



Response on behalf of

**The Northern Ireland Local Government Association
(NILGA)**

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

16 November 2009

Glossary of terms

ABG – Area Based Grant
BSP – Building Sustainable Prosperity
CSF – Community Support Framework
DARD – Department of Agriculture and Rural Development
DEL – Department for Employment & Learning
DETI – Department of Enterprise, Trade & Investment
DOE – Department of the Environment
DSD – Department for Social Development
ERDF – European Regional Development Fund
IREP – Independent Review of Economic Policy
ISNI – Investment Strategy for Northern Ireland
LAA – Local Area Agreements
LED – Local Economic Development
LEDU – Local Enterprise Development Unit
NILGA – Northern Ireland Local Government Association
RPA – Review of Public Administration
SME – Small to medium sized enterprises

Overarching Message

- NILGA welcomes the opportunity to respond to the recent Independent Review into Economic Policy (DETI/Invest NI) as this seminal report and its recommendations will make an effective contribution to the future of the Northern Ireland economy and the future of economic development activity. NILGA's role is to represent the generic interests of the local government sector through full engagement and support of member Councils.
- NILGA would point to Local authorities' role as strategic leaders in place-shaping, responding to residents' ambitions and aspirations and working with partners to deliver necessary services at the local level. NILGA would also point to efforts that have been ongoing through three rounds of European funding to develop the capacity of the Local Government sector to fulfil a strategic role in the delivery of Local Economic Development (LED), particularly in the context of the RPA process.
- Whilst welcoming the findings of the Independent Review of Economic Policy, NILGA, as the voice of Local Government in Northern Ireland, is deeply dissatisfied at the lack of recognition of the role of local authorities as bodies that are capable of making a unique and complementary contribution to the social and economic prosperity of Northern Ireland.
- The expansion of LED activities undertaken by Local Councils is highlighted by an almost zero base in the early 1990s, through to a commitment of around £30million per annum in 08/09 two-thirds of which is made up from rates contributions with the remaining third coming from other sources, mainly EU funds.
- Despite recent commitments by the Northern Ireland Assembly to give increasing responsibility for this work to local authorities with the Review of Public Administration (RPA), this review makes inadequate reference to the RPA and the subsequent increase in economic functions to be devolved to local authorities.
- NILGA acknowledges the need for an integrated and coherent approach to economic development within the region and the role of partners in delivering a shared economic agenda, with an emphasis on the need to reform, modernise and improve service delivery.
- However a strong institutional, legislative and financial framework is a pre-requisite if councils are to play a lead role in local economic development within their district. Equally, it is clear that the concept of joint planning and prioritisation of activity with partners at all levels of government – as well as in the community and private sectors – is essential.

Introduction

NILGA welcomes the opportunity to respond to the recent Independent Review into Economic Policy (DETI / Invest NI).

In advance of providing comments on the specific recommendations and issues as detailed in the review, there are a number of general points the Review Panel should take note of including:

- the definition of economic development and local economic development activities
- the role of local authorities in supporting economic development activity
- the powers of local economic development since 1972
- the central purpose of local government and its place-shaping agenda
- the impact of the Review of Public Administration.

General Comments

NILGA, the Northern Ireland Local Government Association, is the representative body for district councils in Northern Ireland. NILGA represents and promotes the interests of local authorities and is supported by all the main political parties.

NILGA exists to promote better local government through the pursuit of the following priorities:

- Strengthen the capacity of the sector
- Develop a strong policy agenda for modernised government
- Build effective working relationships to achieve a common purpose within the sector.

NILGA have established a number of working groups to support the development of NILGA policy positions on issues such as the RPA, E government, Waste, NIJC, JNC, Planning, Health and Environment, European, Agriculture and Economic Development.

Operating at the heart of communities Local Government is best placed to both assess and respond flexibly to local need and opportunity. Councils are ideally placed to tackle complex issues in a joined up way. Through community planning, functions including economic development can be integrated and delivered to address local need. This method of delivery was endorsed by The Northern Ireland Sustainable Development Strategy which outlined the role of local authorities' community planning work under the proposals of the then RPA decisions as follows:

"To achieve this we will introduce a new power of community planning with a statutory duty on councils to initiate, maintain and facilitate a community planning process which aims to draw together all service providers within the council boundary to address community needs in a strategic and sustainable way."

Delivered as a core function of local government, LED has contributed to the achievement of Northern Ireland economic goals through a programme of council-led locally driven business support and regeneration activities that compliment the wider offering at regional and national level in Northern Ireland.

Through the Review of Public Administration a variety of local economic development programmes will be awarded to local authorities. To support the transfer of functions legislative responsibility for LED needs to be enhanced to reflect the changing role of Local Government.

The Department of Agriculture and Rural Development (DARD) have already recognised the position of local government as being best placed to address local need. Delivery of Axis 3 and 4 of the NI Rural Development Programme 2007-2013 is currently delivered by local government.

Further support for local service delivery is provided through Interreg IV, through this funding stream local councils have been awarded funding to undertake projects that address the immediate needs of their communities.

In addition, three rounds of European Structural Funds, the Single Programming Document (1994-1999), the Building Sustainable Prosperity Programme (2000-2006) and the NI Sustainable Competitiveness and Employment Programme (2007-2013) have each contained a Local Economic Development Measure and have allocated £13.5million, £25million and £25million respectively to enable the 26 local authorities to deliver significant programmes of economic infrastructure development and business capacity building at local levels.

These examples demonstrate the confidence European funders and Government Departments place upon local authorities to deliver activities that address local needs.

To facilitate and lead local government modernisation NILGA have established an Economic Development Working Group to represent the interests of local authorities in relation to economic development policy development and implementation. The working group consists of elected members from each of the political parties, 2 local authority chief executives and representatives from the Local Economic Development Forum:

Membership

Elected Members

Chair: Cllr David Rodway (DUP) Belfast City Council
Vice Chair: Cllr Eddie Rea (UUP) Down District Council
Cllr Dermot Curran (SDLP) Down District Council
Cllr Helen Quigley (SDLP) Derry City Council
Cllr Jim Dillon (UUP) Lisburn City Council
Cllr Jonathan Bell (DUP) Ards Borough Council
Cllr Tom Ekin (All) Belfast City Council
Cllr Alan Lawther (All) Antrim Borough Council
Cllr Brenda Chivers (Sinn Fein) Limavady Borough Council
Cllr Charlie Casey (Sinn Fein) Newry & Mourne District Council

SOLACE Representatives

John McGrillen (Down District Council)
Liam Hannaway (Banbridge District Council)

LED Forum

Shirley McCay (Co-Chair)
Derek McCallan (Co-Chair)
Lisa Martin (Secretariat)
Shane Kelland (Secretariat)

NILGA

Karen Smyth (Head of Policy)
Ken Bishop (European Officer)
Claire Bradley (Policy Assistant)

The aim of the working group is to ensure a coherent and informed Local Government input into and perspective on economic development policy and practice.

The key objectives of the working group are:

1. To provide a platform for NI local government to proactively lobby for and influence economic policy at regional, national and EU level;
2. To provide a forum for discussion and dissemination of relevant strategic economic information, policy and legislation impacting on NI local government and councils stemming from regional, national and EU levels and to facilitate an agreed Local Government position on such issues;
3. To promote the consideration of economic development within a wider, integrated policy agenda, in conjunction with sustainable development and other related policy matters; and
4. To communicate Local Government viewpoints and positions on economic development policy matters to the public through appropriate media channels.

We would recommend that in the development of an economic strategy for Northern Ireland the current and future role of local government must be integrated.

NILGA acknowledges the current **fragmented nature of service delivery** within the region with numerous agencies and departments pursuing economic development agendas with little shared coherence or strategic vision. NILGA agrees with the recommendation that there is need for a real and sustainable change within the region through an agreed, coherent vision to which all partners are willing and committed to deliver. However, Local government is ideally placed to co-ordinate and deliver an integrated approach to local economic development based upon the needs of our communities. Legislative powers must be awarded to local government in order to deliver an effective and co-ordinated approach to local economic development which encompasses the new economic powers to be devolved to local councils through RPA.

Definition of Economic Development

Local economic development (LED) is a "set of activities aimed at improving the economic well-being of an area... in most cases it is governments that are the major supporters...in partnership with other funders."¹ The specific activities undertaken vary from area to area, depending on local priorities which complement the wider offering at regional and national level in Northern Ireland. They can include:

- **Business Start up and development activities** to support the creation and growth of new small to medium enterprises.
- **Sectoral development** of strategically important sectors which create high value added products and new employment opportunities.

¹ Beer, A. & Haughton, G. and Maude, A. (eds) 2003a, Developing locally: an international comparison of local and regional economic development.

- **Employability & skills development** by ensuring citizens are adequately equipped for the labour market.
- **Urban regeneration** to improve the social sustainability, economic stability and the infrastructure of the urban landscape
- **Rural Development** through rural business development, village renewal, sustaining basic services for the rural community, economic diversification and rural tourism
- **Physical regeneration** to create and maintain an environment conducive to attracting and retaining businesses as well as encouraging visitors.
- **Tourism** promotion through the development and marketing of local attractions and tourism accommodation.
- **Community Regeneration** to enable local communities to access information, knowledge, skills and resources to improve their lives.

This review and its key recommendations has significant implications for Councils' existing support for business start up and development activities, and sectoral development work. NILGA's key issues and concerns are noted within this document.

NILGA wishes to remind the Review Panel that legislative funding for LED activity began through the **1972 Local Government Act (Section 115)**, which permitted councils to spend up to ½ pence in the pound of the rate for any purpose which was in the interest of its district or inhabitants. However legislative authority to undertake and promote LED was not awarded until 1992 when councils were given the opportunity to specifically allocate up to 2p (later increased to 5p) in the pound from rates monies towards "promoting the economic development of its district"².

A decade later the **Local Government (Miscellaneous Provisions) Bill for 2002** awarded enhanced powers to local authorities to "hold, acquire, and develop land for economic development purposes" to support the wider regeneration activity within their area. The enactment of this bill was accompanied by the repeal of the 1992 bill and the removal of the 5p limit on economic development spend.

However local economic development remains a **discretionary function in Northern Ireland** with no sustained sources of direct funding from central government. As such, it is principally resourced from council budgets, with some match funding coming from external sources (particularly EU funding).

Currently, **English councils** are required to produce three year **local area agreements** (LAAs) for the economic development and regeneration of their area. These allow for more collaborative action and service delivery by bringing together partners from the public, private and voluntary sectors. As part of the development of LAAs, a growing proportion of government funding streams is now combined in a single Area Based Grant (ABG). This funding is used alongside mainstream budgets to support the achievement of specific 'improvement targets' identified in the LAAs.

However local economic development is soon to become a mandatory function for top tier councils (i.e. county, metropolitan district, shire unitary and London borough councils) under the **Local Democracy, Economic Development and Construction Bill**³. This Bill places on local government a range of additional duties including the

² http://www.niassembly.gov.uk/legislation/primary/2001/niabill7_01.htm

³ <http://services.parliament.uk/bills/2008-09/localdemocracyeconomicdevelopmentandconstruction.html>

preparation of an assessment of the economic conditions in their area. Councils will also be asked to work together with their neighbouring districts in the development of multi-area agreements (MAAs) – widening out the local area agreement referred to above. These statutory groupings bring together partners at regional and sub-regional level to tackle issues such as economic development, transport and infrastructure and skills issues. “Economic Prosperity Boards” can be established to oversee these agreements. These will consist of council members from at least two council areas who will agree to pool resources to work on economic development issues. **NILGA recommends that similar agreements in NI should be considered, particularly in the context of developing and implementing an economic strategy for the region.**

One of the most important new imminent functions for local government as a result of the Review of Public Administration will be community planning. Community planning can be defined as “anything which it considers is likely to promote or improve the well-being of its area and persons within that area...”⁴

Issues for Local Government in Northern Ireland

NILGA suggests that a **strong institutional, legislative and financial framework** in NI is a pre-requisite if councils are to play a lead role in local economic development within their district. Equally, it is clear that the concept of joint planning and prioritisation of activity with partners at all levels of government – as well as in the community and private sectors – is essential.

In other parts of the UK, resources for local economic development – as part of the wider development of a council area – are drawn in directly from central government and the dependence on council funding or other external funding is much less than is the case for Northern Ireland.

Central Purpose of Local Government

NILGA would like to draw the attention of the Review Panel to the **central purpose of local government** which is to develop vibrant and cohesive local communities, in which all citizens have a voice and opportunities to shape the service which contribute to their quality of life. This means creating and sustaining the social, environmental and economic conditions which enable communities to thrive.

The Local Government White Paper for England (**Strong and Prosperous Communities, October 2006**) supports the role for councils to lead their communities, shape neighbourhoods and bring local public services together.’

Operating at the heart of communities Local Government is best placed to respond flexibly to local need and opportunity. Councils are ideally placed to tackle complex issues in a joined up way. Through **community planning**, functions including economic development can be integrated and delivered to address local need. This method of delivery was endorsed by The Northern Ireland Sustainable Development Strategy which outlined the role of local authorities’ community planning work under the proposals of the then RPA decisions as follows:

“To achieve this we will introduce a new power of community planning with a statutory duty on councils to initiate, maintain and facilitate a community planning process which

⁴ http://www.opsi.gov.uk/legislation/scotland/acts2003/asp_20030001_en_1

aims to draw together all service providers within the council boundary to address community needs in a strategic and sustainable way”.

NILGA would also highlight that '**place-shaping**' is now widely understood to describe the ways in which local players collectively use their influence, powers, creativity and abilities to create attractive, prosperous and safe communities, places where people want to live, work and do business.

Local authorities are strategic leaders in place-shaping, responding to residents' ambitions and aspirations and working with partners to deliver necessary services at the local level. Local authorities have also developed highly valued international networks in several continents that identify and share best practice and knowledge.

The **Department of Agriculture and Rural Development (DARD)** has already recognised the position of local government as being best placed to address local need. Delivery of Axis 3 and 4 of the NI Rural Development Programme 2007-2013 is currently delivered by local government.

Local Economic Development Activities

NILGA is deeply dissatisfied at the lack of recognition as to the role of local authorities in supporting economic development.

Delivered as a core function of local government, LED has contributed to the achievement of Northern Ireland economic goals through a programme of **council-led locally driven business support and regeneration activities** that complement the wider offering at regional and national level in Northern Ireland.

The expansion of LED activities (in its current definition) undertaken by Local Councils is highlighted by an almost zero base in the early 1990s, through to a commitment of around £30million per annum in 08/09 two-thirds of which is made up from rates contributions with the remaining third coming from other sources, mainly EU funds⁵. Prior to the early 1990's councils were able to use other powers in order to carry out economic development functions, namely regeneration based projects.

Between 2000 and 2006 the **Northern Ireland Programme for Building Sustainable Prosperity (BSP)** was one of two Operational Programmes which implemented the Community Support Framework (CSF) and assisted a range of projects to develop economic growth, employment, urban and social revitalisation, agriculture, rural development, forestry, fisheries and the environment. BSP was delivered mainly through the NI Government departments.

Throughout the duration of BSP local authorities committed around £13 million to business development activities and £5 million to business start activities, half of which is made up from rates contributions. Local Councils have committed 353 employees to the delivery of local economic development activities of which 73 undertook those functions specifically related to business development and creation.

The current period of Structural Funds Programmes is defined by the **European Sustainable Competitiveness Programme 2007-2013** and is co-financed by the European Regional Development Fund (ERDF). The programme supports regional strategies by promoting investment in research and technological development and by

⁵ Source: Survey carried out by NI LED Forum, July 2009

encouraging enterprise and entrepreneurship in an overall context of sustainable development. Approximately £211m of ERDF funding has been allocated to the Programme and the Managing Authority for the Programme is DETI. Out of this £211m, just over 10% has been allocated to the LED measure.

In the first two rounds of Structural Funds, councils were originally required to submit an action plan for funding for the duration of the individual programmes. However, in the current programme, applications are made on a project-by-project basis, in line with the priority themes of the Structural Funds programme and complementary to wider economic development activity being undertaken by other statutory partners.

The **piecemeal nature** of the current round of Structural Funds Programme places greater difficulties upon local councils to deliver integrated and co-ordinated approach to their local economic development challenges.

We affirm that local councils firstly be recognised as being best placed to deliver local economic development initiatives as supported by the current delivery of the NI Rural Development Programme, and that councils must be able to apply for Structural Funds based upon an **integrated and bottom-up action plan** approach. This approach has been at the heart of the European Commission's policy for supporting local economic development since 1995 through the instrument of the EU Structural Funds.

Review of Public Administration

The review makes limited reference to **role of local authorities** in the delivery of economic development activity across the region, despite recent commitments by the Northern Ireland Assembly to give increasing responsibility for this work to local authorities with the Review of Public Administration (RPA).

NILGA is deeply distressed by the absence of consideration in relation to the RPA and the wider implications of this for the development and delivery of economic development policy and activities in the region.

Whilst NILGA appreciates this is a review of DETI and Invest NI, the impact of RPA and the **transfer of functions** which are being considered as part of the RPA have not been addressed sufficiently as to inform the recommendations outlined in the review document.

The current and increasing role that local authorities play in local economic development is firmly embedded into the economic development of the NI economy. The absence of due consideration of local authorities' current and future economic development activities pending RPA has implications for many of the reviews recommendations and subsequent delivery.

Background

The background section to the Review makes reference to a number of **specific recommendations including an integrated approach to economic development, SME development and improving the productivity gap.** NILGA's comments are as follows:

Integrated and Balanced Approach to Economic Development

It is important to ensure that economic development activity creates a legacy for future generations and addresses the entrenched inter-generational problems facing deprived communities across the region. NILGA acknowledges the current **fragmented nature of service delivery** within the region with numerous agencies and departments pursuing economic development agendas with little shared coherence or strategic vision as well as geographical variances in the delivery of support for economic development, particularly in the context of Foreign Direct Investment (FDI). NILGA agrees with the recommendation that there is need for a real and sustainable change within the region through an agreed, coherent vision to which all partners are willing and committed to deliver and would emphasise that any new strategy must be geographically balanced to address existing disparities.

NILGA would stress however that local government is ideally placed to co-ordinate and deliver an integrated approach to local economic development based upon the needs of our communities.

There is a substantial knowledge base and pool of expertise available within local government as a result of the investment of EU Structural Funds. There is also a wide and growing network of international linkages and contacts across the world established by local authorities that has a valuable contribution to make to promoting inward and outward investment going forward.

Although it is recognised that both DETI and Invest NI play a key role in the economy, NILGA would stress that these two organisations are only part of the wider **range of stakeholders** involved in developing the NI wide economy and addressing those issues such as the NI productivity gap. Other stakeholders include local authorities, universities, colleges, sector skills councils, trade and sectoral bodies and others involved in enterprise and social economy networks.

Whilst it is appreciated the review identifies recommendations based upon a medium to longer timescale and that current market conditions such as the recession have not been considered, it is suggested that the current difficulties in the economy caused by the recession will require a more **medium term approach** that needs to be reflected in the development of a future economic policy.

Micro-Business and SME Development

A key priority for local government is to **stimulate and strengthen the local business base and to promote competitiveness within the micro-business and SME sectors** through locally based activities and interventions that meet the needs of the indigenous private sector. The role of local authorities in supporting SMEs and the social economy sector is not highlighted in this review which we feel is an omission given the important role they play as a partner on leading business development programmes and promotional activities.

It is evident that the establishment of Invest NI has coincided with a deterioration of the relationship that the majority of Local Authorities enjoyed with the previous LEDU local office network. In order to maximise the impact of our work in this area and to avoid duplication of services, consideration should be given to collaborative development in programme preparation and design as well as greater information sharing between Invest NI and local councils and other support agencies. NILGA would welcome the formalisation of the relationship between Invest NI and local councils in

supporting businesses so that there is a clear focus identified for each partner. Additionally, significant concern exists in relation to Invest NI's role on assessment and approval panels or as a consultee for Council bids to various European Programmes, most notably the Rural Development and NI Sustainable Competitiveness Programmes. We believe that more formalised channels of communication between local authorities and Invest NI would lead to the creation of a more transparent process and more effective partnerships.

It is also clear from the report that Invest NI does not have the resources (physical and financial) to support all those businesses in need of assistance. Current figures suggest that Invest NI work with 3% of the SME market across Northern Ireland. The current Enterprise Development Programme is a case in point, making provision as it does for supporting 800 small businesses across Northern Ireland per annum. NILGA welcome the recommendation to have a dedicated small business support service but would suggest that potential exists to locate this service within the newly constituted Councils across NI to reflect regional variations in requirement.

NILGA is in agreement that the NI economy needs a larger and more **dynamic private sector** to grow in the upturn.

NILGA recommends that local authorities play a key role in addressing some of the key recommendations of the review, particularly relating to SME development, including:

- Facilitation of local business engagement in the supply chains of new investors;
- A review of industrial land provision in order to ensure that there is sufficient availability of workspace to provide for SME growth; and
- NILGA is concerned at the absence of any reference to incubation, other than references in the Annex. Incubation, a key remit of Invest NI, should be an important element of the regional development strategy that targets the higher value sectors and R&D. We believe that local authorities can play a key role in the development and implementation of a coherent policy on business incubation as currently there exists a serious lack of understanding in this key entrepreneurial strategy.

NILGA would like to see the IREP pointing to the need for better coordination between enterprise support partners in order to make it easier for businesses to access the help that they need to grow and succeed.

Improving the Productivity Gap

NILGA endorses the recommendation as outlined within the report to propose **alternative approaches to improve productivity** and raise living standards in Northern Ireland.

NILGA is supportive of the proposal in the review to establish an **overarching regional economic strategy** but is concerned at the lack of consideration given to local authorities as a key player in the development of this overarching strategy. NILGA suggests that all 11 new councils should be instrumental in shaping and implementing the priorities and actions of this essential strategic document in order to ensure that the strategy takes into consideration the differing needs of the sub-regions.

NILGA concurs with the view that NI must **improve investment in R&D and innovation** if it is to close the gap with other international competitors. It should be noted, however, that NI universities have lower research budgets than their UK

counterparts – an issue that should be addressed. There is a need for greater levels of investment from the private sector – something which could prove difficult to cultivate in NI’s predominantly small business environment.

The report also states that in order to address the productivity gap, productivity gains are required in sectors some of which are outside DETI’s remit such as agriculture, transport and distribution. Local Authorities are already engaged in many of these sectors through existing initiatives therefore recognising the importance of involving these sectors to achieving the productivity gain this further reinforces the **need to engage with local authorities when developing economic policies**.

The report also recommends measures that might be adopted to continue **attracting inward investment**, as well as growing indigenous firms.

NILGA agrees that **NI has substantial assets** – a comparatively highly skilled population and low cost office space and a quality of life that stands out from other regions – and would propose that this message needs to be promoted more widely in order to attract business investment to the region.

Full list of recommendations

The review contains a full list of recommendations designed to maximise the competitiveness of the economy and help build a larger export base, and one that promotes and supports the importance of innovation and R&D. NILGA’s comments are 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.

NILGA: We would welcome that as part of the recommended review of structures within DETI, that additional resources are dedicated to policy development however **linkages should be made with current structures** currently involved with economic policy.

Recommendation:

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

NILGA: NILGA agree with this recommendation. However it is important that the advisor is someone with international experience and has successfully assisted developed economies in achieving and increasing levels of productivity.

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.

NILGA: NILGA understands the definition that Invest NI currently uses in order to determine its clients focus but recommends that the term 'client' be revisited to suggest a more inclusive 'partnership'.

We feel that the services that local authorities offer can complement the Invest NI offering and we consider there is sufficient market for both parties to work together.

Councils have taken cognisance of Invest NI's client approach to date and have subsequently built their past and current business development support portfolios on the development of the micro-enterprise and small to medium sized sectors, which are not primarily export focused and which therefore tend to fall outside of Invest NI's criteria for direct assistance.

The recommendation to **remove this concept/definition of Invest NI 'clients'** therefore raises significant questions which need addressed in terms of the interface between support offered by Councils and that offered by Invest NI. Local authorities have had to take lead responsibility for the development of most of the small business sector and have built up a great deal of expertise in this area effectively making up for market failure in support for the micro-business and small to medium sized business sectors. We recognise that this support needs attention but would ask for clarification in terms of the implications the removal of this definition will have for local government. NILGA would wish to see a clear definition of the roles and responsibilities of both Invest NI and local authorities in terms of supporting the SME sector.

NILGA is looking forward to the publication of the new **enterprise strategy**. However recognition of the integral role of local councils in developing enterprise and wider local economic development initiatives must be provided. As such we are eager to play a full role in the future development and timely implementation of an Enterprise Strategy for Northern Ireland.

Recommendation:

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

NILGA: NILGA agree with this recommendation.

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.

NILGA: Although it is recognised that business expansion grants will be affected by changing EU State Aid rules concerns exist as to the ability of the private sector to raise finances to undertake business expansion projects post 2013. In many areas of Northern Ireland, a combination of inward investors and indigenous large businesses provide the backbone to local economies, providing employment opportunities as well as sub-contracting opportunities to local small businesses. Caution must be given to the removal of business expansion grants to ensure private sector funding is available so as to not impede the growth of the private sector.

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.

NILGA: NILGA agrees there has been an over reliance by the private sector on Government grants and this has stagnated the development of the co-investment type organisations. Implementation of this recommendation would go some way to enabling this support structure to grow. However, the attitudes of banks and lending institutions to lend monies to business especially over the past twelve months would give cause for concern. The process and structures need to be in place with the various lending organisations prior to this even being considered as an option. It is evident that existing difficulties in obtaining finance from the risk averse financial institutions which are currently operating in NI need to be overcome. Again, the process and structures need to be in place with the various lending organisations prior to this even being considered as an option.

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.

NILGA: Whilst recognising the contribution that people development makes to the development of businesses individually, and to the economy in general, NILGA believes that there is significant merit in adopting this recommendation, particularly given the concerns related to the additionality of the Company Development Programme and the Business Improvement Training Programme. There is also concern that key target market for these programmes, notably small firms, received less than a quarter of the support from the programme and that the majority of support has been provided to larger businesses. We would further suggest that significant clarification is required in relation to the various providers of training support for businesses in order to clear up current confusion in the market.

Recommendation:

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

NILGA: NILGA agree with this recommendation and would suggest that councils are ideally placed to co-ordinate the distribution of tourism accommodation grants under the RPA.

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**

NILGA: NILGA advocates the need for providing direct support for businesses of all sizes undertaking **Innovation, R&D and exports** but recommends there must be greater clarity and understanding of the concepts of innovation, R&D and exports which need to be communicated and understood by all stakeholders operating within the economic development environment.

NILGA is encouraged by the recommendations regarding a portfolio of new innovation policies being developed over time. However the concept and application of innovation within the private sector needs to be communicated particularly in those sectors traditionally low in the adoption of innovation. The recommendations identified to develop a more commercially orientated research institution is welcome however the successful adoption of the innovation policies recommended is highly dependant upon the ability to engage the wider private sector.

NILGA would stress that the review should take account of the Northern Ireland Science Park when considering its proposal for a **new institution for commercially – orientated research in NI**. NISP was established in 1999 as a not-for-profit company limited by guarantee to be:-

- An internationally recognised centre for the commercialisation of scientific and technological developments which is founded on a targeted range of academic and private sector research activity.
- An entity which can demonstrate the successful commercial application of the research and development activities in Northern Ireland.
- A viable asset providing real and growing value to the local economy with demonstrable benefits shared socially and geographically.
- An organisation founded on a strong mutually supportive partnership between business, higher education and the public sector.

CONNECT (formerly University California San Diego CONNECT) has assisted in the formation and development of over 1,200 companies and is widely regarded as the United States' most successful regional economic development program. CONNECT supported companies have been twice as likely as other entrepreneurial companies to be successful and in business after five years.

NISP CONNECT is the Northern Ireland element of the Connect network and acts as the catalyst between NI's entrepreneurs, research institutions, investors, technology corporations and service providers by linking entrepreneurs with the resources they need for success. The portfolio of programmes create the networks which serve to breakdown social and professional hierarchies and drive lateral learning and knowledge transfer; the social infrastructure on which the growth and sustainability of new enterprise depends. The end result is an increase in the quantity of science and technology businesses and their chances of success.

Connect focuses on five key programs on a year round basis:

- **Springboard (Enzyme)** – a year-round, flagship program that assists technology-based companies and entrepreneurs refine their business and financial strategies through a group mentoring process.
- **Frameworks (Innovanet Entrepreneur series)** – a series of 23 half-day workshops targeted at entrepreneurs and the research community. Content is delivered by experts from service providers (law firms, IP, accounting). Key themes are demystifying the Venture capital process or intellectual property basics. Workshops are delivered onsite at the Universities which will further promote NISP to the local audience.
- **Innovanet Evening Series** – Case studies of successful ventures from inside and outside of the region or leading innovation breakthroughs from established European technology companies delivered at the Innovation Centre
- **25K** (potentially 85K award in 2008)– continuation and expansion of the successful program to stimulate action around good ideas
- **halo** – business angel network

NILGA welcomes the development of new research capabilities which can be used in Northern Ireland's value proposition to attract potential inward investors. NILGA would also emphasise the need for current research capabilities, particularly from within the Universities, to be utilised more effectively for these purposes too.

NILGA agree with the recommendation to develop industry-led innovation communities, as suggested in the Matrix report.

NILGA agrees with the recommendation to support innovation in service sector firms beyond software as the NI economy is moving from a manufacturing dominated environment towards a service sector environment. In order to address the productivity gap in the future we will need our service businesses to innovate to keep up and succeed in the marketplace.

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.

NILGA: Concerns exist as to the proposed changes to **Invest NI's export assistance**. Although the recommendation to make it more dedicated and professional is welcome, the proposed fee charging model may act as a barrier from companies seeking advice on exporting or beginning to export entirely.

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.

NILGA: NILGA agrees with this recommendation to start preparing a case for the retention of state aid limits as a reduction in state aid limits would impact upon the ability of LED to deliver business development support to the existing SME and micro-enterprise market.

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.

NILGA: To capitalise on the benefits of **new telecommunications connectivity** in NI, consultation with local authorities should be undertaken to encourage adoption through local economic development initiatives and to ensure connectivity of new physical infrastructures to initiatives such as Project Kelvin.

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.

NILGA: NILGA agrees that as the main policy provider, DETI should take overall responsibility for the monitoring of Invest NI's performance against targets. Invest NI's performance should be regularly reviewed by an independent organisation and reported regularly against initial targets.

Recommendation:

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

NILGA: NILGA would endorse the need to update policies annually and agrees there should be a clearer link between intervention and the overarching PfG productivity goal. However, when reporting on how individual policies/organisations contribute to the PfG productivity goal, consideration of LED activities and how they too contribute to the PfG productivity role should be considered in order to get a complete picture of performance against overarching outputs. DETI and Invest NI should not be the only organisations considered.

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.

NILGA: NILGA agree with this recommendation but would strongly advise that other strategic stakeholders involved in local economic development, including local councils, should also have access to this information to facilitate a more joined up approach in terms of overall programme development 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).

NILGA: NILGA is in agreement with this recommendation. However in consideration of the increasing emphasis on innovation and R&D the removal of direct activity within the VC market needs to be carefully managed. Traditionally companies that are highly innovative and/or engaged in R&D would be the likely target for VC funding and as such any removal of direct involvement by Invest NI in this market may affect the deliverability of other recommendations.

In terms of additional sources of finance, the willingness of banks and other lending institutions in providing finance for business start up and expansion activity, particularly in recent months/years, provides significant cause for concern.

The retention of direct involvement in **seed corn funding** is welcomed but must be developed in line with local authorities.

We recommend that Invest NI's venture capital initiatives should be linked to and support local economic development activities undertaken by local councils to ensure indigenous locally operating businesses have accessibility to VC funding.

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.

NILGA: Linking in with the above point on VC funding, the removal of Invest NI's involvement in VC funding may affect the ability of enterprises with greater risk associated with their activities to access funding. NILGA would welcome efforts to revise project appraisal rules to ensure that risky and uncertain projects are not disadvantaged.

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.

NILGA: NILGA would strongly encourage the review to recognise existence of the activities already engaged in by Councils in the area of inward investment including taking full advantage of the extensive network of international linkages that has been built up over the past 20 years by local councils.

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.

NILGA: NILGA is very concerned at evidence that substantial tracts of Invest NI land across Northern Ireland remains vacant and is convinced that there is a clear need as identified in the report to remove the bureaucratic barriers that inhibit businesses from accessing services and support for development on Invest NI land; the current

processes are ineffective, unduly complex and elongated. Partnering with Local Authorities and working with them to meet the needs of businesses can not only assist in determining interest but also help to remove the barriers that have discouraged investments by indigenous businesses and constrained entrepreneurial activity.

An analysis of the perceived need for industrial land would be supported where it could be embedded within broader spatial coordination and integrated with the work on the Regional Development Strategy to provide a robust basis for the development of regional policy. This approach would support future work to develop a basis for the identification of a land supply through the new Local Development Plans to be developed by the post RPA local councils as part of their changed statutory roles.

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.

NILGA: NILGA would point to the fact that the majority of Councils already engage in a wide range of support mechanisms for the small business and social economy sectors and this role is expected to increase with responsibility for this sector being given to local councils through RPA.

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.

NILGA: NILGA agrees with this recommendation.

Recommendation:

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

NILGA: Notwithstanding the recommendation to establish a Department of the Economy, NILGA would welcome a more effective and efficient liaison arrangement between DETI, DEL and Invest NI but would suggest that local authorities should be included as a strategic partner in these arrangements in order to produce a more holistic picture of sustainable economic development activity. In this context it is important to include other key economic development stakeholders including DSD, DOE (particularly the Planning Service) and DARD.

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'.

NILGA: NILGA supports the concept of having one department with overall responsibility for both skills and the economy in the context of the wider review of the Government Departments.

Recommendation:

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

NILGA: NILGA agrees with this recommendation however would stress that the findings should not be considered in isolation for the formation of an economic strategy. As the author states the wider economic environment was not considered nor was the impact of the current recession. NILGA is disappointed and gravely concerned that the findings do not take account of RPA and the implications on economic activity and also do not recognise the current and future role of local authorities in this respect.

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.

NILGA: NILGA recommends that the internal review also considers the allocation of staffing in Invest NI and DEL to reflect the real needs of business, large and small going forward.

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.

NILGA: NILGA agrees with this recommendation however it is important to note there are a wide range of other organisations involved in policy development and performance monitoring including Councils; these other organisations should be consulted.

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.

NILGA: The promotion and encouragement of enterprise development is critical to the economic vitality of the region and aligns with the priorities of local authorities in supporting economic development. NILGA acknowledges that a vigorous enterprise culture is central to the success the region and welcomes the focus on supporting an innovative culture, particularly within the SME sector, which is a major growth engine for the NI economy.

Although NILGA welcomes the development of an Enterprise Strategy for Northern Ireland serious concerns exist around the lack of official response in the creation of this document. This has resulted in an absence of a co-ordinated approach for enterprise activity. Although we recognise the impact of the Barnett Review's findings on this strategy, NILGA requests that urgent and meaningful dialogue between DETI and local authorities takes place on developments surrounding this document.

There is also concern at the recommendation to develop a small business support unit, the purpose of which is to develop and co-ordinate relevant support to SMEs throughout NI. Given the current activities of local authorities and their increasing remit

through RPA the relationship between a 'small business support' unit and local government LED teams needs careful consideration.

It is proposed under RPA that the responsibility for the Enterprise Development (EDP), Social Economy (SEP) and youth entrepreneurship (Prince's Trust and Advantage NI) programmes are transferred to councils however the recommendation contained within the document does not take this into account. The creation of a small business unit outside of the structures of the transfer of functions under the RPA implementation process would diminish and duplicate the work currently being completed through local authority economic development projects.

The degree of local awareness which councils possess is critical if future policy-making is to be focused on the appropriate areas where there is most need. A centrally-managed and controlled 'small business unit' that is remote from local needs and priorities on the ground will not achieve those objectives.

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.

NILGA: NILGA agrees with this recommendation.

Recommendation:

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

NILGA: NILGA agrees with this recommendation.

Recommendation:

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

NILGA: NILGA agree with this recommendation but would highlight that the Board must also have sufficient local representation.

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.

NILGA: NILGA welcomes the recommendation for a small advisory body, comprising expertise on regional economic development and the recommendation to include representatives from the local community, including political representatives. NILGA would stress that local authorities must be considered as a representative on the new advisory body in consideration of the current and growing responsibility for local economic development.

NILGA welcomes engagement with stakeholders involved in economic development however the type of relationship and the groups involved should determine the nature of the engagement. NILGA would also suggest that the future composition should have

sufficient representation from the private sector, particularly micro businesses and SMEs in order to appropriately ascertain their views, needs and requirements.

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.

NILGA: NILGA agrees with the proposal that resources are to be focused on meeting the demand for higher levels skills. However NILGA would argue that increasing employment levels cannot be done by completely ignoring the lower value added sectors as these can potentially provide an avenue through which people can get into employment (or back into employment). There needs to be considerable focus on skills development, with work required on what skills are needed for the current and future employment opportunities.

In addition to knowledge-based industries, NILGA would suggest that the creative industries and health science and green energy sectors be acknowledged as growth industries for Northern Ireland and meaningful support be provided to help the capacity and skills base within the region to accommodate this growth.

The significant challenge to maintain and improve the skills base suggests a need to retain and attract back graduates and well-qualified persons into the labour market (aimed at NI students graduating locally, NI students graduating in GB and NI professionals working in GB, ROI and beyond.) Such a flow of skilled labour could help to address managerial and diversity of graduate subject weaknesses.

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.

NILGA: NILGA agrees with this recommendation.

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.

NILGA: NILGA agrees for greater economic focus into projects that will maximise NI's future economic performance as this will further enhance and benefit the attractiveness of NI from an investor perspective. As such, NILGA believe that the review should consider the role of the Strategic Investment Board (SIB) in delivering a world class infrastructure for Northern Ireland. Additionally, this recommendation should be linked to the Regional Development Strategy to ensure the investment is sustainable and seeks to maximise the value of existing assets and infrastructure.

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.

NILGA: NILGA supports the recommendation that 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. However scope needs to be included that will result in radical improvements to the timeline of planning applications for SME's and NI indigenous planning applications especially in light of European funding timescales which can be greatly affected by planning processing timescales. The focus should not be exclusively on FDI or larger development proposals – the transformation of the system and the targets should benefit the whole economy.

Recommendation:

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

NILGA: The recommendation for the timetable to be met should also make reference to the importance of the system being adequately resourced and the necessity for appropriate continued delivery of effective support from the departments that will continue to be involved in a consultancy capacity such as DRD and DoE.

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.

NILGA would suggest that this recommendation be reconsidered or reframed to take account of the transfer of functions under RPA. The source of investment ("new to NI") should not form the basis for regional significance or which body should determine the application. NILGA considers that the number of applications that would fall within this category should be kept to a minimum to ensure there is clarity in the delivery of the planning function post RPA. Only applications of such a scale to be considered to have a wider regional impact or those clearly contrary to approved plans should be considered to fall within a regionally significant category that would be determined by the elements of Planning Service retained by the DoE.

It is evident that the development of planning policy has at times been at odds with priorities set by other government departments such as Agriculture & Rural Development and Enterprise Trade and Investment. The time taken to process planning approvals is a serious cause for concern and has, in some instances, proven to be a deterrent for investment opportunities. The introduction of realistic but challenging planning approval targets can help enhance Northern Ireland's reputation as a pro-business environment capable of meeting investors' infrastructural needs.

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.

NILGA: NILGA would support the continued refinement of the PAD process as outlined in the reform document both in relation to the requirement of planning authority and the obligation on the applicant to satisfy the necessary information requirements.

15. Conclusion

NILGA supports many of the recommendations set out within the review, however, there are a number of specific comments and issues that have been outlined within this response document which it would like to see reflected in the final review document. What is most concerning is that the scope of this review has been limited to the roles and remits of DETI and Invest NI with little consideration of the important functions performed by other economic development players, particularly local authorities.

We remain supportive of all efforts to improve the economic performance of the region and trust that we can make a useful contribution to the debate on the future economic policy for Northern Ireland.