

Appendix I

Consultation on the Northern Ireland 2014-2020 ERDF Investment for Growth and Jobs Programme

Draft Belfast City Council response for consideration by CMT – October 2013

Introduction

Belfast City Council welcomes the opportunity to respond to the consultation on the Northern Ireland 2014-2020 ERDF Investment for Growth and Jobs Programme. The council and its residents have benefitted significantly from previous ERDF programmes and we are keen to maximise the opportunities for investment that are presented in this programme.

We would urge the Department to move ahead with programme development and implementation as quickly as possible in order to ensure that there is a seamless transition between the current Sustainable Competitiveness Programme and the introduction of this new initiative.

We are currently working with our partners Invest NI in developing an integrated economic strategy (IES) for the city of Belfast. This work has created a strong baseline identifying the key strengths and areas of challenge for the city. It is also helping identify a number of interventions which are critical for the city's future economic growth. This work will inform our future corporate priorities and approach to economic regeneration in the city and will help us target our resources and identify opportunities for collaboration to maximise the return on investment. We would be keen to share the findings of this work with the department.

In responding to the current consultation, we identify the opportunities for greater collaboration across EU funds (particularly ESF and ERDF) in order to identify

integrated support programmes that will stimulate competitiveness, growth, skills development and innovation in our key sectors. We would encourage the managing authorities to give careful consideration to how this might happen and we consider that this will be an important factor in determining the success of the respective interventions.

We are currently working closely with the government departments to explore opportunities for area-based, targeted interventions to support economic competitiveness through the various EU funding programmes. We consider that these will provide a mechanism for improving the effectiveness of local delivery and enhancing programme outcomes. We are hopeful that the managing authorities will give careful consideration to this proposed approach and consider that, aligned with the proposed transfer of functions as part of Local Government Reform, it presents a unique opportunity to create a cohesive, integrated approach to local economic development.

Finally, we support the proposal to concentrate spending on priority areas to maximise results, rather than spreading funding too thinly. We consider that we can work with the managing authority to identify those priorities and develop targeted interventions that can achieve measurable impacts, ensuring that our mutual objectives can be achieved.

Question 1: Do you agree that we should focus on the selected Priorities 1, 3, 4?

We agree with the three selected priorities. The themes align with the emerging Belfast Integrated Economic Strategy (IES) that Belfast City Council is producing in partnership with Invest NI and will naturally align with the Northern Ireland Economic Strategy.

We acknowledge that the majority of the investment will focus on priority 2/thematic objective 3 – enhancing the competitiveness of SMEs – and we agree with this approach. Our recently completed Belfast Business Survey indicates that 73% of businesses expected to stabilise or grow in the coming year, with 41% expecting an

increase in turnover. However only 33% of businesses surveyed had exported their products or services in the last year – and 25% of those were to the Republic of Ireland¹. This demonstrates the scale of the challenge for local small businesses and reinforces the need for targeted support to address this issue.

We also welcome the ongoing support for strengthening research, technological development and innovation (thematic objective 1). Recent research by Centre for Cities suggests that Belfast is 25th out of 64 cities in terms of patents per head of population. Given that the University of Ulster will locate to the city within the next programming period, we consider that there is significant potential to improve this performance by promoting greater access to further and higher education research and expertise.

With regard to the thematic objective around “enhancing access to and use and quality of ICT” (thematic objective 2), Belfast City Council is currently working with the Department for Culture, Media and Sport (DCMS) to roll out superfast and ultrafast connectivity to businesses across the city through a range of interventions. This will complement the DETI-funded rural broadband scheme that has been available across Northern Ireland. We will support this roll-out by investing in demand stimulation support which will improve the take-up of services by small businesses and will help them transform their business by looking at new processes and considering ways of working that are achievable as a result of the investment in new technologies. This, in turn, will support the broad objectives of thematic objective 1 by encouraging SMEs to invest in product and service development activities and stimulating innovation.

Our work with partners across government and in the private sector suggests that there is much untapped potential in looking at ICT applications for e-government, e-learning, e-inclusion and e-health, as identified within this investment priority. We therefore consider that there is still much work to do to maximise the social and economic potential of investment in this field and, while this is not explicitly a focus within the draft programme, we would encourage ongoing investment by government

¹ The Belfast Business survey was a telephone-based survey of 612 businesses across the Belfast City Council area. The sample was representative of the business size profile as well as business sectors and geographical location across the city

to exploit the recent investments in telecoms infrastructure to maximise economic benefit and support social cohesion across Northern Ireland.

Question 2: Are the programme proposals sufficiently focused given the limited resources likely to be available for NI?

Belfast City Council believes the focus on Research & Development and Innovation, Business Growth and developing the Low Carbon Economy is right on the basis that it aligns to the existing policy and strategic framework, particularly through the NI Economic & Draft Innovation Strategy priorities and the emerging Belfast City Council Integrated Economic Strategy priorities. Whilst we understand and appreciate the need for prioritisation due to the limited nature of resources available, we feel the Programme proposals contain insufficient emphasis on two key issues for the redevelopment and growth of the economy:

- Exporting and the important contribution exporting will make towards rebalancing and rebuilding efforts; and
- The identified need to encourage greater quantity and quality of new start businesses to improve on the relatively low baseline vis a vis other UK and European regions and to enhance the survival rates of start ups (Belfast is currently ranked 63 out of 64 cities in terms of business start-up rates according to recent Centre for Cities research).

We feel that these two issues are fundamental to the future sustainability of the regional economy and, with increased responsibility for enterprise and early stage business growth envisaged to transfer to Councils under Local Government Reform, we feel that an increased emphasis should be placed on these two issues within the Programme proposals.

The establishment of clear targets for each of the priority areas is a useful mechanism for focusing effort and we would suggest that these should be maintained across all service delivery associated with this programme.

Question 3: What are your views on the proposed interventions identified under each of the three priorities?

With regard to the specific themes, we would make the following comments:

Theme 1: Strengthening research, technological development and innovation

In light of the recent announcement of the consultation on the Draft Innovation Strategy for Northern Ireland 2013-2025, we feel that activity under this theme should align closely with the priorities in the emerging strategy. This document acknowledges that “a complete step change in its culture, priority and performance in respect of innovation” is required if the vision of the Economic Strategy is to be realised.

Historically, Innovation & R&D have been the preserve of larger firms with SMEs experiencing considerable and often insurmountable barriers to engaging in innovative related activity. This is more prevalent in the manufacturing sector with SMEs accounting for less than 20% of manufacturing R&D. In order to generate the “step change” identified previously, we feel that particular emphasis should be placed on enhancing SME capacity and capability in this regard and in seeking to simplify the processes by which SMEs can access this funding. With SMEs accounting for over 95% of the local business base, there is much potential to make a significant impact on the innovation related targets identified in the Northern Ireland Economic Strategy and the Draft Innovation Strategy. Key deterrents for SMEs in terms of their propensity for engaging in R&D include the financial risk (which can be mitigated through the provision of grant support) and the bureaucratic logistical processes involved in accessing the funding. In our experience, larger businesses find it easier to access bank financing than SMEs plus the larger businesses tend to have internal resources not available to SMEs to engage in R&D projects and innovation work.

We feel that there needs to clarity at the outset of the ERDF programme in relation to what will be funded for business under this theme, and how it differs or indeed

complements what is available from the forthcoming Horizon 2020 research programme (SME element) and Interreg V Cross border programme which will also have the thematic objective 1 as a pillar. Our 2011 business survey suggests that 84% of businesses in the city had availed of no government support in the previous year, despite the range of services that are available from a number of agencies. Our experience of working with SMEs – and particularly micro businesses – suggests that they find it difficult to navigate the spectrum of agencies and programmes on offer and therefore tend to avoid getting involved in many support initiatives which are created for them. We welcome, therefore, the proposed single gateway covering the R&D continuum from industrial research through to experimental development.

Whilst a lack of large firms and an over-reliance on SMEs is cited as a constraint on regional R&D performance, we believe that the SME segment offers significant potential for enhancing the growth of R&D and Innovation locally if appropriate support is available. As noted previously, support for innovation and R&D has traditionally been geared towards larger businesses and the Universities with little attention paid to the specific needs of SMEs. In this regard we welcome the commitment to making the financing grant for SMEs available but we would reiterate the need to address the existing barriers in the roll-out of this initiative.

Given the transfer of functions that will take place under Local Government Reform (LGR), Belfast City Council would welcome the opportunity to work with government departments and agencies to look at how access to innovation and R&D for small businesses could be enhanced. Aligned to the other support services for which we will be responsible, we would be keen to look at how communications to small businesses can be improved, ensuring that they are aware of and able to avail of the range of support services that are being developed to help them grow their businesses, in line with the overall targets identified in this programme.

We strongly support the proposed investment in a Design Service for businesses due to the strong link between design, innovation, productivity and quality. Notwithstanding Invest NI's recent commitment to engaging across the business base, we believe that design support services, particularly the Design Advice and

Design Development Programmes should be accessible by all businesses across the region. In the absence of universal accessibility to design support services, Local Authorities, through their respective local economic development plans, should be free to develop and deliver their own project offering in this field, complementary to what is proposed in the Programme proposals.

We also welcome the focus on sectoral specialisms and, in particular, the focus on sustainable energy. However, we would suggest that resource efficiency/waste technology sectors also offer significant opportunities, particularly given the focus on recycling and landfill diversion and the associated emerging EU targets. We identified this as a missed opportunity in the Northern Ireland economic strategy and would re-iterate this point in relation to the current consultation.

Theme 3 – Enhancing the competitiveness of SMEs

Belfast City Council welcomes the introduction of EU-backed financial investments to maximise public and private sector leverage for SMEs. We see these as being critical in growing the core of export-focused businesses in the region, given the scale of the challenge alluded to previously.

Belfast City Council would welcome early discussions with DETI and Invest NI with respect to these and to look at lessons from the current programming period in relation to the use of Jessica (urban regeneration), Jeremie (small business intervention) and the Progress micro financing initiative, which have had varying degrees of success across other member states.

Access to finance is constantly cited as one of the key obstacles faced by small businesses in trying to grow beyond their current structure. In our recent business survey, an average of one third of businesses was finding it difficult to access finance and to maintain cashflow. We believe therefore that, should the right funding mechanisms be made available, there would be significant take-up from small businesses. As suggested earlier, consideration needs to be given to how the message is communicated to small businesses so that they are aware that the funding is available and that they know how and where they can access it. We

would be keen to work closely with the government departments in this activity, alongside our other business support initiatives, ensuring a seamless approach to meet business needs.

We welcome the continuum of funding outlined within the programme. However, we note the lack of any reference to funding of a value of less than £50,000 and consider that there is a need for intervention in this field. Many SMEs still face difficulty in accessing bank lending, despite a range of government initiatives to address this situation. Micro businesses, in particular, often need relatively small amounts of support which, coupled with their own investments, can lever jobs and growth. We would welcome some consideration of how access to lending for these companies can be enhanced: if this does not happen, we consider that the Access to Finance objectives around enabling SMEs to have easier access to finance, helping rebuild and rebalance the economy and driving private sector growth may not be fully achieved.

We fully support the proposal to specifically target support to the Creative Industries sector, and in particular the emphasis placed on TV & Film production and digital content. While we recognise the value of attracting additional productions to the region, we consider that there is also a need for targeted investment in the indigenous business base in order to maximise the opportunities that these additional investments may bring about. We consider that there are opportunities to develop innovative approaches to both skills development and business growth within the sector, which will require some consideration to be given to how ESF and ERDF funds can align better to make this happen in a more seamless manner than is currently the case.

We also consider that there is significant potential to explore opportunities for targeted investment in other sectors, including renewable energies. We welcome the recent decision to establish a Centre for Advanced Sustainable Energy (CASE) but recognise that there are substantial barriers to local SMEs taking advantage of the opportunities that larger scale developments in sustainable energy, particularly the DONG Energy project in Belfast Harbour, the recent announcement of the First Flight Consortium as the preferred developer for an offshore wind project off the

South East coast of County Down and the establishment of a MoU between the Irish and UK Governments for the export of significant quantities of renewable energy from Ireland to the mainland UK. We believe that these developments offer significant opportunities for new, innovative start ups and spin outs, for growth within our existing SME base and for diversifying the manufacturing and service industries. It is also recognised that the demonstration of local capacity and capability in this sector can lead to longer term export opportunities and international development for our SME base. We feel that without the appropriate support mechanisms being put in place, these opportunities may not be realised.

Belfast City Council considers that there should be greater emphasis under this priority on exporting. Export-led growth is the key to economic recovery and efforts to rebalance the local economy in favour of the private sector. Whilst recent evidence (DETI's export survey 2012 indicating a 6.1% increase in manufacturing exports and a return to the peak levels experienced in 2009) suggests that this is gradually taking place, particularly in Belfast, there is scope for provision of an additional impetus in this field. In our recent Survey of Belfast Businesses, only one third of business respondents had experience of international trade with a quarter of these having only experienced trading with the Republic of Ireland.

We fully support the proposed investment in the tourism sector and the key delivery role that NITB will have in the delivery of this. We believe that the strong working relationships between NITB and local authorities, developed through previous funding programmes, offer a useful template for the roll-out of similar activity, with the aim of improving the quality of the product and building the capacity of the sector.

We are about to embark on the development of a new tourism strategy for the city and we expect that NITB and DETI will be key partners in the development and delivery of this. As one of the nine tourism destinations identified by DETI in the 2020 strategy for tourism, we welcome the potential that this provided for channelling funding towards priority interventions and we would hope that this policy can continue under the new programme.

The Council fully welcomes the proposed continuation of a local economic development dimension for Council delivery. We have been working closely with DETI and other government agencies for some time now to look at how the effectiveness of this approach can be enhanced, recognising the complementary roles of a number of agencies working in this field. We would urge that councils, as strategic partners, can also have access to funding under themes 1 and 4, particularly to support the ongoing lobby by Belfast City Council and the local government sector as a whole to be able to have EU funded, integrated economic development plans as the outset of the programming period. We note that there is still some intensive work ongoing with regard to the potential devolution to councils of funding for agreed programmes of economic activity within their areas and we trust that this engagement will lead to a productive outcome that will help meet the objectives of this programme.

Theme 4 – Supporting the shift towards a low carbon economy

Belfast City Council welcomes the focus here and feels that the council, in conjunction with key partner organisations, can play a significant role in progress towards the targets under this priority. We feel that there are particularly strong linkages between this theme and the other thematic priorities in that local SMEs can play an important part in the development of a viable and cost effective supply chain for emerging sustainable energy projects and recognise that investment in R&D, technology transfer and innovation will contribute to the development of new technologies in this field. Additionally, Belfast City Council has submitted an application to the current round of ERDF under the Sustainable Competitiveness Programme for the development of the infrastructure necessary to develop a Cleantech business park on the North Foreshore site in North Belfast.

We also feel that there is significant merit in pursuing an integrated approach to the low carbon agenda, particularly across the ESF and ERDF programmes. The sector is poised to be the fastest growing sector of the economy over the coming decade according to BIS and the OECD. If growth estimates in this market are to be realised and an innovative, export-focused Northern Ireland cleantech sector is to be established, the availability of a range of professional and technical skills will be

crucial to this success. Recent demand in terms of applications for courses in manufacturing engineering, a key discipline for the cleantech industry, has been falling despite the creation of more specialist courses. We feel that integrating the approach across ERDF and ESF, particularly under this theme could offer substantial opportunities locally, and could assist in the establishment of a significant number of new jobs across the spectrum.

We support here the reference to the growing potential of the maritime economy especially given the opportunities outlined in the recent Irish Sea plan and the emerging Atlantic Area Strategy.

Question 4: Are the proposed delivery mechanisms appropriate?

Belfast City Council welcomes the intention referenced in the programme proposals for an enhanced role for local councils through the delivery of plans, allowing for delegation of project selection using four of the five Northern Ireland EU funds. Local Government Reform and the proposed transfer of major functions back to Local Government in 2014/15 provides a real opportunity to rethink how Central and Local Government in Northern Ireland can work in a more integrated manner, aligning both policy and resources to address identified priorities and shape places for the future. There is potential for Local Government to integrate key functions such as planning, regeneration and economic development to address local priorities identified as part of the Community Planning process.

This new EU programming round provides a timely opportunity to adopt a more integrated approach to the delivery of EU funding, and we would directly support local government's place shaping role for their cities, towns and neighbourhoods. We are currently working with DFP to explore opportunities for the allocation of ring-fenced budgets for councils in two stages 2014 – 2017 and 2017 – 2020, to allow for the development and delivery of strategic, integrated plans using ERDF, other EU funds, council, and private sector investments. This approach would allow for a much greater impact locally and would support the delivery of concrete results tied to local and regional strategies.

Question 5: How might the implementation of the programme be simplified and streamlined?

Belfast City Council believes that the approach of local delivery through strategic integrated council plans in 2 phases 2014-2017 and 2017-2020 would lead to simplified delivery and clear results-based outcomes. We are wholly supportive of the work underway within and between departments to try and create a simplified system with regards to programme administration and consider that this will provide a better opportunity to improve the quality of service delivery on the ground.

We would welcome a consistent monitoring system across all ERDF and ESF funded programmes to make implementation effective, simple and streamlined. While all programme interventions now have targets, these are often around programme participation (inputs/outputs) as opposed to outcomes and longer-term impact. Equally, the outcomes vary from initiative to initiative and it is therefore difficult to gain a cumulative perspective on the impact of interventions across a range of partners and programmes. We welcome the commitment to programme-level targets and would be keen to see that these are maintained throughout the programming period and across funding programmes.

Question 6: Related issues not specifically addressed in the consultation

Belfast City Council as the regional driver and urban centre welcomes the new focus on sustainable urban development and would urge NI Government to identify both Belfast and Derry-Londonderry as specified urban authorities within the NI Chapter of the UK Partnership Agreement. Both authorities have been part of a sustained lobby at the European level alongside the Eurocities network for the last two years, in support of Commissioner Hahn's "ambitious urban agenda". Belfast as the capital city and Belfast and Derry-Londonderry as both regional drivers, as referenced in the Programme for Government, should benefit from this new 5% initiative, over and above what they would normally have sourced from the NI ERDF programme, in recognition of the specific challenges and opportunities presented within the cities in terms of socio-economic issues.

Belfast City Council commends and agrees with the Executive's restated commitment to make the economy the top priority in the Programme for Government and believe that the programme proposals demonstrate a cohesive approach to addressing some of those economic priorities. We consider that some prioritisation and additional emphasis should be placed on issues such as exporting and increasing the volume of start ups, given their relative importance for the future development of the economy locally and for growth amongst the micro-business sector and considering the scale of the challenge associated with this issue – as referenced in this response.

Belfast City Council has extensive experience in the successful delivery of NI, Inter-regional and Transnational EU competitive programmes and has developed an evidence base and city- wide partnership of stakeholders to develop and deliver integrated plans using EU and non EU funds. We are currently developing an Integrated Economic Strategy for the City and there are very obvious parallels between the emerging findings from the Strategy and the programme proposals presented in the consultation document. In conjunction with our partner Invest NI, we would welcome the opportunity to discuss the emerging findings and to identify areas for collaboration to help achieve our mutual objectives.

We consider that the coalescing of Local Government Reform (and the accompanying Transfer of Functions and enhanced responsibility for Economic Development and Community Planning) and the 2014-2020 ERDF Investment for Growth and Jobs Programme presents an opportunity for the reformed Local Authorities to play a more significant role at a local level in developing the local economy. We feel that lessons can be learned from the proposed approach in England with the Local Enterprise Partnerships (LEPs) who will have responsibility for designing and delivering strategies on how to use the new Structural Funds. The respective LEPs will receive a notional allocation from the funds and will have responsibility for:

- Coming up with an investment strategy for spending their allocation
- Finding projects to deliver that strategy, using a mixture of commissioning, bidding and co-financing as best meets local need
- Finding match funding for those projects
- Ensuring those projects deliver their targets
- Making sure their allocations are spent on time
- Monitoring how well they are delivering against their strategies and the programme priorities.

Finally, we feel that Council has the capacity to deliver the resources to provide the match funding required to bring forward these initiatives. We have strong governance and project management arrangements in place and have a track record in drawing down funds for capital and revenue projects under previous programmes.