



Briefing paper for Belfast Strategic Issues Group

30 November 2015

1. Introduction

In February 2015, the Shadow Strategic Policy and Resources Committee considered a Notice of Motion entitled "City Growth". The motion stated:

Belfast City Council: notes that the RSA City Growth Commission recognises that major city regions, including Belfast, are the main drivers of economic growth; and that the British Government has undertaken 'City Deals' with 28 cities outside London, including Glasgow, to boost infrastructure investment, promote economic growth and create jobs.

Accordingly, the Council will consider how the recommendations by RSA City Growth could be promoted to enhance Belfast's position as a city region. The Council agrees to develop an action plan to seek to secure a 'City Deal' for Belfast which will support our ambitious plans, enhance the rate base, boost investment, promote economic growth, create jobs and ensure that the benefits of economic growth reach disadvantaged communities.

Building on its new powers, **Belfast has set out an ambitious agenda to ramp up the city's economic performance and the quality of its public services.** Our recently launched City Centre Regeneration and Investment Strategy sets out an exciting vision to develop a world-class city centre by 2030.

To deliver this, Belfast now wishes to pursue an agenda of greater devolution to the city.

We are acutely aware that to date Belfast, as capital and its metro region has not performed to the maximum of its potential and, positive foreign investment levels notwithstanding, it remains strongly dependent on the block grant from the UK government. We believe **a city-region/place based settlement could enable greater and more widely distributed economic growth as well as the dramatic improvement of public services.** This is particularly important in the context of downsizing the public sector.

We believe we can turn this around, given the appropriate freedoms and flexibilities. It would be important for Belfast to optimise the synergies between its ambitions and the delivery of the Programme for Government and 'A Fresh Start'. City-based devolution in its truest form could have a real 'consolidating peace' benefit by creating a outward-looking, cohesive, collaborative city-region identity, as well as increasing employment and reducing

welfare dependency. There is also potential for cross-border cooperation on issues related to economic activity and connectivity.

2. Background to 'City Deals'

The first two rounds of City Deals involved 28 cities. The government trialled various approaches to decentralisation across the UK but predominantly in English city regions.

These Deals take the form of an improvement plan and cover issues such as:

- raising skill levels in the workforce supporting unemployed people into work;
- accelerating the growth of key sectors in the economy;
- growing the high-value manufacturing sector;
- creating better links between science and business parks;
- developing strategic transport routes and improving transport infrastructure;
- regenerating or developing sites; and
- delivering significant, sustainable growth in housing.

To deliver these programmes, City Deals involve three main areas of support from central government: **funding; transfer of powers; and increased cooperation with government departments.**

The level of funding is difficult to quantify as many of the deals report money that has already been committed through other schemes. The level of funding also varies considerably. The receiving cities are expected to contribute **significant matched funding** in return.

Although referred to as City Deals, nearly all of the deals involve **a city region with multiple councils/local authorities. The legislation to enable City Deals currently does not apply to NI** although a deal was done in Scotland with the Scottish Parliament, which creates a precedent for Northern Ireland.

3. Headline comparative analysis

The Council is currently updating the comparative economic growth analysis to evidence the need for a **place-based approach to accelerate growth in the Belfast metro-region.**

In 2014, Prof Parkinson described Belfast as one of a number of second tier cities whose contribution is already substantial but with the right levels of investment and the right policies, it could be bigger. Successful cities need stable political and administrative leadership, long term commitment to strategic agendas, the ability to reconcile shifting

agendas, the willingness to take calculated risks and the capacity to actively involve public and private sector partners.

As the region's capital city, business, employment and infrastructure hub and largest settlement, **Belfast is critical to Northern Ireland's economic future and it needs to be at the forefront of Northern Ireland's economic development.** Investment in Belfast will have positive benefits for the city and its economy, and also in terms of strengthening and enhancing its role as a regional capital. Its relative competitiveness and its ability to compete against other cities will also have an impact on regional prosperity¹.

Research notes:

- Belfast is a growing international centre and until to the economic downturn was one of fastest growing regional economies in the UK.
- With 30% of the region's jobs located in Belfast, the city is the employment hub (just over 210,000 employee jobs) and 58% of people working in Belfast live outside the Belfast area².
- Belfast is home to two-thirds of Northern Ireland's largest 50 companies and half of its foreign-owned businesses.
- Job growth between 2012 and 2025 is forecast to be relatively limited at 4%, but there is forecast to be growth in the city employment rate to 70% (increase from 67.6% in 2013)³.
- In 2013 a third of employers reported difficulty recruiting, half of those had difficulties due to lack of skills. Skills shortages are more acute in certain sectors and roles, notably skilled trades and also in professional, associate professional, caring and leisure, and elementary roles⁴.
- Belfast continues to lag behind other UK cities in terms of business start-ups (ranked 64th out of 64 UK cities).⁵
- Sectors such as retail and leisure and tourism are important growth sectors for Belfast, as the city seeks to reduce the existing high levels of inactivity and unemployment. These sectors often provide employment opportunities at the lower end of the labour market and offer a potential entry route into employment.

An initial review of Belfast's competitiveness in 2015 concludes that there are encouraging signs, such as its labour costs, and a relatively strong stock of graduate labour. However, it suffers from **chronically high economic inactivity**; a large share of the population without any qualifications; and low levels of private sector business activity.

There remains a **very marked polarisation of those who are well qualified and those who have no qualifications or who are low skilled.** Belfast ranks 61st out of 64 UK cities for

¹ DSD Urban Regeneration Potential Study 2012 (Deloitte)

² Invest NI Regional Briefing (Draft)

³ BCC Employability & Skills Framework (Draft)

⁴ Draft Employability & Skills Framework for Belfast

⁵ Centre for Cities 2014

having the highest proportion of working age residents with no formal qualifications (14.7%). Belfast also ranked 18th for the share of highly skilled residents (NVQ level 4 and above (includes degree level and above))⁶.

Oxford Economics used a range of statistical measures of economic “diversity”, and ranked **Belfast 33rd of 40 European cities** (a small improvement since 2010), largely attributable to the size of the public sector.

In direct competition with major cities across the UK and Europe, and in an international context **Belfast’s competitiveness and quality of life is at best, “mid table”**. It suffers from chronically high inactivity, low private sector activity relative to the public sector, and has some major skills gaps.

These are a significant obstacle to Belfast’s future economic success. To be truly competitive at an international level these underlying problems must be tackled⁷

4. A City Deal for Belfast

Belfast is one of four capital cities in the UK and one of two capital cities on the island of Ireland – it therefore offers capital city attributes and has a key role in representing Northern Ireland, economically, politically and socially. **Economic performance of Belfast needs to improve if it is to achieve the economic and social ambitions that the city and region desire**. However, it should be noted that the population is modest when compared to other competing UK city regions therefore Belfast must focus on the areas of competitive advantage; its distinctive qualities and offer to compete successfully.

One of the enduring challenges of the Belfast economy is that it is more dependent on the public sector than any other UK city region. It is three times as dependent as London and twice as much as many others. There is still much work to do to encourage and develop the growth in the private sector. This would also create new employment opportunities within the city, and encourage its resilience.

5. Questions for discussion

As ‘a starter for ten’, a number of questions for discussion:

- How do get more resources for the Belfast metro region?
- How can we build improved and more effective relationships with both the Assembly and Westminster?
- What partners does Belfast need for an effective metro-city deal?

⁶ Centre for Cities Outlook 2015

⁷ Oxford Economics Update on Belfast’s Competitiveness 2015 (Draft)