

COUNCILS - KEY TO POST COVID ECONOMIC RECOVERY

Joint Submission - NILGA & SOLACE

Committee for the Economy

1. Introduction

NILGA, the Northern Ireland Local Government Association, is the representative body for councils in NI. NILGA is council owned, politically led and develops policy guidance, co-ordinates evidence submissions, fosters strategic and cross government partnerships, represents, develops, and supports local government as a key part of modern, democratic governance.

SOLACE is a national organisation made up of Council Chief Executives and senior managers. In Northern Ireland, the 11 Council Chief Executives work together to develop and implement services across Northern Ireland. SOLACE has set up an economic recovery group across the 11 councils with the intention of feeding into regional thinking and implementation.

Both organisations are pleased to make this submission and to be invited to offer evidence to the Committee.

2. Delivery of Economic Development actions for Recovery: context

This paper offers an overview of the key initiatives local government has been delivering to support businesses across NI, as adapted during the Covid crisis and also offers a forward look regarding priorities & recommendations for economic recovery. It concludes with a key recommendation around co-design between central and local government to achieve inclusive and sustainable economic recovery and growth.

Councils and their business communities are very appreciative of the many interventions that the UK Government and the NI Assembly have put in place to date to help businesses manage the economic shock caused by Covid-19.

At a time of crisis, we believe that there is an opportunity to learn new ways of working and recalibrate the emerging Programme for Government and in particular related strategies such as the Industrial Strategy, and those relating to skills, energy, innovation, digital, climate, regeneration and shared prosperity. Only by taking a more joined up and shared approach across and between central and local government will we be able to achieve the sustainable development of our local economy as a diverse region, fostering inclusive growth and reducing stark inequalities.

Councils need to be seen as much more than service providers, they are hubs for local business, communities and other service providers and they are co-investors in local regeneration and business and community development programmes. Their place-shaping role is key in that they can join up regional and local strategies and programmes to meet multifaceted local need and opportunities, by working across all key policy areas and by convening many local stakeholders and service providers.

However, although efforts are being made to join up economic interventions, with some notable successes around City and Growth Deal frameworks, continued fragmentation of policy, programmes

and funding and insufficient coordination between those who shape and manage economic development strategy and support programmes and other interrelated strategies can lead to sub optimal outcomes, particularly at a local level.

The Industrial Development Act 2002 which established Invest Northern Ireland (INI) guided that INI provides support to its client companies, client companies who must achieve at least 25% of their sales from outside N. Ireland and have, or be judged as likely to reach a turnover of £250,000 per annum. These criteria mean that many of the more than 28,000 micro businesses who employ more than 19.7% of N. Ireland workforce and generate sales of £10.2 bn representing cannot directly access Invest NI support.

As the economy is rebuilt to emerge from the global pandemic,, there is an opportunity for N. Ireland to address long running structural economic challenges such as our historically low levels of productivity, low levels of investment in R & D and low levels of business survival when compared with other UK regions. To address these structural issues and create a thriving inclusive economy post pandemic, a coherent approach that provides support to all businesses in the economy who wish to drive growth and productivity needs to be established.

The Local Government (Miscellaneous Provisions) (Northern Ireland) Order 1992¹, supplemented by the Local Government (Miscellaneous Provisions) Bill (2002)² provide the current legislative framework within which council-led local economic development activity is undertaken in Northern Ireland. This legislation permits local government to incur expenditure “for the purpose of taking such steps, as the council considers appropriate, for promoting the economic development of its district” and to “acquire, hold and develop land for economic development purposes”.

However local economic development remains a discretionary function in Northern Ireland, with no 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.

It is clear that a strong institutional 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.

We believe that co-design – between central and local government, with input from key business and social economy partners - of a more joined up inclusive economic recovery plan would deliver better outcomes for all of government, industry and society. We welcome initial engagement with the Minister’s forums, this Committee and Departmental Officials to this effect.

¹ http://www.opsi.gov.uk/SI/si1992/Uksi_19920810_en_1.htm

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

3. Local Economic Landscape

The Committee will be aware that Northern Ireland's productivity already lags 15-20% behind the rest of the UK and that GVA per job is around 13% below the mean. We also face the challenges of low levels of start-ups, R&D, and innovation, as well as high levels of economic inactivity among our population. As we prepare to exit the EU the future economic and trading situation was already uncertain, but now we must also take cognisance of the post Covid-19 economic outlook. To set this in context the Committee is reminded that recent analysis by the Ulster University Economic Policy Centre (EPC, Economic Consequences of Covid-19) suggests:

- Productivity is down 25-30%
- A contraction of the economy of 7-10% could now be expected, with GDP reducing by 8.1% in 2020
- 200,000 local jobs will be impacted in some form through furloughing and redundancy;
- That the recession will be deep and prolonged and it notes that after 2008 it took much longer for the Northern Ireland economy to move from peak to trough and through recovery than the rest of the UK.

With falling levels of government finance, we believe a concerted effort is required to move to a new partnership between central and local government to design and resource the above mentioned inclusive economic recovery plan which prioritises investment in critical local / regional infrastructure such as water, waste, roads, telecoms, skills, technology, new forms of energy and innovation. This investment in physical infrastructure must sit alongside the development of an ambitious and outward looking industrial strategy, offering incentives and opportunities for firms to innovate and invest in new technology, facilitating supply chain collaboration, stimulating local demand, focusing on high value sectors and incentivising the reskilling and upskilling of employees as well as skills programmes for those furthest from the labour market. Together, these measures have the capacity to shape the long-term resilience of Northern Ireland's firms and our regional economy.

4. What are councils doing amidst Covid-19 to support businesses?

Support for Business

Since the advent of Covid-19 councils have ensured their economic development teams are responding to business needs. Staff have been redeployed to urgent, front-line business advice for local firms. Councils have moved their offering online, by providing virtual mentoring & advice clinics, webinars & podcasts. They have also reworked existing business support programmes to offer tailored mentoring on business continuity, resilience, diversification, financial planning, HR support and moving to digitalisation of services. Conscious of the need to ensure optimum spend and commitment on EU funded programmes, they have moved to ensure that grant recipients (particularly for the Rural Development Programme) receive their funding quickly and accountably. In several cases councils have been approached by firms which fall into the category of Invest NI clients, yet they have sought to provide advice when requested.

Some examples of this support include:

- Antrim & Newtownabbey Borough Council has set up a Text Anywhere service for business support, promoted job opportunities and aided access to funds such as Universal Credit. A GIS map has promoted local businesses offering delivery services;
- Ards & North Down Borough Council is surveying all businesses to shape its future support programmes, alongside fully repurposing existing programmes;

- Armagh City, Banbridge & Craigavon Borough Council has launched a Business Support Hub to enable firms to be matched to a mentor and delivered a Leadership & Management summit with 1400 people taking part;
- Belfast City Council has refocused its support programmes and has established The Covid Connect NI website which matches the digital innovation expertise of local businesses with immediate societal needs;
- Causeway Coast & Glens Borough Council has implemented a 24-hour call-back services and focused on offering firms the resources to move to online trading;
- Derry City & Strabane District Council now offers a wide-ranging tailored support programme for firms & has been showcasing business innovation / contribution in the area
- Fermanagh & Omagh District Council provides one-to-one support and has been concentrating on ensuring all rural development grants are processed quickly;
- Lisburn & Castlereagh City Council produces a daily e-zine on support, grants, rates issues etc for firms and has held online meetings of its entrepreneurs' network;
- Mid & East Antrim Borough Council staff have spoken directly to over 2500 firms, offering advice & signposting services, guiding applicants through grant applications and hosting webinars;
- Mid Ulster District Council has created sectoral Whatsapp groups to provide industry with timely information, a networking platform and sourced PPE for workers in Bloc Blinds, a company which has innovated its product to provide essential face shields for health workers;
- Newry, Mourne & Down District Council has been offering podcasts for companies and are ensuring all suppliers are paid promptly.

In their response to local businesses, each council has shown itself to be locally proactive and adaptable to varying sub regional needs and has played an important role as broker / conduit between central government and local firms.

We welcome the flexibility offered by INI on the Local Economic Development element of the Growth & Jobs Programme which has enabled councils to adapt the programmes they provide to offer what businesses need in this crisis. Such support has included one-to-one mentoring on cash flow, business continuity, resilience, diversification, financial planning, and HR issues for those businesses who are not INI clients. However, we would contend that this flexibility needs to go further and allow the cost of additional and diverted council staff – as per rest of UK – to be factored into LED spend.

Collaboration between councils to design a new 'joint recovery programme' for businesses, as per Minister Dodds' communication of late with NILGA, is underway. We acknowledge and welcome that INI has suggested that EU funds could be used for such an initiative, which could be administratively led by one council and delivered across the 11 councils, in a similar fashion to the successful 'Go for It' programme.

Rebuilding and Recovery Planning

At a more strategic level, Councils are working together to assess the impact of the virus and lockdown measures on their own local economies, setting up local business groups to assess where future policy, funding and interventions will have most impact in the future. When groups of Councils came together to put forward proposals for city and growth deals, they based these on local economic geographies and strategies. Although Northern Ireland is a relatively small region, a number of different economic geographies exist. For example, in the North West, the labour market co-exists with Donegal, in Mid Ulster, manufacturing dominates employment and in the Belfast City Region, there is a focus on Fintech, professional services and the knowledge economy. There are also very close relationships between Councils, local business, ports/ airports and further and higher education.

City and growth deals therefore represent one significant tool for supporting recovery. For example in the Belfast City Region deal there is a significant focus on developing research and development centres of excellence to support the growth of business clusters in sectors such as health and life sciences and advanced manufacturing, as well as investment in technology and digital connectivity to create competitive advantage. This will be important, given those sectors that are predicted to grow globally in future, such as health and tech. In Derry / Londonderry, there is a focus on artificial intelligence, cognitive analytics and personalised medicine and in other areas on supporting manufacturers to adapt to Industry 4 standards. In the Mid South West the focus is on future proofing the skills base for the manufacturing, agri-food, construction and life sciences sectors, building enabling infrastructure and boosting innovation / digital activity.

It is welcome that the Executive recently announced its match funding for City & Growth Deals, along with an additional £100m for capital investment. The eligible councils are working together to come forward with a joint proposal which will also provide a stimulus at a local level for recovery from Covid19.

Many Councils are also supporting and investing in local skills programmes and employability schemes, working with local employers, further and higher education and training providers, so that local skills supply can better match future demand. For example, there is a significant focus on the development of digital skills in the Belfast City Region and on employability academies for healthcare workers. This is also a key area where there needs to be a new relationship between central and local government, both in designing the new skills strategy and in developing local funding strategies and programmes. Local government considers it essential that the restrictions on the number of further and higher education places must be relaxed.

Green stimulus will also be a critical aspect of economic recovery. Local government considers that there should be a strong relationship between the Climate Change Action Plan (DAERA lead) and both the Energy Strategy and the Economic Strategy, as Northern Ireland could be at the forefront of innovation and clean growth. For example, there is significant potential for hydrogen production and prototyping for transport, heating etc.

Businesses are also turning to local government to request assistance for opening up and providing public confidence for return to towns and cities. Councils have begun to make plans for ensuring effective social distancing and safety measures but also programmes to attract customers and families back to their centres. They will design an accreditation scheme for hotels, retail and the hospitality sector to provide assurance to the public. They are also supporting the development of new technology-based business models, for example logistics platforms for local retailers.

Local government also invests in local regeneration programmes to support business growth and promote their areas for FDI and real estate investment. For example, Belfast City Council has co-invested in joint real estate ventures to create more Grade A office and are working to attract institutional investment funds to the city.

5. Key issues for councils at present:

Local economic development remains a discretionary function in Northern Ireland with no 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).

The Department for the Economy and Invest NI need to recognise that Councils have a fundamental role in local economic development which is much wider than delivery of current LED programmes.

This means that a fundamental review of the level of financial support provided to local government to assist it in playing its full part in rebuilding and recovery will be required.

There also now needs to be a reconsideration of the targets and performance measures set for the programmes that local government is required to deliver. These need to reflect the current needs and demands of business and encourage the creation of the right local growth conditions and incentives for new business. For example, whilst Councils initially reported increased referrals to the business support programmes, the closure of businesses and the use of the Covid Jobs Retention Scheme has meant that there is a lack of uptake on these programmes, Go For It and enterprise development schemes. Instead existing businesses are asking for support to reopen, secure cash flows, innovate, and access talent. This means that targets can no longer be limited to job and business growth numbers, but should be data driven and include revenue creation, local procurement, capital infrastructure development, social economy investment, skills development for those looking to go back to work or back to learning. This is the case in other neighbouring jurisdictions.

With regard to the Local Economic Development (LED) programme itself, the fact that some councils have not drawn down their full allocation of LED funding, should not be mis-interpreted. This is simply because staff resources cannot be covered in the programme and projects have clearly been delayed or reprioritised due to Covid-19. It is however inevitable that there will be increased demand for tailored business support assistance once the lockdown is eased. We would therefore ask that as in other devolved administrations, the Department makes the necessary adjustment to programme rules to allow staff costs to be included in their programmes (with the agreement of the European Commission which has offered complete flexibility on programmes).

We also believe that the Department should request modifications to the expected outputs and outcomes for European programmes from the European Commission - flexibility around targets and revised, extended timelines for completing programmes should be agreed.

6. Recommendations

- (i) A co-designed / co-delivery rebuild and recovery plan, rather than a transactional, criteria laden set of projects is required by all levels of government, industry and education, and should also involve social and community enterprise and the voluntary sector. Councils are on the economic recovery front line, and their role needs to be incorporated in the regional plan and properly resourced – as has happened in England, Wales, and Scotland. We welcome that the Minister for the Economy has re-established the former Economic Advisory Group to advise on economic policy and established the Tourism Recovery Steering Group. Local government is represented through SOLACE on the Tourism Recovery Steering Group. We ask that Local Government is also represented on the Economic Advisory Group.
- (ii) As the economy is rebuilt to emerge from the global pandemic there is an opportunity for N. Ireland to address long running structural economic challenges such as our historically low levels of productivity, low levels of investment in R & D and low levels of business survival when compared with other UK regions. To address these structural issues and create a thriving inclusive economy post pandemic a coherent approach that provides support to all businesses in the economy who wish to drive growth and productivity needs to be established. Councils have already demonstrated a central role in local economic development and labour market strategy and interventions. To provide a coherent approach, Councils need that central role reflected in the statutory responsibility with an appropriate budget being provided to resource these actions.

- (iii) There are also a number of taskforces and working groups being organised by industry bodies such as FSB, Enterprise NI, Manufacturing NI, Hospitality Ulster etc. These groups are all surveying their members on business outlook / forecasts /resilience / support required etc. As councils revamp their local economic plans to take account of Covid-19 they will also undertake wide scale engagement. Leadership and co-ordination are needed.
- (iv) We would like to see the EAG setting the overall recovery parameters and advising on the major policy workstreams and investments required. The Group should take evidence from relevant sources such as local economists, academics, business organisations, the Belfast Innovation and Growth Commission and the UK Industrial Strategy Council.
- (v) The Committee and the Department should ensure that regional, sub regional and local rebuild and recovery plans are co-designed, resourced and delivered in a partnership approach across all levels of government, industry and academia. The Department should:
- Set up a Task Force which is guided by the EAG, to develop regional and sub regional investment priorities, maximise opportunities to grow our high value sectors, identify innovative solutions to redeploy skilled workers & target recovery support for critical sectors. There will be an initial need to sustain firms and jobs (including in family businesses rooted in local places), however evidence, data and expert advice will be critical in deciding the longer-term investment strategy. Productivity & competitiveness will be key to sustainable growth.
 - Recognise that each council will have its own plans for local economic recovery and these will be shaped by the geography, demographics, sectoral make-up of the area and the impact of the recession. Councils have also come together to develop sub regional plans as part of their city deals and other frameworks which support distinct economic geographies such as the Dublin – Belfast Innovation Corridor, the North West Strategic Growth Partnership and the cross-border partnerships of ICBAN and EBR. It is vital that the Department, EAG and the taskforce support local decision makers and place shapers in the delivery of these plans.
- (vi) Determining a holistic response to redundancies is required, including a diverse range of incentives for employees and employers to incentivise re-training, re-skilling, apprenticeships, employment opportunities as well as support into self-employment. With the rate of unemployment already rising to 10% it's essential that support is given to businesses to hire new employees and train their staff to increasingly make use of digital technologies that will drive growth, productivity and in some instances will support social distancing measures. The effect of the pandemic is already being most acutely felt in our most marginalised communities therefore a financial incentive is required to influence employers to provide work opportunities for those most vulnerable groups, including the long term unemployed, economically inactive, young and disabled. A new commitment to new skills development pathways for entry-level positions in growth sectors is required to take advantage of the burgeoning economic opportunities arising from a renewed investment in digital technologies.
- (vii) An ambitious package of capital and revenue stimulus is required to encourage all businesses to adopt digital technologies. These programmes would provide businesses with advice and capability on choosing, procuring and using digital technologies. An associated capital programme would assist businesses with the costs to procure appropriate technologies including robotics, simulation technologies, AI and ERP systems. This investment would drive productivity and growth within our economy and provide an extensive stimulus to our local

technology sector in terms of business opportunities and opportunities for the development of new technologies within our priority sectors.

(viii) Mitigate against the real risk of business failure in the short term as this will have compounded affects at local level in terms of supply chains, jobs, vitality of towns and villages. This could include:

- Considering offering rates relief to all firms for 12 months (in line with elsewhere in the UK);
- Extending the Covid Job Retention Scheme (perhaps in a reduced form according to affordability) over a prolonged period to help support jobs as firms gradually reopen, including longer allowances for part-time working;
- Widening the Self-Employment Income Support Scheme to provide support for new business start-ups in the last 12 months;
- A retraining and reskilling programme for those who have lost their jobs.

(ix) There are several operational issues we also assert could be addressed by the Department to aid businesses in the short term:

- Providing more flexibility within ERDF programmes to allow spend on recovery support to businesses. Relaxation of criteria is welcome, but this could go further.
- We would welcome the investigation of whether staff costs can be allowed within the EU Growth & Jobs programme along with a fast tracking of any council bids to this programme to ensure the full complement of EU funding which was earmarked for local councils can be drawn down from the EU.
- Local First Stop Shops: Councils are the first point of contact for many businesses (who are not INI clients) seeking information and support such as further details regarding the categorisation of businesses and circumstances informing the opening of businesses under each step of the Executive's 5 step process; return to work arrangements, procuring PPE & sanitiser etc. In addition, advice on how to plan for exiting the Covid Job Retention Scheme should be made available, particularly for those sectors who are unable to open in the immediate term. We would ask that the Department works with us to develop consistent advice.
- One number, many solutions: The www.nibusbusinessinfo.co.uk is the main signposting site for businesses, A centralised support number has been established by Tourism NI and this has enabled councils to direct businesses to legal and HR support. We would suggest a similar hotline could be put in place for other key sectors.
- Targeted support for the tourism industry to reposition itself and take advantage of the expected demand for stay-at-home holidays in the short-term. The concept of a Kite Mark, similar to the approach taken in other European destinations should be considered, along with targeted marketing campaigns on the island and in GB. Dedicated resources should be allocated for such an initiative given its likely scale and it should be co-designed with the tourism industry.
- Invest in your local town & your future: Councils and businesses in town centres need to take action to build local consumer confidence through managed animation of town centres (outdoor markets, pedestrianisation, use of outdoor spaces etc). Collaboration across councils and government departments will be essential to make this happen. Funding to further assist social distancing and revitalisation initiatives are needed and should be managed through councils.

7. A Forward Look

NILGA & SOLACE assert that we have an opportunity to develop a joined up, locally driven, one public purse approach to the economy which promotes sustainable development, addresses unemployment and economic inactivity, promotes community wealth building and embeds entrepreneurship & innovation as core skills.

Central and local government can work even better together through a process of co-design to coordinate recovery funding to support local regeneration and development plans. They should actively seek out opportunities to maximise the impact of the future Shared Prosperity Fund, City & Growth Deals, Climate Change Investment, Peace Plus, the new Rural Development Programme and any other programmes for recovery actions. We believe Councils are best placed to lead this through their Community Planning, economic development and regeneration roles. The benchmarks, from Cornwall to Aberdeen, are there.

As councils, we apply best practice from other places in Ireland, the UK and beyond. For example, the small grants programme element of the Rural Development Programme has been beneficial to small firms – a similar initiative could be put in place for urban and rural businesses alike. Additionally, Core Cities in England have put forward a case for a cities and towns fund to help revitalise town centres which will need to be re-imagined.

Central and local government, working with industry, anchor institutions and the education sectors on city & growth deals has shown that collaboration has the potential to make a real impact on key sub regional growth sectors by tailoring and targeting investment, this is not just place shaping it is prosperity shaping.

NI can again be a distinct, viable investment proposition. Councils also have a role to play here through the focussed trade visits, international links, and partnerships which they are involved in. We must create a joined-up approach to positioning NI to be able to take advantage of future trends & growth prospects and promoting NI as open for business, taking opportunities from FDI and nearshoring. Existing investment proposals, whether local or FDI need greater support and should be fast-tracked by INI to secure GVA and create new job opportunities. This will require a different approach as to how INI, councils and the Department work together.

Together, we must build on our economic strengths, maximise high value sectors and ensure

- Development of local supply chain opportunities and promotion of local procurement opportunities – including near shoring. A strategic approach covering central and local government will be essential;
- More investment in innovation and research and development centres. (Note City & Growth Deals will support this, but there also needs to be greater draw down of Innovate UK funding);
- That we properly invest in reskilling now;
- Prioritise the early delivery of economic infrastructure, e.g. Project Stratum, strategic road improvements and waste water improvements;
- That innovative ideas such as Free Ports or Zones are developed on a regional basis;
- That more investment is made in digital technology and that we create smart districts to support business clusters; as well as to explore opportunities around co-botics / robotics;
- More investment in health & life sciences, green growth and the circular economy;
- That we build a future economy which is resilient, increasingly self-sufficient and can better withstand shocks;

- That we form key partnerships to promote recovery, such as along the Dublin Belfast economic corridor, with the Irish Regional Assemblies and Scotland’s Borderlands region;
- That we develop a revised investment proposition for the region to attract FDI.

8. Conclusion

NILGA & SOLACE thank the Chair for the invitation and would respectfully seek twice yearly (from 2021) engagements with the Committee so that political scrutiny of progress can be enabled.

DISCLAIMER

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