

INDEPENDENT REVIEW OF ECONOMIC POLICY (DETI AND INVEST NI)
LISBURN CITY COUNCIL CONSULTATION RESPONSE

On the 1 December 2008, the Minister for Enterprise, Trade and Investment, Arlene Foster, MLA, launched the Independent Review of Economic Development Policy (IREP). The Review relates to the economic development policies and programmes of the Department of Enterprise, Trade and Investment (DETI) and Invest NI, and the effectiveness of support given to businesses.

An independent panel was established to undertake the Review with the Panel chaired by Professor Richard Barnett, Vice Chancellor of the University of Ulster. This panel have now published the Review Report which is currently out to consultation, with a closing date for submissions of 16th November 2009.

The following details the draft Council response, which directly addresses issues outlined in the Review as well commenting upon the key recommendations which have been made:

Introduction

Lisburn City Council welcomes the opportunity to respond to the Independent Review of Economic Policy in Northern Ireland, particularly at a time in the context of the Review of Public Administration, when discussions are gaining momentum regarding the transfer of key economic development functions to local government from DETI and Invest NI.

Lisburn City Council would wish to put on record its recognition of the positive impact that Invest NI initiatives have had in Lisburn City, most recently in the significant support that underpinned the securing of the new Coca Cola plant, and more generally, in the successful development of the Knockmore Hill Industrial Estate at West Lisburn.

Similarly, DETI assistance through its European Programmes Branch and Local Economic Development Measure, where EU structural funds have been used to match fund the Council's Economic Development Programme since the early 1990s, has been integral in providing practical and productive support for the City's small business stock over the years.

However, Lisburn City Council must state its extreme disappointment that the Review does not recognise the important role that Councils can and have played in the development of the local business base, and gives only cursory mention of local government's local economic development function. Further, it is very surprising that the Review document is almost silent with regard to the transfer of powers to local government post-RPA of SME and Enterprise support that traditionally would have been delivered by Invest NI Regional Offices.

Current and Post-RPA Position

Lisburn City Council currently provides a local economic development service with a budget of £2.4m in 2009/2010, which is derived from rates income and includes substantial grant aid from DETI, DARD and DSD Regional Development Office.

The Council's Economic Development Programme involves a series of integrated, project-based initiatives across the following broad themes:

- Business Development (including Trade Development, support for Innovation, Sales Development and Competitiveness support, manufacturing sectoral assistance)
- Enterprise Development (including assistance for start-up and existing SMEs)
- City Centre Management
- City Centre Marketing and Promotion
- Investment Promotion
- Urban Regeneration and 'place shaping'
- River Lagan Regeneration Programme
- Tourism (Marketing, Product Development and Visitor Servicing)
- Rural Development (Business Start-up and expansion, Farm Diversification, Village Renewal, Rural Heritage, Community Services and Tourism initiatives)

With the transfer of functions from Invest NI, DETI, NITB and DSD, and the creation of the new Community Planning function for local government, it is clear that the Council's role in local economic development based on identified local need will increase substantially. Going forward, Councils have clear potential to reduce fragmentation in national and regional service delivery and to draw in a wide cross-section of public, private and community interests in an integrated, needs driven and results orientated programme of activity by effective co-ordination and appropriate collaboration at the local level.

Failure to recognise or address local government's existing or proposed new role weakens significantly the findings of the Review.

In terms of the Review's actual recommendations, the Council would respond as follows:

1. Policy Development

Recommendation:

As part of the review of structures with DETI (proposed in Chapter 8), the department should ensure that more resources are dedicated to policy development and monitoring.

LCC: The Council would welcome additional resources being dedicated to policy development.

Recommendation:

DETI should appoint an independent economic advisor to strengthen capacity in economic policy making.

LCC: If this has been identified as an area where capacity building is required then this recommendation is reasonable, however it would also be important to strengthen the capacity of DETI staff overall in this area of policy development.

2. Policy Delivery (Invest NI)

Recommendation:

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.

LCC: Any proposal to remove this company designation should be carefully considered as there needs to be a clear definition of the roles and responsibilities of both Invest NI and local authorities in terms of what support companies can receive, and from whom. Currently as it stands the Councils new LED programmes which are funded through the EU Sustainable Competitiveness Programme 2007-2013 and administered by DETI, (the same source of funding as Invest NI’s) have been developed around working with local non Invest NI clients, and/or working with those local businesses who have the potential to become Invest NI export focused companies, to ensure that there is no duplication in provision of support.

There is already considerable confusion around who can deliver what in terms of support, particularly where local Councils are keen to take the lead in developing the export potential of their local business base. Therefore this would need to be addressed before any further action is taken which would potentially make this situation even more confusing not just for the organisations involved but also for the businesses on the ground. Local authorities and Invest NI need to work closer together for the benefit of the businesses, and work in partnership to develop and agree a bespoke package of assistance for individual businesses who approach them seeking assistance.

Councils currently are playing a key role in local enterprise development which is often not recognised by other public bodies and Invest NI. With the RPA and the transfer of business development functions to local Councils, the timing of this proposal would have to be questioned as removal of the term Invest NI client company would imply that Invest NI would be working with more businesses when in reality this role would be passing to local Councils. Councils will become the main conduit for developing the local business base and referring businesses where appropriate to Invest NI for support, so there needs to be clear systems and processes in place by which this can be achieved, and primarily partnership working.

Recommendation:

Invest NI should work to significantly reduce the number of its support programmes.

LCC: Currently there are too many Invest NI support packages which should be streamlined and reduced so that the support from Invest is made clear to companies. There is an opportunity going forward and with the RPA, to do this in discussion with Local Councils to ensure complementarity in provision and to avoid duplication with existing council support and the development of local LED programmes.

Recommendation:

Grants for business expansions should be phased out towards 2013, after which such grants are unlikely to be available under EU state aid rules.

LCC: Support should still be available to local companies wishing to expand, and companies should be helped to access alternative sources of financial assistance such as loans, equity financing etc.

Recommendation:

Business expansion not involving innovation and R&D should, where necessary, be based supportive in the form of co-investment in companies that have already been successful in securing funding from the private sector. Invest NI assistance should only be in the form of sub-ordinate debt or equity.

LCC: The Council agrees that this option should be explored, however there is a lot of work which needs to be undertaken with banks and other lending institutions in order to develop a positive mind set and culture around this type of financing to local businesses, and to encourage greater risk taking by both the businesses and lending institutions, which may be harder to achieve in the current economic climate.

Recommendation:

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.

LCC: The Council agrees with this recommendation, as local businesses should be able to access training through other avenues in particular local colleges.

Recommendation:

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

LCC: Again with the RPA imminent, this is an opportunity for local Councils to take the lead in, and be in control of the development of their local tourism sector, which will allow for regional disparities, demand and local need to be more closely considered.

3. Portfolio of Innovation Policies

Recommendations:

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

- **A new institution for commercially-orientated 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 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 in 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 market opportunities**
- **More should be done to support innovation in service sector forms 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**

LCC: The term Innovation has become one of the most over used words in current business development activity, with a range of economic development organisations (Invest NI, NORIBIC, Councils, Universities, Colleges) claiming to deliver this to local companies. This has led to duplication, competition for clients, and confusion in what's been provided not just for companies but for the delivery agents, and indeed in respect of what is considered as innovation.

There needs to be one clear message going out to companies in terms of what assistance they can access and from whom, and indeed what can be classed as innovation. The proposal to develop a new commercial research orientated agency to progress new ideas is good, however why is this to be outside of the universities? Surely this is what they should be delivering already. The setting up of yet another new agency could incur a lot of expense with no added value, surely the model could be delivered through existing structures, and meet the objective of aligning the research with the needs of local industry?

Innovation is key to the development of the NI economy and to increasing productivity levels, and if there is to be a single agency tasked with this, this should comprise a partnership approach between Invest NI, the local councils, universities,

industry and other key stakeholders with each stakeholder having a clearly defined role and delivering complementary activities.

Recommendation:

Invest NI's export assistance should become more dedicated and professional, adopting a similar model to the fee-charging export agencies identified in Chapter 6, with two tiers of charges depending on whether the company is an SME or large firm.

LCC: The Council has for many years charged participating businesses a fee to participate on all of its business support programmes. However this fee is often a small percentage of the overall cost of delivery to the Council, and serves to demonstrate the companies commitment to the programme rather than actually covering any real costs. The introduction of fee paying models would need to be closely considered to ensure this wouldn't act as a barrier to participation for many small companies. The Council would agree that larger companies should be able to pay more than smaller companies.

4. Policy Delivery (DETI)

Recommendation

As soon as practicable, DETI and other relevant departments should commence work on preparing a case for retaining state aid limits that support the changes outlined in this Review.

LCC: Lisburn City Council agrees that any reduction in state aid limits would impact upon the ability of local businesses to access the range of business development support available, thus negatively impacting upon potential growth opportunities and local economic development.

Recommendation:

DETI and Invest NI should undertake an immediate and focused review of its overall strategic and sectoral approach to capitalise on the benefits of new telecommunications connectivity in NI.

LCC: The Council agrees that this new telecommunications connectivity in NI can only benefit the local private sector and the growth of the local economy. Local authorities should also be part of this review to ensure the benefits are maximised in terms of local business development.

5. Policy Performance

Recommendation:

DETI, as the funding department, should report on the strategic performance of Invest NI, with the co-operation of Invest NI statistical staff.

LCC:, DETI should take overall responsibility for the monitoring of Invest NI's performance against targets, and should also speak to local authorities to gain their views on impact of Invest NI activity in local council areas, as well as highlighting opportunities for improvement.

Recommendation:

Relevant policies and accompanying resources should be updated annually to quantifiably demonstrate how individual policies/organisations contribute to the PfG productivity goal.

LCC: Lisburn City Council agrees with this recommendation, with input and consideration of the impact of local authority activity

Recommendation:

The Invest NI data collection system needs to be developed as a single database, to be maintained by DETI. The IREP database, constructed specifically for the Review, will be transferred to DETI to help facilitate this process.

LCC: Lisburn City Council agrees with this recommendation in terms of sharing of information and avoiding duplication in reporting of outputs and support for local companies.

6. Finance

Recommendation:

Aside from those funds designed to support seed stage projects, Invest NI should disengage its direct involvement with venture capital (VC) funds. Rather than direct participation in the market, Invest NI should act as a facilitator between companies and VCs. In the case of seed stage VC funds, Invest NI should avoid placing restrictions on the market as outlined previously (Chapter 3).

LCC: The Council would not agree with this recommendation, as yes there is a facilitator role for Invest NI to play in terms of signposting, however Invest NI also needs to directly be involved in these ventures to ensure more of these types of innovative VC projects take place locally, and in developing and promoting a culture of VC as a suitable means to grow and start up local businesses. However it is essential that this is done through working closely with local authorities, especially with the RPA and transfer of functions.

7. Project Appraisal

Recommendation:

Project appraisal rules should be re-assessed to ensure that projects involving investment in innovation and R&D, which generally present uncertain and wider outcomes, are not placed at an unreasonable disadvantage with NI.

LCC: Lisburn City Council agrees with this recommendation to ensure that the most innovative projects, which are likely to attract higher levels of risk, do not fall at the initial project appraisal stages, and are able to access appropriate support and funding.

8. Further Research

Recommendation:

A study should be undertaken to determine how NI can more rapidly shift the pattern of inward investment towards higher value sectors.

LCC: There is a need for investment in skills which meet the needs of local businesses to enable growth and investment in innovation and R&D and the growing business and financial services industries. Additional policies should be examined linked to investment incentives, labour policies, procurement policies, technology policies and policies to encourage diversification. Policies and business support initiatives should be flexible, with as little red tape as possible.

It is widely recognised that substantial FDI has been on the decline in recent years, as the gap between developed and developing countries continues to narrow and more countries compete for investment. In order to increase the number of high value FDI projects, companies need to be offered increasingly attractive operating environments, and there needs to be further investment through the education system in providing skills linked to the main growth areas in financial services, business services and tourism, as well as programmes linked to infrastructure and communications technologies.

There is also merit in promoting opportunities to grow local businesses in key sectors (e.g. product development, R&D) and encourage acquisitions of indigenous companies by foreign multi nationals as a route to harnessing new inward investment.

Domestic investment again requires favourable operating environments for businesses to grow and includes ensuring land availability for expansion, ensuring the appropriate infrastructure is in place, and increasingly ensuring the availability of the latest technological advances in order to compete on an international platform. Policies should be designed to make this process as straightforward and as efficient as possible and should be coordinated through the appropriate government departments and local stakeholders, in order that these opportunities for business growth are not lost.

Recommendation:

The need to provide industrial land should be analysed to see if the perceived need for Invest NI to purchase large amounts of land is correct.

LCC: Whilst there is a need to clearly identify and hold land for future business development, is Invest NI the appropriate agency to have all of the control over this? Local Councils should have more input into the use of this land in their respective Council areas to ensure that indigenous businesses and entrepreneurial activity is not adversely impacted by not being able to meet the strict conditions of locating their

businesses on Invest NI owned land. Also there shouldn't be large areas of land lying vacant if there is demand from local companies in a local area to develop this, regardless of whether this land is being held for new inward investment. This area of Invest NI activity needs better co-ordinated, with better relationships and communication with local authorities and local businesses at a local level.

Recommendation:

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.

LCC: Invest NI already are delivering a social economy programme with assistance to existing and new start up projects.

9. Co-ordination of Economic Policy

Recommendation:

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.

LCC: Agree. Local economic development requires an increased priority and there is a need for Government Departments to provide strategic leadership to the Local Government sector in order to avoid duplication and ensure complementarity in the delivery of business support initiatives. There is also a need for strategic leadership and context for the spatial distribution of resources. There is scope for INI to work closer with Local Authorities in order to better engage with businesses at a local level.

Recommendation:

DETI, DEL and Invest NI should work together to more effectively implement their existing liaison arrangements.

LCC: Lisburn City Council agrees with this recommendation, although this partnership working should also include local authorities. Quite often it would appear that programmes being funded through the respective departments have not taken into consideration similar programmes being delivered by another department, or indeed have no knowledge of what programmes the other is funding, so there are missed opportunities in terms of joined up working which would meet the similar objectives of all of the relevant departments, thus achieving economies of scale and enhanced impact at a local level.

Recommendation:

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'.

LCC: It makes economic sense to have one department with responsibility for both skills development, business development and economic growth as these key areas are so closely interlinked.

Recommendation:

The Executive sub-committee should agree an economic strategy, building on the findings of the IREP, as a matter of urgency.

LCC: Lisburn City Council agrees with this recommendation, although any new economic strategy needs to also factor in existing local strategies, the wider economic environment and recent recession and the implications of the forthcoming RPA and its impact on economic activity, as well as the current and future role in local economic development of local authorities. In addition there are other key sectors of the economy which have not been considered within the report namely agriculture, construction and distribution which would need to be included. More cognisance should be given to local economic development policy and to the key role which Local Authorities have played, and continue to play in achieving economic growth at a local level, which in turn impacts at the regional level.

10. Governance Arrangements

Recommendation:

DETI should undertake an internal review of its structures to ensure that the allocation of staff is more fully aligned with its policy objectives.

LCC: Staff with the required skills and expertise to deliver on policy objectives should be in place.

Recommendation:

The core functions of strategic policy development and performance monitoring should be brought together within any revised DETI structures. The department should also provide the necessary support, professional and otherwise, to the Executive sub-committee on the economy.

LCC: This makes sense as this is a key DETI role, and these two key functions are so closely interlinked.

Recommendation:

A small business unit should be created within Invest NI, with responsibility for the development and coordination of relevant support to SMEs throughout NI.

LCC: It is the understanding of this Council that Invest NI has already in place an Entrepreneurship Team with the responsibility for the development and co ordination of support to SME's throughout NI in areas such as new business start, social economy, youth and women enterprise so its not quite clear what added value such a small business support team would bring. In addition, with these and other business development functions passing to local authorities in 2011, the role of this Unit would be questionable as local councils would be undertaking this activity in their respective areas. Indeed it is likely that the size and remit of the current Team within Invest NI will have to significantly change post RPA.

A better recommendation would be for local Councils to work with small businesses on the ground in their areas, and refer those who are suitable on to Invest NI support.

Recommendation:

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.

LCC: Lisburn City Council agrees with this recommendation.

Recommendation:

A senior member of the DETI Departmental Board should be represented on the Invest NI Board.

LCC: In order to more effectively achieve policy objectives and monitor Invest NI performance DETI needs to review current mechanisms for achieving this.

Recommendation:

High level experience in international business and expertise in economic development should be sought when the Invest NI board is reconstituted.

LCC: Local authorities are ideally placed to provide this local economic development expertise on the Invest NI Board. Importantly there needs to be sufficient private sector representation with a balance of public representatives, and perhaps local economists.

11. Advisory bodies

Recommendation:

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.

LCC: This would depend upon what the difference would be between the new advisory body and the current Economic Development Forum in terms of membership and role? Any new advisory body should have representation from local authorities as providing the best insight into what is happening in economic development at a local level.

12. Skills

Recommendation:

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.

LCC: The education system should always have a strong relationship with local industry and ensure that the demand for skills development in all sectors is being met, in particular in the recognised high value growth sectors. Key sectors would include the sustainable business sector and supply chain for this industry sector, as well as the creative industries sector.

In relation to DEL in particular, a key issue which may inhibit the delivery of the productivity goal is the retention of graduates, as research shows that many graduates leave N.Ireland for job opportunities elsewhere, taking skills and knowledge with them which are key to promoting local business growth, particularly in the key priority growth sectors already identified (business and financial services, technology and R&D).

The linkages which already exist between DEL, business support agencies, third level educational establishments and local businesses should be enhanced to provide a programme of incentives to retain graduates. This programme could include grants, subsidies to buy houses, and importantly an increased focus on developing 'spin of' companies from educational establishments. These fledgling companies should be capable of attracting government funding at the earliest stage possible in order for them to be successful. Many of these types of companies fail because funding which is so vital, particularly at the start up stages, is not available. This has been recognised as a critical success factor for these types of companies in other economies such as Asia and across the EU where 'spin of' companies receive substantial government support and assistance to grow and exploit new technologies and research as quickly as possible.

Recommendation:

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.

LCC: Agree with this recommendation, and also to develop programmes which would attract managers with skills and expertise from the public sector to move into the local private sector.

13. Infrastructure

Recommendation:

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.

LCC: Any action which will ensure that the future economic performance of Northern Ireland is maximised, should be supported, with the Executive having responsibility for the allocation of resources to this.

14. Planning

Recommendation:

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.

LCC: Being able to move quickly in terms of planning approvals is a key element to a country's competitiveness model, and unless Northern Ireland can improve timescales for planning approvals for local business development, and importantly for new investment into Northern Ireland, the country will lose (and is losing) out to those countries which can. There is no point in setting targets unless there is a framework which allows the planning service to operate within to achieve these, so a review of the planning system would be welcome especially in light of the forthcoming RPA and the closer links which are required to be in place to achieve local economic development objectives of local authorities who will also have responsibility for planning.

Recommendation:

Planning Service should work to ensure that the legislative timetable for reform is met.

LCC: Lisburn City Council would agree with this recommendation

Recommendation:

The Strategic Projects Team should deal with all applications relating to investment new to NI. In addition, in terms of what constitutes a 'regionally significant development', a clear definition and qualifying criteria should be developed and agreed between DoE, DRD, DETI and Invest NI.

There is of course competition for inward investment both North and South of the border, and also on a local council basis. Whilst acknowledging that there are priority areas in terms of NTSN which have been earmarked for investment programmes, it is unclear as to whether there is the existence of a policy with regard to sub regional distribution of investment. It is not clear, or apparent to the Council how companies are directed to one area or another, however it would seem apparent that Belfast is favoured over other regional centres and/or employment locations.

Therefore clear guidelines on what constitutes a significant development as well as the basis for choosing a particular location should be agreed. Local authorities should also be included in these discussions.

Recommendation:

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.

LCC: Lisburn City Council would agree with this recommendation

Conclusion

The report overall does not make any recommendations around the enhanced future role of Local authorities in the delivery of economic development and the proposed transfer of functions from Invest NI to the Councils, and the implications of this.

The Department of Environment (DOE) Economic Appraisal of options for local Government service delivery undertaken by PricewaterhouseCoopers (PWC), suggests that the following functions will be transferred to local government in order to strengthen its existing role in this area: Small Business Support Programme, Social Entrepreneurship Programme, Neighbourhood Renewal, Youth and Women Entrepreneurship, and elements of Local Tourism.

However there is still much work needs to be done to clarify how best this can be achieved, and on reaching agreement on the best option for delivery given the nature of programmes such as the Go For It Programme which may better suited to collaborative delivery by the new Councils on a regional basis.

The report does not mention any of this or the other key issues which must now be addressed, in terms of transfer of budgets, staffing requirements and putting in place new working systems with local councils to reflect Invest NI's reduced role in the provision of local business support. This should be a key area which Invest NI should now be reviewing, and working in partnership with the Transition Committees for the 11 new Councils.