduate level. The current funding challenges around university education will place additional pressure on achieving this target.</p> |
| 9 | What is your view on the proposed short to medium term rebuilding themes identified in this strategy? |
| 9.1 | Given the scale of the challenge, we consider that it may be unrealistic to consider that the two themes of improving employment opportunities and employability and |

⁵ DEL, 2009, *Forecasting Future Skills Needs in Northern Ireland*

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| | promoting employment can be considered short to medium term themes. |
| 9.2 | Instead, we consider that these should be integral to any future economic strategy for the region, even when the “rebalancing” stage has been reached. |
| 9.3 | Belfast City Council notes the comment around the insertion of social clauses in public contracts from 1 January 2011. We have been working with Department for Employment and Learning (DEL) at the Titanic Belfast development and have introduced mechanisms for implementing and enforcing the delivery of social clauses. Much learning has been built up around best practice on these measures which, we feel, should be shared across all public agencies. |
| 9.4 | With a view to the comments around procurement, we consider that there is much work to do to make public contracts more accessible to local SMEs through the supply chain. We have recently introduced a supplier model, linked to some of the major capital schemes in the city, and have set targets around new business to be won by local contractors. There is a clear opportunity to build on this initiative, particularly given the reduction in public expenditure on capital projects and the difficulties faced by the construction sector. |
| 10 | Are these sufficient to meet the challenges resulting from the economic downturn? |
| 10.1 | As noted, the scale of the challenge is such that it will take these – as well as an uplift in activity on all themes – to meet the challenges. |
| 11 | Are there other themes which the Executive should consider when preparing its economic strategy? |
| 11.1 | As previously noted, a potential additional theme is “promoting sustainable development”. In addition, consideration may be given to the issue of “governance”. Although not strictly a theme which will address the current economic challenges, strong leadership – backed up with appropriate levels of investment – will be required if the underlying challenge of increasing private sector productivity is to be met. |
| 12 | Do you agree with the proposal to redirect resources from the short to medium term measures to rebalancing measures as the economic recovery takes hold and the labour market situation improves? |
| 12.1 | As previously noted, we are not convinced that the measures identified as short and medium term will be just that, due to the depth of the challenge. We accept the need for an uplift in activity in these areas but consider that they may have to be extended beyond the short term, subject to a review of their impact. |
| 13 | Are there further cross-cutting themes which should be considered in relation to the Northern Ireland Economic Strategy? |
| 13.1 | Taking account of those additional themes suggested above, we consider that the economic strategy would be more holistic, targeted and measurable than the current proposals. |

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| 14 | How do you think these cross-cutting themes should impact on the rebuilding and rebalancing themes identified earlier? |
| 14.1 | The suggested “sustainable development” theme should contribute to the challenge of increasing private sector productivity by investing in new technologies and processes which will give the region a competitive edge in a high value added sector. |
| 14.2 | Consideration of the governance of this strategy will help ensure that its targets are clear, that progress is monitored and that initiatives are developed in response to changes in the economy. This governance needs to be cross sectoral and needs to bring together the appropriate range of skills, financial resources and political engagement to ensure that the economy remains at the top of the agenda in the new Programme for Government. |
| 15 | Recognising the more constrained public expenditure position in the coming years, do you consider the extent of prioritisation given to the economy to have been sufficient or is there a need to go further in future years? |
| 15.1 | While progress has been made, it is clear that there is a need for buy-in across all of the Executive departments to ensure that targets are shared and that systems are re-focused to place the economy at its heart. |
| 15.2 | In addition to direct delivery mechanisms, consideration needs to be given to wider factors which will have an impact on economic development, including planning, skills development, business regulation, infrastructure and education. |
| 16 | Which are the key organisations able to deliver against the Executive’s economic priorities? |
| 16.1 | We note and concur with the organisations identified as being central to the delivery of this strategy: Northern Ireland Departments and their agencies; local councils; the UK government; community and voluntary sector organisations; the private sector (including social economy businesses) and the trade unions. |
| 16.2 | However, as identified above, responsibility at the Northern Ireland Executive should extend beyond the departments generally identified as being responsible for economic development – i.e. Department for Enterprise, Trade and Investment (DETI) and Department for Employment and Learning (DEL). Departments such as Department of Environment (DoE) – from a planning perspective – and Department of Finance and Personnel (DfP) – from a resource and infrastructure perspective – will be central to ensuring delivery. |
| 17 | Are there any areas where roles and responsibilities could be clarified? |
| 17.1 | Belfast City Council and our local government partners would welcome the opportunity to engage in a structured discussion around our role in the support of entrepreneurship and small business development. |
| 17.2 | Since 1992, councils have been engaged in a range of local economic development |

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| | and regeneration activities, responding to local needs. Resources have been provided through European funds and there remains the opportunity for additional support within the existing programme – which runs up until 2013. |
| 17.3 | We acknowledge the need to clarify provision from a business perspective and to ensure optimal use of scarce resources and would welcome the opportunity for further engagement on this matter. |
| 18 | Under the rebalancing themes noted above, what do you consider to be the key actions to rebalance the economy and ensure sustained improvements in long-term economic growth? |
| 18.1 | We consider that the rebalancing themes are inextricably linked and, as such, are all important to address the current challenges. As previously noted, we consider that the employability activities are central but would once again stress the need for this provision to be driven by the overall strategic direction in which the economy is moving. |
| 18.2 | We also consider that it will be important to target resources to enhance the volume and value of start ups. Recognising the importance of prioritising resources in this challenging climate, we accept that it may be appropriate to have access to a menu of targeted support, to be focused on those companies that demonstrate the most significant growth potential. |
| 19 | Under the rebuilding themes identified, what do you consider to be the key actions necessary to rebuild the economy after recession? |
| 19.1 | We note the activities announced by the Deputy First Minister in response to the downturn, namely enhancing access to bank finance and supporting small businesses to access procurement initiatives. |
| 19.2 | While no concrete figures have been provided to quantify the value of funding levered or of contracts won, our direct engagement in business support initiatives leads us to suggest that these measures have not had any significant impact on local small businesses. |
| 19.3 | There are merits in all the activities identified but there needs to be greater collaboration between all agencies supporting businesses to ensure that they are aware of and avail of all possible avenues of support and that this is delivered in a responsive and targeted manner. |
| 19.4 | For example, we consider that there is considerable opportunity to introduce flexible employment initiatives which will address the current unemployment challenge, particularly for those who have lost their job in the downturn or for new graduates. These should be targeted at small businesses, enabling them to develop new products, processes and management tools to address the challenges that they are facing. Efforts should be made to ensure that there is no conflict between training subsidies offered and statutory benefits as this can act as a disincentive to people engaging in such schemes. |
| 19.5 | The recession has made it more difficult for those who had been long-term |

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| | <p>unemployed or furthest from the labour market to find employment. While there are likely to be significant changes to the welfare system at a UK level, Belfast City Council recognises the need for ongoing and sustained investment in pre-employment initiatives for this target group, as a means of addressing the growing economic inactivity levels which represent a significant drain on public resources and create a range of social challenges.</p> |
| 20 | <p>In allocating resources to support this strategy, should the Executive prioritise particular sectors of the local economy in order to deliver sustainable improvements in long term growth?</p> |
| 20.1 | <p>As previously noted, Belfast City Council would support a strategy which identified key target sectors and pulled together appropriate resources to deliver on this. In doing so, it is important to take account of wider policies which impact on economic growth (e.g. planning) and ensure that there is synergy and that all departments are following a common agenda – which has economic growth at its core.</p> |
| 21 | <p>What sectors should be prioritised and how do these align with the framework and priority themes outlined earlier in the document?</p> |
| 21.1 | <p>We concur with the findings in the Matrix report and note the analysis which identifies the opportunities offered by the target sectors. We note that, due to the skills and infrastructure requirements of such business sectors, companies and investors are likely to choose a location in or near the regional capital. We trust that, recognising this fact, the Northern Ireland Executive will focus its economic investment on the city. In this regard, we welcome the recent announcement around the investment in the Paint Hall development. This will support the growth of the creative industries – in which we have invested significant resources – and will complement the wider leisure, business and residential developments in this area.</p> |
| 21.2 | <p>While the majority of these sectors align with the framework and themes identified, we would once again draw attention to the potential of the service sector, particularly hospitality and tourism, which have contributed to economic growth in recent years. While there may be concerns regarding wage levels within the sector, they can provide a route into employment for those not currently working. In addition, the opening of new world-class facilities such as Titanic Belfast and the arrival of major events such as the World Police and Fire Games and the UK City of Culture not only add to the cultural offering but offer a platform to showcase the region and to raise the quality of provision within these sectors.</p> |