

Your Ref:

Our Ref:



Jacqui Rose  
Department of Enterprise, Trade and Investment  
Strategic Planning, Economics and Statistics Division  
Netherleigh  
Massey Avenue  
Belfast  
BT4 2JP

9 November 2009

Dear Sir/Madam

I am writing on behalf of North Down Borough Council in response to the independent review of economic policy consultation. The Council at its economic development committee and subsequent Council meeting on 27/10/09 considered the document, the enclosed document represents the views of the Council.

The Council welcomed the opportunity to consult on this significant document and the important issues contained within the review, any further opportunities to consult on economic issues would be welcomed by the Council.

I trust that the views of North Down Borough Council will be duly considered as part of this consultation.

Yours sincerely

David Shivers  
Business Development Manager  
SIGNAL Centre of Business Excellence



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**North Down Borough Council - Response to the independent  
review of economic policy**

Your Key:

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**Local Issues**



This report has raised a number of key issues at the local level:

*Policy issues*

- The report focuses mainly on DETI and Invest NI, there is little attention paid to the significant role of Local Authorities and their potential to deliver local economic development;
- The current Enterprise Development Programme by Invest NI is to support not only those wishing to start in business, but also for growth businesses, the growth element is not comprehensive and does not cover the vast majority of SMEs given resource constraints, the productivity gap will not be closed by a generic low value start-up programme;
- It could also be argued that since the restructuring of Invest NI in 2002 there has been significantly less communication and co-operation with Councils at a local level, leading to their local impact being questionable;
- The transfer of programmes to Local Authorities from Invest NI should be accompanied by a 'fit for purpose' business case before they are devolved and relevant budgets must be secured for their future delivery. Invest NI should not only be actively engaged with Councils but also should be considering where the Council adds value and how they can be integrated to a more coherent offering to businesses;
- Given the Barnett reports emphasis on R&D and the role of Invest NI, cognisance should be paid to how that R&D is made available to SMEs and what the mechanism for connecting R&D with commercialisation will be in place, again the Local Authority is uniquely placed to broker that type of assistance as the local knowledge of businesses usually is in the Councils domain;
- Given the investment levels in North Down and the small number of client companies (85), Invest have had a small impact at a local level, leaving the local authority to deliver effective programming for non-Invest NI clients, even at that the 85 client companies are not all active and despite programmes by invest still wish to engage to a more bespoke programming provided by the Local Authority.
- Invest NI hold a veto on Local Council economic project activity from various funding bodies, this process of assessment needs to be transparent and in cooperation with Councils as this is stifling applications for funding in particular the Competitiveness Programme.

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- Clarity on incubation needs to be forthcoming, as there appears to be a serious lack of understanding in this key entrepreneurial strategy, it is currently misunderstood and open to interpretation with no clear central government policy.

### *Opportunities*

- The report has highlights the need to support indigenous businesses and suggests that Invest NI should be operating further up the value chain. There is also a suggestion that the sub-regional, more locally focused and tailored support for SMEs (Small Business Unit) adds more value than a centralised approach. There is a significant opportunity for Local Authorities to fulfil the role of a dedicated business unit, as their knowledge and current programming can have significant benefits to the local area enhancing and adding value to the enterprise pipeline referring businesses to Invest NI;
- Supporting local businesses can only effectively be enacted at the local level and Invest NI do not have the resources to effectively deliver to the 97% of businesses who are not Invest NI clients, therefore Invest should dovetail in to a Small Business Unit orientated Council provision to reach those potential growth businesses that they currently do not have the resources to engage with;
- Local Invest NI land (North Down Business Village) is currently vacant with no attempt to target Foreign Direct Investment (FDI) to an area with a highly skilled workforce; this land could be earmarked for spin out from R&D in high value added knowledge based jobs this asset should be used to its optimal utilisation in full partnership with the Council;
- Significant EU funding has been utilised since 1994 to raising the capacity of Local Authorities to deliver bespoke business growth services within the LED context, which is consistent with other UK regions (Scotland, Wales) and through Community Planning and the 'Power of Well-Being' via RPA, Councils will have an enhanced role in economic issues, thus creating and opportunity to engage more with Local Authorities to join up the current disparate economic provision;
- RPA will also bring additional planning powers to local Councils and this should be utilised to give Councils a more direct role in the management and acquisition of industrial land to take advantage of local opportunities through the understanding of local needs;

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- Given the enhanced role for Local Economic Development (LED), provision should now be made for legislative statutory powers to be introduced for Local Authorities;
- North Down consistently through the policy of 'economic gardening' has been proactively growing indigenous businesses and providing bespoke, flexible programming that addresses the current needs of local businesses. This can only add value to the other provisions in economic development, however the local Council needs to be the hub of economic activity co-ordinating and feeding businesses towards export and high added value activities. This role is currently fragmented and uncoordinated due to silo mentality and reflects the lack of clarity for clients through an absence of partnership with economic stakeholders.
- Incubation is mentioned only once as a 'key area for development', as a sustainable and important entrepreneurship strategy that can deliver indigenous growth, a strategic approach needs to be developed to deliver a coherent infrastructure and define incubation thus avoiding misconception. This strategic area is of particular interest to North Down and it would appear there is a significant lack of strategy and understanding in this key area, which the market does not serve.

### **Wider Issues**

The report also raises significant wider issues:

#### *Delivery Issues*

- There are a significant number of support agencies (200) with 2,000 measures and indeed a number of government departments (DSD – Regeneration, DARD – Rural Development, DETI – Invest NI /EU Programmes, DEL – FE Means Business, Strategic Investment Board) engaged in economic activities, all of which are largely uncoordinated, much greater clarity of roles and cross departmental working is required to deliver a cohesive offering to the end client as currently confusion reigns;
- It is critical that both DETI and Invest NI engage fully with Local Authorities to develop a cohesive and coherent policy on local economic development and to ensure the resources are in place to deliver those functions transferring to Councils through RPA;
- 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

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and working with them regarding the needs of businesses in the area can assist in determining interest however the restrictions and procedures discourage investment by indigenous businesses and entrepreneurial activity;

- The productivity gap is often blamed on the size of the public sector, however whilst it may be a contributory factor the assumption that the private sector will grow if the public sector is reduced could be flawed. Fundamental research needs to be commissioned, as the private sector may not have the correct infrastructure and support mechanisms to grow significantly thereby leading to significant future problems. It should also be highlighted that the private sector relies heavily on the public sector for contracts, if this market shrinks due to efficiency drives in new RPA Councils this may also have a detrimental effect on the private sector;
- The report refers to the possible amalgamation of DEL and DETI under a single 'Department of the Economy', the education sector is vitally important for the future of the economy and needs to be carefully considered how this fits with a policy department. Given that economic development activity cuts across many of the Government Departments including DARD & DSD, it may be prudent to assess how all of the aspects of the economy can be best served at the Central Government level to ensure coherent, quality delivery giving value for money through restructuring off all government departments.

### *Focus of Invest NI*

- Highlighted in the report are comments on the types of jobs created through the start-up programming being low-value, the targeting of this support needs to move away from generic programming that encourages local displacement and focus on added value businesses, this will be an area of acute interest to Local Authorities who require a more targeted focus for their area to maximise the growth potential and GVA of added value jobs;
- The report also highlights the risk averse nature of Invest NI also stifles development of land and businesses, the productivity gap will not be reduced by avoiding some riskier ventures, however if Invest NI construct a responsive innovative assessment team risk can be mitigated;
- There seems to be a disjoint between those engaged in innovation (Universities) and Invest NI, given the parameters of the Lisbon agenda, this needs to be addressed;

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- There is currently a fundamental disconnect between the Matrix areas for the future of economic development (Advanced Engineering (Transport, Advanced Materials/ Nanotechnology, Agri-food, ICT, Life & Health Sciences/Bioscience) and the commercialisation of R&D opportunities in these sectors. SMEs who represent a significant proportion of the private sector are generally not engaged with the R&D facilities and therefore cannot take advantage of technological advances, this gap needs to be filled to ensure that opportunities are exploited and not wasted, this should be a prime focus for Invest NI;
- Innovation has been referred to in the report as another key area for invest NI to engage, however innovation models for SMEs must be developed for SMEs, rather than accepting scaled down versions of large organisation innovation models as SMEs currently regard innovation as invention. The term innovation needs to be deconstructed and explained for smaller companies as embedding innovation can begin to close the productivity gap;
- The report highlights the need for Invest NI to move up the value chain if the productivity gap is to be reduced, focusing on higher added value businesses, the converse of this is that Invest NI should relinquish the growth orientated businesses to Local Authorities who are best placed to support growing businesses and refer higher added value businesses along the enterprise pipeline to Invest NI. This would require a much more integrated approach with local Councils but would maximise the existing resources freeing up invest to pursue higher added activities further up the value chain.

## **Conclusion**

The Council welcomes the opportunity to comment on the Barnett review and is committed to on-going discussions and consultations on the future of economic policy in Northern Ireland.

Councils have clearly demonstrated that in terms of local economic development they have been engaged since 1994 in local economic initiatives and have demonstrated success in effective delivery of growth orientated programmes for non-Invest NI client (97% of the SME population) at the local level.

The report indicates a role for a small business orientated delivery, given the need for Invest NI to move up the value chain; Local Authorities are extremely well placed to coordinate and deliver this service. The Review of Public Administration will see more powers transferred to local Councils and this role provides an opportunity to

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examine statutory powers and further developments given the capacity built up over the last 15 years.

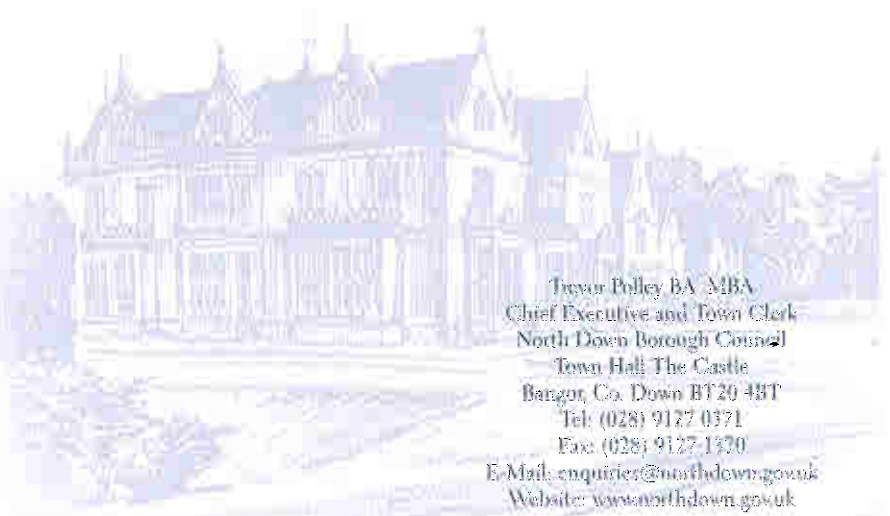
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Supporting local businesses and entrepreneurs is an intensive and resource led activity, Councils are uniquely placed to deliver accountable local interventions thereby maximising the resources of key stakeholders and raising capability. Councils will be the hub of economic and social activity through Community Planning and the 'Power of Well-Being', this places them at the heart of the community and the local economy, they can react to changing local circumstances quickly and efficiently and have a significant partnership role with key stakeholders. This unique position should lead to a more coherent approach to local economic issues and is the glue that will bind effective local delivery; there is an opportunity for DETI and Invest NI to partner in a significant way to clarify roles and deliver a much more consistent approach to economic provision creating a seamless service to businesses.

Invest NI should be concentrating on high value added activities that address the productivity gap (R&D, Innovation, FDI), they should not be risk averse and overburdened with processes and bureaucracy, they should be flexible and responsive and work in partnership with key stakeholders to ensure that Northern Ireland evolves into a high added value, innovation led culture, bridging the gap between R&D and commercialisation with Intellectual Property and knowledge being the currency for success. There is a need for a joined up approach to economic development, rationalising across government departments and ensuring effective local delivery, feeding the enterprise pipeline to create more productive businesses.

Local issues around the local market, land issues and targeted support for new business will require significant partnership with Councils, the dialogue needs to begin in earnest to create this new culture involving strategic stakeholders. Incubation policy is severely lacking in Northern Ireland and as identified this is a key area for development, however a lack of clarity and understanding could stifle this important entrepreneurship strategy, which has the ability to energise the enterprise culture and is proven to provide more robust and sustainable indigenous businesses.



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