



Report to:	Transition Committee
Subject:	Update on Economic Development Transfer of Functions
Date:	10 th February 2015
Reporting Officer:	John McGrillen, Director of Development , ext 3470
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1	Relevant Background Information
1.1	Under Local Government Reform (LGR), a number of economic development functions will transfer from DETI/Invest NI to councils. The functions transferring are a means to accelerate local economic growth, focusing on supporting business start-up and growth of micro and small businesses. These functions are currently delivered through a range of regional initiatives including the regional start initiative (RSI) or <i>Go for It</i> programme which supports start-ups and the social entrepreneurship programme which supports social enterprise start-up and growth. The overall regional budget for current activity across these areas is £3.55million. This budget will transfer to councils on 1 April 2015.
1.2	<p>While responsibility for the function is transferring to councils, this does not necessarily mean that the programmes and projects currently delivered by Invest NI will remain the same. However, in order to ensure continuity of provision, all 11 councils have signalled their agreement to continue with the regional start initiative and social entrepreneurship contracts until their expiry date. Invest NI will remain the contract holder for the rest of the term of the contracts (4 July 2015 for Social Entrepreneurship Programme (SEP) and 22 October 2015 for Regional Start Initiative (RSI)). Councils will repay an agreed sum to Invest NI, based on a target number of participants/start-ups. Separate service level agreements have been prepared by Invest NI for each of the 11 councils covering these periods. The costs and targets detailed within the Belfast City Council SLA are:</p> <ul style="list-style-type: none"> – Regional Start Initiative (<i>Go for It</i> Programme): Delivery of 335 business plans at a total cost of £119,186 – Social Entrepreneurship Programme: £66,084 (specific targets around this allocation are currently being clarified).
1.3	Members are reminded that no staff will transfer to Belfast City Council from

	LGR-affected councils or Invest NI.
1.4	The draft Local Government (Performance Indicators and Standards) Order (Northern Ireland) 2015 contains a modest year 1 business start up activity target of 325 jobs to be created.

2	Key Issues
2.1	<p>The current contract for RSI is delivered by Enterprise NI – the network of local enterprise agencies. There are five delivery agents in Belfast, namely:</p> <ul style="list-style-type: none"> – East Belfast Enterprise – North City Business Centre – Ormeau Business Park – Ortus – WorkWest.
2.2	<p>At present, the offer is limited to the production of a business plan and the enterprise agency is only able to provide very limited support to the start-up. The metric used to measure participation in the programme is “business plan outputs”. Currently, there are around 600 business plans generated in Belfast each year through the enterprise agencies. Invest NI assumes that, of all those receiving a business plan, around 60% will go on to set up a business. They also consider that, given the predominantly local focus of the new businesses, each business will employ just slightly more than one person (on average), i.e. they will be mainly sole traders. Based on these assumptions, it could be considered that the regional start initiative supports around 360 new jobs each year.</p>
2.3	<p>Members will be aware that the level of start-ups in Belfast has been on the decline for some years (in line with wider trends) and there are currently more business deaths than births in the city. Economists suggest that one of the measures of a competitive city is its business mix, alongside high start-up levels. Clearly this is not the case in Belfast at present, so there is a need to use the opportunity of the transfer of enterprise functions to create a more supportive business start-up and growth environment. This means ensuring that the right support systems are in place for those interested in starting a business or growing their company.</p>
2.4	<p>Business start-ups need a range of support facilities from accommodation to connectivity, capital and staffing. Many also need access to specialist support and resources such as business planning, marketing and sales techniques, cashflow and financial management and recruitment. The challenge is to consider how companies can access the support they need at the time they need it. Our recent business survey suggests that only 15% of SMEs availed of government support for their business last year. This means that many are missing out on the opportunity to avail of support that can help them increase their productivity and competitiveness which can, in turn, impact on their ability to generate profit and increase job numbers.</p>
2.5	<p>The amount of transferring budget to Belfast City Council for delivery of the transferring functions is £411,894. While this amount is not significant – particularly given the scale of the challenge – there is an opportunity to avail of local economic development funds available through ERDF to add strategic</p>

	<p>value to replacement programmes. The notional allocation of funding to Belfast City Council under the ERDF Investment for Jobs and Growth Programme 2014-2020 for local economic development activity is approximately £300,000 per annum over the next six years. This funding is awarded at a 60% intervention rate and can attract match funding from Invest NI at an intervention rate of 20%. This means that the council contribution to any relevant activity can be at a rate of 20% of overall programme budget.</p>
2.6	<p>Invest NI currently delivers the transferring functions via regional programmes. The 11 new councils have agreed to review the feasibility of a regional business start programme as they see the merit in a collective approach to the business start activity, supported by a targeted marketing campaign. Belfast City Council is currently leading on the procurement of an economic appraisal – on behalf of all the councils – to look at the specific types of support required in any new business start programme. The appraisal will also consider issues such as whether there is a need for a financial incentive within the programme, whether a common brand is useful and what targets might be appropriate for each council area. Subject to all parties agreeing the focus of the appraisal, a collective funding application for ERDF support to deliver the agreed programme will be submitted to Invest NI for consideration. It is anticipated that this programme could be operational by the end of the calendar year, thereby minimising any gaps in service delivery between the old RSI contract and the new programme.</p>
2.7	<p>Lisburn City and Castlereagh Borough Council has offered to manage the procurement of the regional programme on behalf of all 11 councils, subject to individual council agreement of this approach. This will also be conditional on agreement on the outcomes of the appraisal and acceptance by each council of the proposed way forward. While Lisburn City and Castlereagh Borough would manage the contract for achievement of a regional programme, it is likely that operational management would be done through sub-regional clusters of councils. The geography of these sub-regions still needs defined subject to a consensus being achieved on a regional programme.</p>
2.8	<p>Should there be no agreement on a regional programme, it is likely that Belfast would partner with a number of neighbouring councils to commission delivery of a sub-regional programme. However, in the first instance, the proposed regional approach is going to be fully explored as this offers opportunities for economies of scale and the impact that can be delivered through a regional marketing campaign.</p>
2.9	<p>Councils are currently proposing that, while the business start offer may be a regional programme, smaller-scale activities such as social enterprise and business growth (post start-up support) may be better delivered at a local level in each council area, given the different sectors across the council areas. Building on work currently under way in this field, we will also evaluate our existing programmes to establish their relative merits and to consider what any new business growth initiatives should look like. It is likely that some differentiated approaches will be required for new sectors.</p>
2.10	<p>Members will also be aware of the council's investment in a range of infrastructure projects which can support business start-up and growth.</p>

	<p>These include the Innovation Centre and proposed creative hub as well as the roll-out of the superconnected Belfast programme and the provision of high-speed broadband to local businesses. Consideration will be given to how the range of support initiatives can be packaged together. This might include developing attractive rental packages for new business starts once they complete their start-up training and ensuring that the new infrastructure projects are used for business information events and support programmes.</p>
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3	Resource Implications
3.1	<p>Financial resources will be met via existing budgets supplemented by the budget transferring along with the economic development function. The final budgets required will be dependent on the outcomes of the appraisal that is currently under way. A report on the full financial implications of any proposed approach will be brought back to a future meeting of the relevant committee.</p>

4	Equality and Good Relations Considerations
4.1	<p>All programmes will be subject to equality screening.</p>

5	Recommendations
5.1	<p>Members are asked to:</p> <ul style="list-style-type: none"> – Note the content of this report – Agree in principle to the approach being undertaken to scope out a possible regional business start programme – Note the proposals for a more localised approach to social economy support and business growth support, linking to the range of infrastructure investments in the city and taking account of key growth sectors in Belfast.

6	Decision Tracking
Timeline: May 2015	Reporting Officer: Colin McCabrey

7	Key to Abbreviations
<p>ERDF – European Regional Development Fund RSI – Regional Start Initiative SEP – Social Entrepreneurship Programme SLA – Service Level Agreement</p>	