



Limavady Borough Council Response

to the

**Independent Review of Economic Policy
(DETI and Invest NI)**

Introduction for Members

On 1 December 2008, the Minister for Enterprise, Trade and Investment, Arlene Foster MLA, launched an Independent Review of Economic Policy (IREP). The Review relates to the economic development policies and programmes of the Department for Enterprise, Trade and Investment (DETI) and Invest Northern Ireland.

An independent panel was established to undertake the review, chaired by Professor Richard Barnett, Vice Chancellor of the University of Ulster. The report of the Independent Review of Economic Policy was published on 29 September 2009 and a short period for consultation was announced.

The Panel were asked to make evidence-based recommendations to strengthen the NI economy. The Terms of Reference focus on DETI and Invest NI and the effectiveness of their policies/programmes to deliver on the overarching productivity goal in the Programme for Government

The aim of this Review is to realign existing policies and propose alternative approaches to improve productivity and living standards in the NI economy. To this end, the Panel make recommendations to improve productivity, both for indigenous businesses and also to attract new investors to the region:

“We recognise that Foreign Direct Investment (FDI) is important if the Executive is to realise its ambition of building a more dynamic and innovative private sector, and one which helps address its wider spatial and social challenges. We also outline recommendations to support local businesses, which will remain the bed-rock of the NI economy.”

There are fifty seven recommendations in all. Some are very high-level, some will undoubtedly affect things at a very local level; they are recommended to be rolled out over a four year period, which will take Limavady into the new Council structure.

This response deals with those which might affect Council at the grass-roots level. The full paper can be downloaded from www.irep.org.uk

Limavady Borough Council welcomes the opportunity to respond to the recent DETI/Invest NI “Independent Review into Economic Policy”.

Comment Overview

The report does not fully appreciate or expand upon, the role of Local Authorities in local economic development, whether it be in terms of strategic development, small business development and interaction, or as a lobbying organisation for economic development. It is disappointing that the report does not refer to them, given their track record in delivering economic development initiatives under the Building Sustainable Prosperity Programme, the LEADER+ Programme, the current Rural Development Programme and others.

As per the report, Limavady Borough Council agrees that there needs to be a more integrated approach to economic development within Northern Ireland, and with a special focus on the North West which has been traditionally under-funded and under-promoted for both small scale enterprise development and foreign direct investment.

There is a need to ensure that a joined-up approach extends from policy into practice, but with a firm legislative background against which local authorities can work; this also means that there needs to be recognition of local authorities as lead organisations in the development of community planning, under which economic development will play a key role. Nowhere is this approach more needed than in the confluence of enterprise and employment. The creation of a Department for the Economy is welcome.

The report notes that (p29) “the great majority of jobs has been created in the private service sectors and construction”, with only a minority of jobs created in the public sector. As a general comment, the issue of public sector dominance in Northern Ireland – both in terms of perception and reality – must be grasped. There is a need to carefully manage the downsizing of this sector, taking into account the remaining reliance of the whole region on public sector expenditure.

It is agreed that there is a need to support innovation, to support high value sector, and to continue to support foreign direct investment. However, the report does not indicate that there is a need to extend this to all businesses in the region. As with many other reports and strategies in Northern Ireland, there is almost a reticence to acknowledge the bread and butter industries which have been the mainstay of the private sector here for so long – the owner-managed, low value businesses which may not be high-tech, but provide an economy for many rural areas in which FDI is a distant memory. Again the role of Councils and LEAs needs to be acknowledged here.

The needs of rural areas needs to be a factor in future economic development policy. Too often small rural areas are not included in decision making factors, losing out to larger urban areas of development. Limavady Borough Council would urge this to be included in future economic development policy.

Response to Recommendations

Policy Development

- **As part of the review of structures within DETI (proposed in Chapter 8), the department should ensure that more resources are dedicated to policy development and monitoring**
- **DETI should appoint an independent economic advisor (with extensive experience as an economist) to strengthen capacity in economic policy making**

This section of the review is marked by an absence of any recourse to the economic development functions of Councils, especially in terms of the extended remit that Councils will have after 2011.

Similarly, there is little mention of a pre-enterprise support policy, which in a region of high public sector dependency, means that a unique opportunity to develop new start ups from a range of social backgrounds is missing.

The recommendation of an independent economic advisor is welcome, but this must be coupled with experience from a bottom-up level, which will ensure that ensuing policy or advice reflects actual business needs.

Policy Delivery (Invest NI)

- **The concept of Invest NI ‘clients’ should be removed to allow Invest NI to work throughout the entire business base to raise awareness and provide support for businesses undertaking Innovation, R&D and exports**

This recommendation reflects a significant branding issue – the haves and have-nots of the local business community, those who are valued and those who are not. There is a need to improve innovation awareness at the most basic level within Northern Ireland, beginning with the development of an entrepreneurial culture at grass roots level.

Local authorities have worked hard to ensure that there are support mechanisms for all businesses, especially those who fall through the Invest NI “net”. To increase Invest NI involvement in “non-clients”, will mean increased partnership between all players in the economic development field – including Councils and Local Enterprise Agencies. This will mean some re-definition of the roles of both Invest NI and other stakeholders.

- **Invest NI should work to significantly reduce the number of its support programmes. Most assistance delivered via SFA should be redirected between now and 2013 to provide greater levels of support to Innovation and R&D.**

In addition, if Invest NI is to widen its remit beyond the traditional client sector, then it also needs to ensure that there is a broader relevance to the wider business community. If there are new supports to small businesses to be made available, then again, there is an opportunity to work in partnership to ensure that there is complementarity with local economic development.

- **Grants for business expansions should be phased out towards 2013, after which such grants are unlikely to be available under EU state aid rules.**
- **Business expansion not involving Innovation and R&D should, where necessary, be supported in the form of co-investment in companies that have already been successful in securing funding from the private sector. Invest NI assistance should be in the form of sub-ordinate debt or equity.**

It is realised that State Aid rules will be changing in the future. However, there needs to be some cognizance of the lack of funding available from the “usual” private sector sources. Phasing out of these grants will need to be coupled with governmental pressure to ensure that banks equally shoulder their responsibility to business in terms of lending.

- **Invest NI should further reduce its support for company training, and concentrate support mainly to small firms and to projects with a high Innovative content, where retraining is necessary to realise a substantial rise in productivity.**

Limavady Borough Council agrees with this recommendation.

- **Invest NI should transfer its budgets relating to tourism accommodation back to DETI to be redistributed to a more appropriate body.**

Limavady Borough Council believes that this should be in the domain of local authorities. In passing this back to DETI, it will more than likely end up in the domain of the Northern Ireland Tourism Board, thus adding another layer of bureaucracy to the local accommodation provider. Similarly it is envisaged that other tourism functions, such as Regional Tourism Partnerships, will be assimilated back in local authorities – therefore it makes sense that this funding remains with the grass roots tourism local authorities.

Portfolio of Innovation policies

A portfolio of new Innovation policies should be developed over time, but should initially include four elements:

- **A new institution for commercially-oriented research should be explored in NI, along the lines pioneered by the successful VTT institute in Finland. The institution should be outside the University system and not subject to the constraints of the Research Excellence Framework (REF). It is envisaged that this would incorporate a number of existing near market research organisations in NI and would be charged with reviewing and taking forward the MATRIX agenda**
- **Additional research in Universities and public sector bodies should be aligned closely with the needs of industry in NI and potential inward investors to NI. Furthermore, the development of specific new research capabilities should be used as an incentive to attract potential investors**
- **Industry-led Innovation communities, as suggested in the MATRIX report, should be developed as a pilot to bring together business, academia and Government and exploit available market opportunities**

- **More should be done to support Innovation in service sector firms beyond software, which we believe is well served. The concept of Innovation in the service sector should include the broad range of areas outlined in the definition of Innovation**

Innovation will be an important factor for local businesses competing in a global market. But it is recommended that there needs to be an increased awareness of innovation at all levels – from start-ups of all value, which may have some pull-through to export levels.

It is agreed that research for commercial purposes will rest better outside the existing University sector – however, there is again opportunity for partnership, which will by natural osmosis ensure that the research undertaken in the public and tertiary sector becomes more closely aligned with that in the commercial sector. There are obvious linkages to the Northern Ireland Science Park initiative. In Limavady, there are linkages to private sector initiatives, such as the development of a renewable energy cluster at the former site of Seagate; these include proposed sites for ideas generation, prototyping and larger scale manufacturing. This is a good model, with almost purely private sector investment, that could be followed in other areas.

In a rural area such as Limavady, we would welcome more focus on sectors such as agri-food, where there is an obvious linkage to indigenous business.

- **Invest NI's export assistance should become more dedicated and professional, adopting a similar model to the fee-charging export agencies outlined in the report, with two tiers of charges depending on whether the company is an SME or large firm**

This should be a long term aim, given the current difficult economic climate. There will also need to be new quality standards put in place for such training, if a charge is to be levied. There are also issues regarding the mindset of businesses in Northern Ireland – they are always reluctant to pay for services such as this, as has been demonstrated in the levy of charges for Council-led programmes. In addition, if Invest NI is to broaden its remit beyond its current client status, then charges will have to reflect the ability to pay, should smaller start ups be involved in this process.

Further Research

- **A study should be undertaken to determine how NI can more rapidly shift the pattern of inward investment towards higher value sectors**
- **A study of industrial land provision should be commissioned to determine why there is a perceived need for Invest NI to purchase large amounts of land over the next few years**
- **DETI and other relevant departments should undertake a study to establish how the social economy might be further helped to reduce deprivation and increase labour force participation in disadvantaged areas within NI**

Limavady Borough Council agrees that there needs to be a shift towards higher value sectors – but recognises the need for joined-up working between government agencies to ensure that the skills are there to match this new focus.

Council would also welcome the study of industrial land provision. However, while there are certain social and economic needs which need to be addressed when considering land purchase, Council would also ask that there is some factoring-in of rural needs. It is obvious that there is a need for some form of lands development and zoning in urban areas, there must be an equitable share for areas which support medium-sized populations. This will ensure a healthy mix of large and small development in rural areas.

With regard to the social economy, the recent consultation undertaken by Invest NI is noted. Council has already responded to this, especially with regard to the complete lack of acknowledgement of Council input over the past ten years. It is recommended that should such a study be initiated, that Councils have a direct input into this, to ensure that their grass-roots role is acknowledged.

Co-ordination of Economic Policy

- **If Northern Ireland is to achieve a step change in economic performance, the economy should remain the top priority of the Executive for many years to come**
- **DETI, DEL and Invest NI should work together to more effectively implement their existing liaison arrangements**
- **As part of the review of strand one institutions, the core economic functions (covering existing DETI and DEL areas of responsibility) should be brought together under a single ‘Department of the Economy’**
- **The FM / dFM and the Executive should establish a permanent sub-committee to prioritise action on the economy, to be chaired by the Minister for the Economy (in the interim, the Enterprise, Trade and Investment (ETI) Minister)**
- **The Executive sub-committee should agree an economic strategy, building on the findings of the IREP, as a matter of urgency**

Council agrees with this recommendation, and would welcome more joined up working between those departments with responsibility for the wider workplace. Council has worked closely with all three organisations, however, there is a need to create a one-stop-shop for locally based development. This would link with the more strategic role that larger Councils will play in economic development under the Review of Public Administration.

Governance Arrangements

- **Invest NI should consider an internal reorganisation that reflects the differing skill sets required to support FDI, exports, Innovation / R&D and small business support**
- **A small business unit should be created within Invest NI, with responsibility for the development and co-ordination of relevant support to SMEs throughout NI**

Limavady Borough Council would welcome a re-focus on small business from Invest Northern Ireland, with the caveat that there are close linkages forged with local authorities and local enterprise agencies to ensure that efforts are not being duplicated. The master/servant relationship which is perceived from local enterprise agencies also needs to be challenged and re-marketed to provide a more inclusive partnership. These units, as with the skills proposed in the first point of these recommendations needs to be tailored to private sector needs and not slave to the needs of bureaucracy, which has generated much of the criticism levelled at economic policy in Northern Ireland in the first place.

Governance Arrangements (continued)

- **World class training in sales and marketing should be provided for relevant Invest NI staff (particularly those working in international offices). In addition, staff should be recruited with relevant experience to meet the demands of investment decisions that are increasingly based on Innovation and R&D**

Council agrees with this recommendation

- **Invest NI should be allowed more freedom to operate, with DETI having less involvement in operational matters, to enable the organisation to be more entrepreneurial and responsive to business needs**

Council agrees with this recommendation, but also asks that it be extended to being more responsive to playing a role in area development needs, working with local authorities and local enterprise agencies.

- **To help achieve greater autonomy for Invest NI, their delegated authority limits should be both simplified and increased significantly. The current DFP delegated limits for mobile SFA (currently £10m) should also apply to Innovation and R&D projects**

Council agrees with this recommendation, but also notes that similar flexibility, where possible and relevant, is given to local authorities when dealing with economic development issues.

- **An NI version of the Central Project Review Group (CPRG) should be established, incorporating Invest NI, DETI and DFP, in order to speed up the decision making process for major industrial assistance cases**

- **Given the non-executive composition of the Invest NI Board, it should cease to perform executive functions and focus on providing strategic direction and oversight**
- **A senior member of the DETI Departmental Board should be represented on the Invest NI Board**
- **High level experience in international business and expertise in economic development should be sought when the Invest NI board is reconstituted**

Limavady Borough Council agrees with these recommendations. However, some consideration should be given to local knowledge and people who “know the ground”. This will especially be important in terms of delivering further small business support, and enhancing any role that Invest NI may have as part of the wider community planning process.

Advisory Bodies

- **The ETI Minister should stand down the Economic Development Forum and establish a small advisory body, comprising expertise on regional economic development (drawn from business and economics) to provide independent advice on the economy**
- **Stakeholders involved in economic development should continue to engage with the ETI Minister on a bilateral basis**

Council agrees with this recommendation, but asks that the “small advisory body” comprises people from the local community, as well as any international representation; the latter at least should have links with the region.

Skills

The local education system should prepare now to meet the anticipated increased demand for higher level skills in STEM and other Innovation relevant subjects arising from the increased prioritisation of Innovation and R&D

The current focus on technical and professional qualifications, including apprenticeships and vocational training, should be extended to emphasise higher level qualifications at levels 4 and 5

DEL, DETI and Invest NI should work to significantly develop management and leadership skills in NI and support the proposal for government to sponsor a ‘Management Masterclass’ to identify and develop the best managers from local industry and the public sector

Council agrees with all the above proposals, especially in terms of identifying linkages with business and enterprise and responding to the needs of those sectors. There is still an appreciable skills and qualifications gap in the less well-off in society. There are still large percentages of young people coming through the education system who are unable to participate in the workforce. Greater joined up working between employment, enterprise and education will mean that the gaps in needs for both worker and employer can be identified and addressed

Infrastructure

The Executive should ensure that the third ISNI plan takes a much greater economic focus by committing more investment into projects that will maximise NI's future economic performance

Council agrees with this recommendation, and asks that any further infrastructure development with an economic focus is cognisant of rural needs, and aims to ensure that wealth is spread evenly between rural and urban areas.

Planning

- **In the context of reform, the Planning Service should be given processing time targets which are comparable and competitive with those countries and regions against which NI is competing for mobile international investment**
- **Planning Service should work to ensure that the legislative timetable for reform is met**
- **The Pre-Application Discussion (PAD) process must be as efficient as possible and the time allocated for PAD should be included when reporting on timings for all applications**

Council welcomes and agrees with all of these recommendations; Council has seen first hand how small scale local investment can be threatened by planning processes. It is imperative that regardless of the outcome of planning applications, the decisions are delivered in a timely and efficient manner.