

## DRAFT INDUSTRIAL STRATEGY FOR NORTHERN IRELAND (ECONOMY 2030) CONSULTATION

### A. Introduction

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 in Northern Ireland.

This consultation response awaits formal ratification by NILGA's all council membership at its corporate meeting of 28<sup>th</sup> April 2017, but is submitted before and in recognition of the response deadline of 25<sup>th</sup> April 2017.

NILGA held an all council interactive consultation event on 10<sup>th</sup> March 2017, in which senior department for Economy officials provided constructive input. The comments received at this event and since then reflect *in large part* the contents below, together with a wider analysis garnered by NILGA based upon its own research, experience, partners and analysis.

### B. Overall Response Summary - 11 Key Messages

1. NILGA welcomes the publication of the Strategy but recognises that Economy 2030 has not materially reflected the political impasse at the N. Ireland Assembly or Brexit. Economy 2030, therefore, should be recalibrated at the earliest opportunity. An economic area the size of N. Ireland, reliant on the public, agri-food, services and tourism sectors with a land border with an EU sovereign state must now adapt those targets, interventions and methods deployed to deliver a sustainable N. Ireland, and create a dynamic culture of risk taking – where risk taking has not been acceptable before within a custodial and compliant public service, a criteria laden procurement and investment culture, the combined effects of which has hampered a culture of entrepreneurialism and stifled unfettered thinking as regards our industrial and economic development.
2. NILGA recognises and welcomes the dynamic nature of the consultation process itself, and particularly seeks to work with the Economy Minister when appointed, the Permanent Secretary, senior departmental officials, and agencies including Invest NI and Tourism NI, in its development and adaptation. Locally, each council's economic / investment strategies are fully networked in terms of stakeholders and are integrated in terms of alignment to local development plans and community

planning. Therefore, councils are in essence **eleven economy and infrastructure hubs or ecosystems**, which if properly utilised and resourced will deliver in large part the Draft programme for Government. NILGA also reminds the Department of the important legislative framework under which councils operate not just for economic development, planning and community planning but, also, exercising powers such as the General Power of Competence.

3. NILGA asserts that the performance elements, as laid out in Chapter 6 Measuring Success, do reflect some aspiration and ambition. However, responding member councils have urged greater ambition, around matters such as investing in world class connectivity, legislating to remove barriers including unacceptable costs associated with getting such connectivity (broadband) from Exchange to Business / Home, ensuring equality of access throughout a relatively small region in terms of ultra high quality infrastructure – public transport and sub regional distribution hubs supporting excellent infrastructure such as the Ports of Larne and Warrenpoint, together with fast rail links to our Airports. World class businesses must get to market, in terms of infrastructure generally and connectivity specifically. This must be a massive investment priority right across the 11 councils in Economy 2030.
4. NILGA asserts that the developing local level delivery structures through councils on the “Skills barometer” should be emphasised more in Economy 2030 and seeks Departmental and wider government assurances that local socio-economic data is built, reviewed and applied through an overall regional assessment team, independently verified, meeting at least annually, as regards step changes in economic performance, on matters such as start up, skills forecasting and development, entrepreneurship and agency performance.
5. NILGA calls upon the Department to lead, in conjunction with councils, sister Departments and other mechanisms to include NILGA, a full scoping exercise of existing interventions, leading to a radical restructuring of the interventions now existent in terms of the economy, removing all structures which have failed or are no longer relevant. A new economy requires new outcomes, and new outcomes require old institutional arrangements to be dismantled.
6. NILGA seeks to commit to, and seeks commitment by the Department and others, to a new Procurement Strategy which enables accountable, innovative, local sourcing to inform, respect and respond to local suppliers.
7. NILGA within this consultation response asserts that it will present to the Department – as well as to its member councils - a detailed **Enterprise Pathways Report** representing findings associated with the two year (first phase) “Boosting Enterprise and Entrepreneurship” programme, within which NILGA is a partner, and which is to be completed across 10 EU Regions, including N.Ireland, by December 2018. NILGA welcomes the direct and dynamic participation by the immediate past Economy Ministers and the Department for Economy’s Permanent Secretary, regarding developing **council and municipality led enterprise learning and networks** following the “Entrepreneurial Region” Award conferred upon N.Ireland as applied

for by NILGA with support from Invest NI, in 2015. The programmes of work and the research derived from these programmes should be fully embedded in the second and third phases of Economy 2030.

8. NILGA welcomes the statement within the Strategic Coherence element of the consultation document (page 8) that “**every sector is vital to our economy**” and the recognition, also, that proportionate support will be channelled into strong and sustained economic growth sectors. NILGA would however assert that **every council is vital to our economy** and as such, local government in N. Ireland should receive further policy implementation roles and transferred resources, if necessary under legislation or contract, regarding all aspects of the local economy, mirroring the ecosystems approach in the Netherlands, Germany, and Thailand, to name but three municipality and sub regionally led economic growth models, and aligned to the City and Region deals now prevalent in England, Scotland and Wales. These deals are NOT restricted to cities and DO give councils lead economic, regeneration, development, land assembly, regionally significant planning, skills development and social cohesion powers. This should be put into Economy 2030 as a target – at the very least – which *offers* local ambition and local challenge and *creates* local economic measurement and local economic resilience.
9. NILGA asserts, therefore, that the Department, subsequent to this consultation, should reference councils as **Economic Hubs** in the final Strategy, whilst also seeking councils to co-design new local challenges and ambitious local targets, achieved in a collegiate, rather than an overly hierarchical or punitive, manner.
10. NILGA further asserts that local delivery of capital schemes, including Business, Tourism and Retail Improvement Districts, driven by forecast need, skills deficit alleviation and assembled / led by councils but **invested in by both levels of government** and private sector, social economy and equity finance, should be countenanced within Economy 2030, focussed at sub regional level. For this to happen, the Departments for the Economy and Finance should work collaboratively with hub councils, SOLACE and NILGA to provide an infrastructure framework for local economic growth. This cannot be done unless councils are given the same Regeneration Powers as those that the NI Executive has. The absence of which across N. Ireland has created economic disadvantage comparative to the rest of the UK and Ireland.
11. NILGA agrees with and reasserts comments made by several councils to the Association directly, that **tourism’s role in driving forward the Northern Ireland economy in recent years has not been recognised or fully understood**. NILGA is concerned that the benefits that tourism can bring to the Northern Ireland economy in the next five to ten years have been omitted from the Industrial Strategy for Northern Ireland. NILGA supports the strategic comment in response to the consultation from the Northern Ireland Tourism Alliance (NITA):

“The benefits of tourism are usually measured in terms of visitor spending, job creation and tax generation, but the true value of a healthy tourism industry extends

well beyond these economic metrics. The nearly 2.5 million annual out-of-state visitors support amenities that add to Northern Ireland's lifestyle. Because of prospering tourism, residents of Northern Ireland enjoy more state parks, improved infrastructure, local community facilities, historical sites, special events, restaurants and leisure and health attractions, than the population of 1.9 million could support on its own. The lasting value of a thriving tourism industry cannot be overstated."

Therefore, NILGA asserts that a greater focus on tourism as a driver of the Northern Ireland economy is an important element to be included in the final Strategy, through greater integration of Tourism 2025.

### **C. CONSULTATION QUESTIONS – GUIDED RESPONSES:**

1. *Do you agree with the proposed vision for the Northern Ireland economy? In particular, do you agree with the twin emphasis on competitiveness and inclusiveness?*

The proposed vision is to create a 'globally competitive economy that works for everyone'. This is a bold vision for NI in the context of an economy that is characterised by underperformance in productivity relative to the rest of the UK, a low level of skills, high public sector dependency and a persistently high rate of those who are economically inactive, in particular amongst those under 25 and over 50. Not to forget the haemorrhaging of our talented and disaffected young people, to more appealing wider world economies.

The proposed twin emphasis on competitiveness and inclusiveness are consistent with the aims of the current EU Jobs and Growth programme which the 11 councils are involved in helping to deliver - focusing on business start-up and business development. Councils in a variety of ways support and deliver upon the Inclusiveness aspect, in that the economically inactive are afforded realistic opportunities to benefit from economic growth, gaining access to effective training and sustainable employment. Inclusiveness also means creating economic opportunities that balances regional growth and ensures a positive impact on both urban and rural areas.

The twin emphasis is not enough. Of major importance, also, will be ensuring that rural and urban *disadvantage* (for those who cannot readily access jobs, learning and services) is mitigated. The inclusiveness aspect is welcomed in this regard.

NILGA welcomes the consultation reference to using the Prosperity Index which goes beyond GDP to measure a countries success against a broad set of metrics covering areas such as health, education, opportunity, social capital and personal freedom and asserts that NI should have aspirations to achieve real and balanced prosperity on a par with those countries identified (Norway, Switzerland, New Zealand and Sweden). The reference to the personal wellbeing survey and how NI is "the envy of other parts" needs to be questioned however - particularly when there is a much

higher than average of NI citizens receiving Disability Living Allowance for mental health related issues.

NILGA notes the launch of the wider UK Digital Strategy on 1<sup>st</sup> March 2017 and seeks clear examples from the Department that NI's councils will be able to receive added value within their economic development investments by gaining from the funding and participating in the delivery of digital skills and start up support for individuals, charities and businesses as provided until 2020. NILGA also seeks information from the Department regarding

- (i) Whether NI is seeking to bid for one or more of the five "International Technology Hubs"?
- (ii) How Google will work with the councils as economic drivers, regarding teaching digital skills aimed at boosting tourism and growth in coastal areas, an important aspect of many councils' investment and planning strategies?,
- (iii) Whether universities here with support from DfE will seek investment in Robotics from the £17.3 million made available by the UK government (March 2017)?

## **2. Do you agree with the proposed 5 Pillars for Growth?**

The 5 Pillars for Growth in the draft strategy are:

- *Accelerating Innovation and Research*
- *Enhancing Education, Skills and Employability*
- *Driving Inclusive, Sustainable Growth*
- *Succeeding in Global Markets*
- *Building the Best Economic Infrastructure*

Innovation is an overused word which basically means "keeping up with the rest of the world". Everyone should be innovative, so we would assert that an innovative culture needs to be deployed in government – fulfilling the driving ethos of the outcomes based Programme for Government. Central to a successful Industrial Strategy are innovative PEOPLE – Ministers, civil servants, public servants - actively promoting business competitiveness and increased productivity which in turn leads to the development of higher levels of skills within the economy and to good quality, productive, jobs.

Innovation is not a top-down hard-edged directive; it is a bottom-up ever-evolving process that needs greater recognition of local innovators by regional / national government.

The Industrial Strategy and the Social, Investment and PfG strategies read well but must deliver better. They were ALL to be approved by December 2016. The Economy, councils and local people cannot wait, so local government MUST be fully equipped and empowered on levels similar to other government departments and

be enabled to design and implement policies such as procurement, business regulation, infrastructure investment, education and training.

NILGA asserts that an innovative attitude / approach to supporting core, traditional industries – including family businesses in the food and drinks sector, precision engineering, white goods electronics, requires government intervention and municipal entrepreneurship – supporting small locally owned businesses working in core sectors like retailing, tourism, hospitality, trades – an innovative approach to supporting these will complement the more “high skills” innovation / R&D referred to in the Strategy.

The five pillars are interdependent and are also individually important – and non-contentious. We accept that, for the purposes of this response, pillars such as Enhancing Education, Skills and Employability must be aligned – if necessary in budget terms also - by parallel Strategies such as the Education Policy, driving learning opportunities for inaccessible, marginalised members of the community through third level institutions like the College network – a key partner in localising benefits of strategies and high level policies for the Council.

Councils are well placed to play a key role as a leader and facilitator of an Employability and Skills Forum, through Community Planning Structures. Such a forum will need to bring together key stakeholders and the private sector to form an industry led approach to education skills and employability which aligns with the Economic Policy Centre’s Skills Barometer at a local and regional level.

The strategy must also give due regard to the rapidly changing economy which in the experience of several councils, has led to major job losses. There is a need for targeted support to help create replacement jobs when such large scale economic shocks occur. Recognition of this as an ongoing problem, as well as measures to retrain and up-skill redundant workers and encourage mechanisms to facilitate transferrable skills are notably absent from the strategy.

Regarding the “Building the Best Economic Infrastructure”, NILGA asserts that this presents a step change opportunity for the economy at regional and local levels through bottom up, multi-agency partnership. In the current Brexit environment – with new fiscal arrangements for NI related to EU funding and repatriation, coupled with wider economic global considerations, it is imperative that NI at regional **and local council levels** builds high quality infrastructure to anticipate what the new, globally competitive economy will look like.

Northern Ireland has advantage of being geographically small. This provides scope for effective regional partnerships to exist, driven by local level mechanisms. The opportunities presented by a meaningful and effective central/local government partnership structure must be fully maximised going forward. Only then will we encourage the huge cultural shift necessary to bring about delivery of this strategy for all of our people and subsequently put us on the path of delivering the bold and ambitious milestones.

NILGA asserts the need to invest substantially in new capital investment for any Industrial or Economic Strategy to be fulfilled. This involves high quality broadband to each business and household, to link our SMEs to a global marketplace, to invest in a newly regulated business model which simplifies not complicates employment and regulation legislation for SMEs.

NILGA asserts that local authorities can be investment partners with central government and the private sector in new, outcomes focussed, creative fiscal partnerships (such as Local Asset Backed Vehicles). In this context, this pillar should emphasise the role, and resources required by and available to, councils to achieve it, in partnership, working within the councils'11 community and investment plans / strategies. Greater knowledge by the Department of the councils' priorities should be gleaned as a priority.

It is clear from previous consultations on Rapid Access Points and in terms of the vision laid out in the March 2017 Digital Strategy that broadband needs further investment, from "Exchange to the Home", especially in rural areas, to stimulate modern local economies. NILGA appends the Irish Central Border Area Network report "Broadband at the Crossroads", in this regard.1.

As the Northern Ireland economy is mainly made up of micro companies and SMEs it is important to create the right LOCAL infrastructure to allow them to grow. NILGA asserts that the development of business (and social economy) eco-systems should be a key element of any growth plan for the region led by the Council and associated Community Planning partners.

These eco-systems allow businesses to feed from each other and evolve as a cluster. This process should be led by councils, the private sector, education and enterprise partners, and requires to be locally facilitated.

NILGA draws attention to the Regional Growth model and the Local Enterprise Partnership model in Scotland and England respectively. It is crucial that local authorities are presented formally with this role as part of the Industrial (and imminent Economic) Strategy, a role which will give them the functions and the funding to develop their own business eco-systems, and NILGA calls upon the Department to develop a time bound, output driven way forward with the sector accordingly.

### **3. Do you agree with the proposed economic milestones?**

The proposed economic milestones are:

- By 2021, we will have created 50,000 new jobs, helped 18,000 economically inactive into work and made NI the number one location for inward investment outside London

- By 2025, we will have 380,000 qualifications at level 3 and above, grown the value of sales outside NI by 80% and doubled the amount spent here by out of state visitors
- By 2030, we will have grown private sector output by 35% creating 80,000 jobs, put NI in the top 3 most competitive, small advanced economies, created 80,000 jobs in the ‘knowledge economy’, increased annual spend on research and development to £1.5bn and maintained the highest level of ‘wellbeing’ in the UK.

Again, these are challenging but necessary CORE MINIMUM performance milestones if the NI economy is to be rebalanced from being over dependent on the public and services sectors to one that is driven by manufacturing and exports. Northern Ireland does not have a critical mass of world class companies of which local supplier chains can develop and grow (through ecosystems as above mentioned); the recent loss of established employment (JTI Gallagher, Michelin, Caterpillar, First Trust Bank) are major setbacks for local resilience within an Industrial Strategy. The massive reliance on small, family owned businesses in NI employing less than 20 people makes it even more important to target and nurture such firms and develop their capability and ambition to grow through innovation, collaboration/clustering and developing external markets – whatever the sector. As such, councils’ roles in these terms will benefit from greater funding allocations from the Departments for the Economy, linked to the 11 councils’ partnerships.

It is vital that the milestones are periodically reviewed and that regular Results versus Targets reporting occurs, so that any modifications to key performance indicators take account of prevailing conditions and revise upwards or downwards the milestones – which are relevant today but not necessarily tomorrow. Again, councils would wish to be part of the co-design and co-evaluation of these milestones rather than being written to about them.

**4. Do you agree with the importance of continuously benchmarking Northern Ireland against other small advanced economies?**

Yes. Benchmarking with other similar economies is crucially important both as a means of establishing a baseline and in terms of monitoring performance and results. Much can and is being learned from small but highly successful economies such as Denmark, Estonia, Finland, the Republic of Ireland, Scotland and Singapore where challenges of location and neighbouring competition have been overcome through innovation, specialism and diversification. For example, the ICT sector in the Republic of Ireland has been very successful in attracting both new start-ups and in foreign and direct investment largely due to government policy on supporting the industry.

We would also formally request that the evolving European Entrepreneurial region (EER) benchmark work is accessed – including dynamic reports and learning aids on “What makes an entrepreneurial ecosystem and small regional economy work?” is utilised – Northern Ireland being one of twelve EER regions. NILGA is an iEER partner

and the Department's Permanent secretary materially supports the work and its potential. NILGA draws attention to the COMET Programme in Australia. \$6.5 million invested by private capital for every \$1 million government invested, 60% of businesses still going after 5 years. The policy makers in government wanted it to succeed – so they brought in entrepreneurs to run it.

**5. Do you agree that the Industrial Strategy should now move towards a rebalancing focus?**

Yes. Rebalancing is seen to be essential for the NI economy to move away from an over-reliance on the public sector and services to generate growth.

However, careful consideration should be given to lessons that have been learned from previous strategies:

- The private sector, agency partners and social economy groups at local authority level as well as regionally need to be empowered through commissioning and contractual commitments, to deliver the step change necessary. Public Sector bodies (including the “parent” Department for the Economy) should provide a policy framework, delivered by councils and Community Planning partners;
- Try not to over-regulate business, especially in a post Brexit environment where “repatriation” of regulations from Brussels to devolved administrations and councils’ risks repelling businesses and investment;
- It cannot be left to government to pick the ‘winners’ and the future technologies that will drive innovation and bring about the desired rebalancing - entrepreneurs should be materially involved
- There should not be an over-reliance on academic science to be the catalyst for innovation with the focus being on industry itself. We would highlight the innovation available at local, non-academic level, with vocational training and family apprenticeships receiving investment, for example, if and when the Apprenticeship Levy is applied.

**6. Do you agree that our Industrial Strategy should support sectors where Northern Ireland is world class or where we have the potential to be world class?**

Having a critical mass of world class companies in each local authority area is vital for the NI economy as a means of developing local supply chains that can quickly diversify and move into export markets. There are around 68,000 businesses in NI of which an estimated 90% are small family firms that traditionally service local markets. These businesses need to be encouraged to positively engage with our world class companies to identify supplier opportunities, particularly in the highest performing automotive, construction, Agri-food, fish processing, tourism\*, energy technology, robotics and creative industries (such as gaming and film animation) sectors. \* NILGA supports the view that our tourism offering is our land, our people, our culture, our heritage and is unique within each of the 11 council economic

ecosystems – therefore, it is an indigenous sector that can never be ‘off-shored’ or attracted away by the lure of cheap labour, and, therefore, is sustainable, renewable and creates a ‘circular economy’.

## **7. For each of the 5 Pillars for Growth:**

- ***Do you agree with what we want to achieve?***
- ***Do you agree with what we plan to do to deliver?***
- ***Do you agree with how we plan to measure progress?***

Broadly and as a core minimum, yes.

However, NILGA asserts that some key areas are overlooked in terms of HOW TO deliver and measure.

- **New local ideas** – some very innovative (by nature) entrepreneurs are doing great things outside of Govt. One local entrepreneur has proven that NI can “connect” the fishing industry with local school kids to build apps / creative solutions for business growth AND to connect local young people to a fragile industry. This could be a global export drawn from local people and places - Kilkeel, Portavogie & Ardglass, if such schemes are (i) endorsed and (ii) trial invested in.
- **Greater reference to the global changes occurring.** Arguably, this Strategy is deliberately very insular in style, all about NI. Global connection doesn’t mean JUST an export target. It means bolting into the Global Economy, connecting our schools in, businesses, the voluntary sector. To do that the world needs to know who we are, and as such NILGA asserts that NI should develop a branding to be “The Creative Capital of Europe” by 2030.
- **Keeping our talented people in N. Ireland.** Arguably, the consultation materially avoids recognising that the “wider world of employment” outside of NI is far more appealing to our talented and disaffected younger people, partly due to better wages and perceptions of a more exciting view on life outside of NI.
- **Economy 2030** must increase the productivity of NI companies (see multi factor productivity, MFP, below) and create both opportunity and good quality jobs in a broad range of sectors and locations in a way that benefits both urban and rural areas, as befits each council Hub or ecosystem. County Down for example has developed an international reputation for the quality of UPVC manufacturing (such as Denroy Plastics) and fellow innovators in agri-food and precision engineering. Business clusters in such sectors need not be physical, but can be nurtured through dynamic networking. Invest NI can divest such responsibilities, further, even for large indigenous companies, to councils, within an overall regional policy framework. Each council will nurture, champion and sustain their own wealth and productivity creators. As such, councils designated as Economic

Hubs are key to design and delivery – as are the businesses in their areas and those whose skills will be developed to fulfil future employment needs and entrepreneurial growth.

- In terms of monitoring, this should be designed and implemented with input from businesses themselves in partnership with local councils where local knowledge / data can help drive faster, better, effective initiatives through the ecosystem / Hub approach referenced throughout this response.
- NILGA also asserts that even the existing matrix is ripe for alteration – with the OECD being a harsh self critic of GDP / GVA. These theoretically measure aggregate expenditures, which theoretically approximates the contributions of labour and output. The department might seek to use alternative measurement matrices, such as multifactor productivity, or MFP, to show the contribution of innovation, motivation, wellbeing and technical capacity. It is vital that the milestones are periodically reviewed and that regular **Results versus Targets** reporting occurs, so that any modifications to key performance indicators take account of prevailing market, trading, financial and legislative conditions and are revised upwards or downwards or indeed milestones changed. Again, councils would wish to be part of the co-design and co-evaluation of these milestones rather than being written to about them.

**In conclusion**, NILGA seeks formal engagement with the Department and welcomes renewed relationships with Invest NI including its new Head of Entrepreneurship. Following the end of this paper consultation NILGA requests that the Department, the Association, our colleagues in SOLACE, and member councils, develop a series of task and finish delivery mechanisms to enable the co-design of a clear delivery framework, complete with new models of intervention and measurement.

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