



Belfast District Council (Shadow)

Report to	Shadow Strategic Policy and Resources Committee
Subject:	Response to The Committee for Enterprise and Trade - Corporation Tax
Date:	20 th March 2015
Reporting Officer:	John McGrillen, Director of Development
Contact Officer:	John McGrillen, Director of Development

1	Relevant Background Information
1.1	The Council has been asked to respond to an inquiry by the Committee for Enterprise, Trade & Investment. The inquiry will consider the potential for economic growth and job creation associated with a reduction in corporation tax in Northern Ireland. The Inquiry will centre on how the two year period, up to the formal devolution of corporation tax varying powers in April 2017, can be used to maximise the potential of Northern Ireland as a region to attract investment, grow the economy and create jobs. The key focus for the Committee will be on the other economic drivers Northern Ireland can influence and must have right in order to maximise its potential.
1.2	The key areas for consideration are: <ol style="list-style-type: none">1. What are the key economic drivers (other than low corporation tax) that the Executive can influence in order to maximise the potential of Northern Ireland to attract inward investment, grow the economy and create jobs?2. Which of these key economic drivers are considered priorities for the manufacturing sector?3. Which of these key economic drivers are considered priorities for the services sector?4. How well is each of the priority economic drivers currently developed in Northern Ireland to support inward investment, economic growth and job creation?5. What actions need to be taken, and by whom, to address any gaps in the priority economic drivers?
1.3	The following list of economic drivers has been suggested: <ul style="list-style-type: none">• Access to Finance• Access to Markets

	<ul style="list-style-type: none"> • Access to Suppliers • Business Regulation • Communications Infrastructure • Energy Costs • English Language • Government Support (Financial) • Government Support (Practical) • Higher and Further Education • Innovation and R&D Environment • Labour Costs • Labour Relations • Lifestyle • Living Standards • Macroeconomic factors • Political Climate (national) • Political Climate (regional) • Productivity • Public Transport Infrastructure • Road and Rail Networks • Security • Skills and Education
1.4	<p>We were made aware of the inquiry on the 4th February 2015 and comments were required to be returned by the 10th March 2015. As this timescale would not have allowed the issue to be considered by committee, officers negotiated an extension to the deadline to allow the response to be considered by Committee.</p>

2	Key Issues
2.1	<p>The request for a response to the inquiry was distributed to officers across Council so that their contributions could be included in a provisional response. This draft response to the inquiry is included in Appendix 1.</p>
2.2	<p>The Council is already involved in programmes to attract Foreign Direct Investment (FDI), grow the economy and create jobs. For example, the Investment Programme, the draft Integrated Economic Strategy and the City Centre Regeneration Strategy and Investment Plan. These programmes have been informed by various studies, which are relevant to this inquiry, including Centre for Cities. (2015) “Cities Outlook” and Oxford Economics. (2011) “Research into the competitiveness of Belfast.” The draft response to the inquiry outlines these pertinent points from this research and our strategies.</p>
2.3	<p>The draft response covers the following main points:</p>
2.4	<p>A review of the current research:</p> <ul style="list-style-type: none"> • Corporation Tax – there is conflicting evidence as to the importance of a reduction in rate, when compared to other factors, in attracting FDI.
2.5	<ul style="list-style-type: none"> • When deciding on a location, investors are typically trying to find a location that provides cheaper resources; access to new markets and/or suppliers; access to strategic assets, especially specialist knowledge or technologies; or ways to create efficiencies in their processes.
2.6	<ul style="list-style-type: none"> • Investors are also influenced by non-economic factors such as political stability and the standard of living.

2.7	<ul style="list-style-type: none"> The draft response considers the research into the various factors (labour costs, skill levels, etc) within these broader heading together with any data that is relevant to Belfast.
2.8	<ul style="list-style-type: none"> There are examples from other regions who have attempted to attract FDI. These examples support the conclusions from the research and provide additional insight into issues for relatively smaller regions like Northern Ireland which may not be able to compete in terms of infrastructure and reputation, and so need to focus on removing any barriers to new investor.
2.9	<p>Key drivers:</p> <ul style="list-style-type: none"> The draft response considers the main drivers for FDI to be labour (cost, skill levels & availability), transport and infrastructure (overland, international & ICT), energy costs, financial factors (taxes & rates & access to finance), physical business environment, local market conditions, clusters, political stability, innovation & entrepreneurship, standards of living, business regulation and planning, and historical connections.
2.10	
2.11	<ul style="list-style-type: none"> For manufacturing the key factors are labour cost and availability, energy costs, clustering, overland transport and access to finance.
2.12	<ul style="list-style-type: none"> For service industries the key factors are labour skill levels and availability, the physical business environment, Clustering, innovation, ICT infrastructure and taxes & rates.
2.13	<ul style="list-style-type: none"> In terms of priorities, the report considers the factors that are key to attracting FDI and that are currently poorly catered for in Belfast compared our competitors. These are labour skill levels, energy costs, and innovation and entrepreneurship. The report highlights that the results will vary widely depending on the needs of the investor and so urges further research, based on exiting benchmarks, such as the World Bank Group reports, to ensure meaningful and realistic conclusions.
2.14	
2.15	<p>Issues:</p> <ul style="list-style-type: none"> Key guidance on policy formulation (based on the research) is provided.
2.16	<ul style="list-style-type: none"> The risks to existing business from attracting the wrong type of FDI are raised. Concerns are raised and clarity sought over the potential costs of a change in Corporation Tax.

3	Resource Implications
3.1	None.

4	Equality and Good Relations Implications
4.1	None

5	Call In
5.1	This decision is not subject to call-in.

6	Recommendations
6.1	<p>Members are asked to:</p> <ul style="list-style-type: none"> Note the request by the Committee for Enterprise, Trade & Investment. Agree to the submission of the Draft Response as contained in Appendix 1.

6	Decision Tracking
Timeline: March 2015	Reporting Officer: John McGrillen

7	Abbreviations
FDI – Foreign Direct Investment.	

6	Documents Attached
Appendix 1 - Response To The Committee For Enterprise And Trade - Corporation Tax	