



<b>Subject:</b>	COVID-19: implications for economic regeneration and emerging proposals
<b>Date:</b>	13 May 2020
<b>Reporting Officer:</b>	Alistair Reid, Strategic Director of Place and Economy
<b>Contact Officer:</b>	John Greer, Director of Economic Development Cathy Reynolds, Director of City Regeneration and Development

<b>Restricted Reports</b>	
<b>Is this report restricted?</b>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<b>If Yes, when will the report become unrestricted?</b>	
<b>After Committee Decision</b>	<input type="checkbox"/>
<b>After Council Decision</b>	<input type="checkbox"/>
<b>Some time in the future</b>	<input type="checkbox"/>
<b>Never</b>	<input type="checkbox"/>

<b>Call-in</b>	
<b>Is the decision eligible for Call-in?</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

<b>1.0</b>	<b>Purpose of Report or Summary of main Issues</b>
1.1	The purpose of this report is to update members on emerging research on the likely impact of the current COVID-19 pandemic on the economic growth of the city and highlight a number of immediate areas of work that are being taken forward by the Council and a range of partner organisations.
1.2	It should be noted that a much broader report on support and recovery post Covid will be considered in due course. This will also consider the impact of the crisis on inequality, communities, health, mobility etc.
<b>2.0</b>	<b>Recommendations</b>
2.1	The Committee is asked to:

	<ul style="list-style-type: none"> <li>• Note the update on emerging research on the likely impact of the current COVID-19 pandemic on the economic growth of the city. Sectoral feedback has highlighted the importance of a strong public private partnership approach.</li> <li>• Note that a number of immediate areas of work that are being taken forward by the Council and its partners, in the context of previously agreed Committee priorities, aimed at addressing these challenges and to help mitigate the impact of the downturn on local residents and businesses as well as maintaining investment to support inclusive growth in the city</li> <li>• Note that this work will form part of a wider recovery plan that will be brought back to S P and R Committee at a future date.</li> <li>• Note that a specific report on the Council’s role in supporting and facilitating the opening up of business and the city centre will be brought forward at the June Committee meeting date.</li> </ul>
<b>3.0</b>	<b>Main report</b>
3.1	<p>At the City Growth and Regeneration Committee meeting in February 2020, Members agreed the Committee’s Priorities for 2020/21. This included delivering key activities set out in the Belfast City Centre Regeneration &amp; Investment Strategy to drive the regeneration of the city core and its surrounding areas, and delivering inclusive growth through economic development, employability and skills, international relations and the Cultural Strategy.</p>
3.2	<p>The Committee also approved the development of the Future City Centre Programme to provide a coherent approach to the development of the city centre across priority cross-cutting strands of work including Strategic Sites Assessment, City Vitality, Addressing Vacancies, City Centre Connectivity and Positioning the City to Compete in attracting local and international investment.</p>
3.3	<p>At the City Growth and Regeneration Committee meeting on 6 March 2020, approval was given for the delivery of a series of work plans relating to city centre revitalisation; growing the economy and working and learning. The work plans contained a range of initiatives and investments to move forward the key areas of focus that sit within the responsibility of the City Growth and Regeneration Committee.</p>

3.4	<p>The COVID-19 pandemic has had a monumental impact on the economic life of not just Belfast but all across the world. Members will be aware of some of the emerging research findings and forecasts. At a macro level some of the key pieces include:</p> <ul style="list-style-type: none"> <li>• International Monetary Fund (IMF) report confirming that the pandemic has pushed the world into a recession and that, for 2020 at least, the situation will be worse than the global financial crisis</li> <li>• McKinsey report noting that it could take three years for the US economy to recover</li> <li>• OECD report confirming that the most significant decline in consumer spend has been in the arts and culture, hospitality, leisure, tourism and transport sectors alongside professional and real estate and retail and wholesale</li> <li>• UNCTAD (United Nations Conference on Trade and Development) report suggesting that global FDI will decrease by up to 15% this year.</li> <li>• Bank of England forecasting the UK economy will shrink by 14%.</li> </ul>
3.5	<p>At a Belfast and Northern Ireland level, a number of reports have been produced in recent weeks. Key findings include:</p> <ul style="list-style-type: none"> <li>• Likely slump in NI economy in 2020 of between 7.5% (Danske Bank) and 10% (UU Economic Policy Centre (UUEPC)) – both higher than impact of 2008 recession</li> <li>• Estimated 235,000 staff temporarily laid off or furloughed and 385,000 jobs deemed to be “most impacted” by the downturn – of which 145,000 are in wholesale and retail and 96,000 in manufacturing (UUEPC)</li> <li>• Footfall levels in Belfast city centre around 10% of the figure for the same time last year (Belfast One BID)</li> <li>• Up to 80% of private sector staff furloughed (Belfast Chamber and NI Chamber)</li> <li>• Tenfold increase in applications for Universal Credit (DfC).</li> </ul>
3.6	<p>While the initial response focused on the health-related measures, national and regional governments reacted quickly with a range of business and income support interventions designed to support companies at this challenging time and to shield them and their employees from the most significant impacts of the downturn in economic activity. These include:</p> <ul style="list-style-type: none"> <li>• Bank loans for micro, small and larger business (with significant underwriting by UK Government)</li> <li>• Various relief schemes including rates relief for Q1 on both domestic and non-domestic properties</li> </ul>

- Job retention scheme (furlough) covering 80 per cent of business staff wages, up to £2,500 per employee per month
- Deferral of payments e.g. self-assessment payment due to be paid to HMRC by 31 July 2020 may now be deferred until January 2021.

3.7

Despite the interventions, it is clear that the pandemic will significantly affect the Belfast economy and its workforce and our original plans to support economic, physical and social regeneration in the city. Officers have been working closely with partner organisations in the public, private and statutory sectors to get a handle on the scale of the challenge and to work towards collaborative solutions. There has also been significant engagement with and learning from partner networks such as Core Cities – exploring opportunities for joint lobbying and building the case for investment in cities in order to drive economic regeneration. In addition, officers have been working with relevant government departments that are involved in the regional response to the pandemic, particularly Department for Communities, Department for Infrastructure and Department for the Economy. There are a number of working groups being established and, where possible, we have been working to secure council input to and representation on these groupings.

3.8

One of the emerging schools of thought is the need for a place-based approach to the recovery: recognising that the needs of cities like Belfast are significantly different from other, more rural locations. Recent research from the Centre for Progressive Policy shows that Belfast could suffer an estimated 30% decline in output in quarter 2 2020, the same as Derry & Strabane and lowest of the councils based in Northern Ireland (with Mid Ulster being the highest of all 11 local council areas). This is largely due to the economic structure in the different areas. By any metrics, these represent significant reductions in GVA. However they also point to the need for locally-responsive solutions. In Belfast, this is likely to focus on:

- Likelihood that those in low skilled occupations will be disproportionately impacted – and the resulting impact on social cohesion
- High levels of economic inactivity in Belfast, concentrated in geographical areas of the city and recognising that these people will find the challenge of getting a job much more difficult in an economy that is in recession
- Concerns for the micro and small businesses: they make up more than 90% of the business base and many already operate on very tight margins with limited or no reserves

- Concerns regarding the ability and speed of the FDI return – a significant driver of both job creation and productivity in Belfast
- Infrastructure concerns: with connectivity significantly impacted, concerns for the major infrastructure services such as the port and the airports
- Tourism: this has been a significant driver of growth in Belfast over the last decade or more. With timescales unclear on any return to travel, this means that, in the short term, the market is likely to be reduced to domestic visitors only – and this is not large enough to sustain the level of recent investment in the sector (particularly by the private sector). It also includes concerns about business tourism – with significant implications for ICC Belfast
- The capital investment market may be key to accelerating economic recovery and will require ongoing engagement to see how best this could potentially work for Belfast to drive inclusive growth. There will need to be a strong emphasis on how public / private/ third sector relationships and partnerships can bring forward the appropriate development and regeneration proposals which address inclusive economic growth creating and shaping a sustainable city eco system
- Residential development is an area which sector feedback indicates could potentially have a catalytic role in regeneration, as well as bolstering the construction industry. Investment intelligence also demonstrates there is appetite and demand for long term income residential partnership arrangements with Local Authorities. Members have previously identified more city centre living as a key priority for the city
- Demand for office space remains uncertain. The new normal and social distancing measures may place emphasis on space requirements whilst agile working is also likely to influence demand. The quality of future requirements will potentially focus on “wellness”. This will put an emphasis on the regeneration impact that a strong city employment population provides.
- Hotel development is on hold and there are concerns around the demand given the significant impact on the tourism sector
- The city centre will undoubtedly face challenges in the context of a changing retail and hospitality landscape. Whilst the challenge should not be underestimated, it further highlights the need to amplify the re-imagination of the city centre addressing the importance of vitality, the diversification of land use, promoting mixed uses, enhanced sustainable connectivity, open and green spaces and community infrastructure, with more family usage.
- There is an increasing recognition that the city needs to consider how its infrastructure can adapt to meet the challenges of a world post-COVID. There has

been much debate around connectivity and sustainability issues in the context of modes of transport including cycling and pedestrian priorities, as well as air quality and other environmental considerations.

- With connectivity significantly impacted, there are concerns for the major infrastructure services such as the port and the airports, and the need to re-instill confidence in the public and active transportation networks to avoid a regression to the private vehicle.

3.9 As identified above, the Committee had previously approved a range of activities to support economic development, employability and skills and city regeneration and development. While some commitments will be able to progress, it is considered that there will be a need to re-focus some of the activities to take account of the impact of COVID-19. Given that this is an extremely fluid situation, these conversations are still progressing and details are being finalised. However, details of some emerging areas of work and key issues arising are set out below for Members' information:

3.10 Employability and skills

- As the figures above illustrate, there has been an almost total collapse in demand from employers for any new jobs – with the exception of a number of sectors that have seen exponential growth (e.g. health and social care; food retail and logistics). Some Fintech companies have also experienced some growth. This means that we are having to re-consider many of our interventions which are predicated on bringing together the supply side (in terms of people seeking employment) and the demand side (employers seeking to recruit). This is particularly challenging for those who are long-term unemployed or economically inactive and is likely to mean that it will become all the more challenging for them to get back to work now, given the increased competition from the “newly unemployed” for a much smaller number of job vacancies or those which employers are seeking to fill as soon as possible – with limited flexibility or the availability of additional support required by many of those that have been out of the labour market for some time
- One of the potential instruments to address this is to explore a range of employer incentives, focused on encouraging businesses to recruit LTU or economically inactive clients. We are working on businesses cases to understand what this might look like and how it might be resourced

- Over the last year, we had been working on a series of upskilling employment academies. These were focused on helping people already in employment (but in lower level positions) to undertake additional training with a view to moving up to a higher level of position and achieving a high level qualification. This training is ongoing with more than 110 clients and we are hopeful that, in time, they will progress in the labour market. We are exploring the opportunity to expand this offer into new skills areas (particularly digital skills)
- Given the influx of new people becoming unemployed, we recognise that it is likely that many may need to look at reskilling in new sectors. At present, it is difficult to predict what those specific skills or sectors will be but we are engaging with Invest NI to explore opportunities for re-skilling once there is greater clarity. This also provides an opportunity to focus on new growth areas and, potentially, improve productivity levels. As detailed above, this might include consideration of those sectors that have experienced a jump in growth as well as those that are more likely to emerge “first” from the current situation
- Traditionally, the council’s efforts on employability have focused on the economically inactive and long-term unemployed. We consider that it will be important to keep this target group at the forefront of our investments but recognise that we will need to evolve our support interventions given the changing labour market and sectors most impacted or likely to remain impacted going forward.
- There is an opportunity for the public sector to lead by example on the employment response. In advance of the lockdown, we had engaged with Translink, Education Authority, Belfast Trust and Belfast City Council’s HR teams to develop ring-fenced employment opportunities for the economically inactive. If the public sector partners can stand up these interventions, it can send a positive message about our commitment to support inclusive economic growth and can encourage others to follow suit. This is likely to involve building on the commitments set out by some of the city’s key employers as part of their commitment to supporting inclusive growth in Belfast
- Research suggests that young people are among those likely to be most adversely affected by the situation. There is an opportunity to ensure that young people are placed at the forefront of the recovery approach, demonstrating our commitment to them and supporting social cohesion

- One of the key areas for development will be to look at digital skills. This will involve general digital capability as well as more technical digital skills in high growth areas. We are working with our Belfast Region City Deal partners on a combined approach to this, taking account of the planned investment in the digital infrastructure across the BRCD area. We will also need to work with the relevant government departments and the further and higher education sector to develop a significant re-skilling programme for our citizens.

3.11

#### Business start-up and growth

- Support services for start-ups, social enterprises, cooperatives and business growth has all been moved to virtual delivery models. In the first weeks following the lockdown, the pipeline of new clients dropped off by up to 40%, given the absence of key referral channels (e.g. Enterprise Agencies, key business support organisations) and officers focused on supporting existing clients who were trying to deal with the impact on their business and consider opportunities for new ways of working. With the support of corporate communications and delivery teams we have developed a communications plan to ensure businesses in the city are aware of this support, as a result of this 51 new businesses have registered for our support since the beginning of April. We also launched a series of live webinars which have engaged 200 businesses so far and in addition to this some of our business mentors have recorded podcasts which are now live on the website. Officers are continuing to develop the services provided across these work streams to ensure that the support in place is relevant to meet the needs of local businesses at this time
- In keeping with government guidance, a decision was taken to close the Innovation Factory (IF) on the 24<sup>th</sup> March. All occupants are now working from home, however they are still able to access the mentoring and services of Innovation Factory to support their businesses at this time. As part of a corporate decision on fees and charges, elected members agreed to give all tenants a three month rent free period from 1st April 2020 to the 30th June 2020 to help support local business in these challenging times. This rent free period has been gratefully received by tenants and will hopefully ensure that tenants are in a position to return to the centre and grow their business through our support when it reopens. In the interim, officers are working with the Innovation Factory team to establish a business recovery plan for when it is safe to re-open the centre and this will include a significant drive to increase occupancy levels



- Exploring additional incentives for start-ups, social enterprises and cooperatives – including those made redundant: we have been engaging with colleagues in the Department for the Economy and Department for Communities to explore the potential for additional incentives to help those who may wish to start up a new business. As has been the case following previous recessions, people who are made redundant may choose to move towards self-employment. We have tested out a number of approaches involving additional financial incentives – whether that is through the benefits system or through additional grant funding – and are working with partners to explore how these might be scaled up. We have also been working closely with Social Enterprise NI and Cooperative Alternatives to identify specific support for the social enterprise and cooperative sector. We understand that the Northern Ireland Executive is to develop a new support package so we will ensure that our investment is complementary
- Supporting DfE on administration of grant support for hospitality sector: we have been working with the Department for the Economy to support the administration of the £25,000 support fund for eligible businesses in the tourism, hospitality and leisure sectors. These businesses are among those that have been most adversely impacted by the downturn. Within the first week of the scheme opening, we had processed 13 requests (the council only inputs where the Department for the Economy requires additional support on a business that it cannot access from Invest NI or Tourism NI)
- We have been focusing on digital skills support in particular, helping businesses to explore new ways of working. This includes enhancing their online presence, investing in new digital equipment and developing a digital media plan
- Through our resilient city approach and the work of the Climate Commission, there has been a commitment to supporting sustainable economic growth by exploring opportunities for energy transition and developing new business opportunities in this growing sector. The current challenges present an opportunity to consider how this work can be set in the context of a wider approach to economic recovery in the city.
- Work on creating a social value procurement framework has been prioritised with a phased approach being developed which focuses on impacted sectors and on maximising economic impact within the district.

3.12

Tourism development

- Tourism has been a key growth sector for the city for the last decade and currently accounts for around 18,000 jobs in Belfast. However the industry has totally collapsed since March this year. Engagement with Tourism Ireland and Tourism Northern Ireland suggests that the sector's recovery is likely to be more protracted than others – stretching out to up to three years. A recovery taskforce has recently been established by the Minister for the Economy and officers are working to ensure appropriate and adequate representation from the council as part of this work
- Belfast has traditionally accounted for around 40% of visitor numbers and spend and it a critical gateway to the region through its port and airports access. Likewise, the sector has provided employment opportunities across a range of skills levels and job types. A recent Tourism NI survey suggests that 79% of businesses consider that their business will be severely affected in the short-term (63% in the longer term). Many of these are small businesses that are reliant on visitors coming to the city. This points to the need for a dedicated programme of investment in product development, city marketing and business tourism development in conjunction with Tourism NI and other partners
- Given the extended timescales for recovery, it will be even more critical for the council and partners to focus resources on initiatives of international scale that can place the city back on the visitor map. In April 2020, the City Growth and Regeneration Committee approved a series of tourism and cultural development support activities. This includes a programme of scale in 2023 which had been identified as a major strategic initiative to support long-term resilience, growth and transformation in the city. Given the likely impact of COVID-19, it is anticipated that this will become of even greater importance to support recovery. Development work around an engagement and communications approach as well as commissioning, curation and potentially bidding for key events (subject to further approvals) will continue in the coming months. Given that in the short to medium term, the key market for visitors will be the UK and Ireland we will also focus promotional activity to target that audience.

3.13	<p><u>City Centre Connectivity</u></p> <ul style="list-style-type: none"> <li>• In the context of reduced traffic flows and the likely requirements around ongoing social distancing there is an increasing need to consider how our city's streets and places can be best used to make them healthy, vibrant and accessible</li> <li>• City Centre Connectivity Study: A Bolder Vision for Belfast – it is recommended that this is now progressed further with DfI and DfC with a view to gaining Ministerial approval for the Vision</li> <li>• Accelerate preparation for Phases 2 and 3 including agreement on specification for procurement and governance arrangement</li> <li>• Working with DfC and DfI to consider immediate small scale interventions to encourage social distancing on the public and active travel networks</li> </ul>
3.14	<p><u>City Centre Living / Strategic Site Assessments</u></p> <ul style="list-style-type: none"> <li>• Prioritising the delivery of the Strategic Sites Assessment Phase 1 to bring forward residential-led, mixed use, mixed tenure opportunity development sites within the city centre. CG&amp;R Committee in April approved the progression of a Development Brief process in respect on the Inner North West Northern Cluster within Phase1. Further detailed work is required to bring forward the remaining cluster sites in Phase 1</li> <li>• Commencing the Strategic Sites Phase 2 Programme of work to include an analysis of the city wide public sector estate</li> <li>• Engagement with NIHE, DfC, private sector and funders to help bring forward the development of a shared and inclusive city centre, and accelerating solutions to the obstacles of city centre living.</li> </ul>
3.15	<p><u>City Centre Inner North West Area</u></p> <ul style="list-style-type: none"> <li>• The Inner North West (INW) Special Action Area was identified in the Belfast City Centre Regeneration &amp; Investment Strategy as an area that is currently underdeveloped and in need of significant investment to address long-term dereliction in the area. Members previously agreed a Masterplan for the area and in February 2020 they also agreed an aligned INW Action Plan</li> </ul>

- There are a number of development and regeneration opportunities that sit within this plan area, both from a public and private sector perspective. This includes the two SSA clusters, The Sixth, the Building Blocks (Bywater) proposals and other private sector and derelict lands. Given the extent of lands that are available for development and its proximity to UU, the retail core and connectivity to existing communities which bound the city centre this area represents a key regeneration district within the city
- There is an opportunity now to explore the potential to develop and package this wider Inner North West as a catalytic regeneration project – with an inclusive investment plan linked to the INW Masterplan and associated Action Plan to act as a potential investment prospectus for the area that seeks to bring together a number of individual projects in a more joined up manner with inclusive place making at its core. Further work will obviously be required to progress this emerging concept, together with significant engagement across all sectors. The emerging concept is however being brought to Members now at this early stage for consideration but with a view to a more detailed paper being brought back in the near future as more work is done to refine this concept into a clearer proposition.

3.16

Future City Centre Programme

- There are a number of priority strands within the Future City centre Programme which will be critical as we emerge from the current situation. Members have previously agreed the approach to the Future City Centre Programme. This includes a range of proposed activities including:
  - I. Amplify the re-imagination of the city centre addressing the importance of vitality, the diversification of land, promoting mixed uses, open and green spaces and community infrastructure.
  - II. Recast priorities of the programme in the context of COVID-19.
  - III. Update the vacancy baseline and develop the programme for mitigating the impact of vacancies
  - IV. Progress further the development of a strong Belfast narrative in the form of a Belfast City Centre Proposition in order to position Belfast as a tourist, retail and leisure destination in a post Covid world
  - V. Consideration of the role digital innovation can play in helping to address the multiplicity of challenges that affect the city centre.

3.17	<p>VI. Create an attractive environment maximizing opportunities for pedestrainisation and enhancement of the public realm to create a welcoming and safe space.</p> <p><u>Financial and resource implications</u></p> <p>All existing commitments have been approved as part of the previous reports to Committee in February and March 2020 and in the context of the estimates process for the financial year 2020/21. Whilst these funds will remain available for their original purposes at the moment they will need to be reviewed in light of the council's overall financial position going forward</p> <p><u>Equality or Good Relations Implications/Rural Needs Assessment</u></p>
3.18	<p>Equality screening will be undertaken as part of the ongoing workplans and delivery activity.</p>
<b>4.0</b>	<b>Appendices – Documents Attached</b>
	None