

## **INVESTMENT IN NI - CALL FOR EVIDENCE FOR THE NI AFFAIRS COMMITTEE**

### **QUESTIONS**

Your submission should:

- be concise - if it's over 3,000 words you should include a short summary as well
- include an introduction to you or your organisation and your reason for submitting evidence
- Your submission should not have been published anywhere already. This includes blogs, newspaper articles, websites and journals, for example.

The file you upload must:

- be less than 25MB
- be a single Word, ODT or RTF document
- contain no logos

### **Who are you submitting evidence for?**

Group or organisations

*An introduction to you or your organisation and your reason for submitting evidence*

Belfast City Council is the largest Council in Northern Ireland. We work closely with the other councils in the Belfast City Region Deal area as well as those along the Belfast Dublin Economic Corridor. We also work closely with Invest Northern Ireland both locally and internationally to attract investment into the region.

We launched an extensive physical investment programme, which involved a £400 million citywide commitment to making Belfast a better place to live, work, visit and invest. The programme includes around 400 projects. This momentum has now been taken forward through our Belfast Agenda, the community plan for Belfast, which places attracting investment as one of the key levers to achieve our primary goal of sustainable inclusive economic growth where everyone in Belfast benefits from a thriving and prosperous economy, everyone in Belfast fulfils their potential, and where Belfast is a vibrant, attractive, connected and environmentally friendly city. The Belfast Agenda sets an ambitious target of attracting £1 billion of private sector Foreign Direct Investment.

### **Steps the UK Government can take to encourage investment in NI, including through the Levelling Up Fund, Shared Prosperity Fund and Internal Market Act.**

Regarding the Levelling Up Fund, Shared Prosperity Fund:

- The most pressing need is for clarity over future Levelling Up/Shared Prosperity funding arrangements and confirmation that the level of funding previously available through the European Union (especially ESF and ERDF) will be maintained. This is particularly important considering the rapidly approaching deadline for the end of EU funding in NI. This replacement funding is critical for continued social and economic development of the region.
- The approach to funding, needs to ensure that there is a focus on inclusive economic growth. Driving productivity improvements is important but there needs to be consideration of the historic long-term unemployment and economic inactivity within the region and ensure that resources are focused on addressing this issue.

- Consideration should be given to a place-based approach to investment support. Belfast as the regional economic driver needs consideration due to its unique role and position. There needs to be flexibility within funding programmes to address local issues rather than a one size fits all approach.
- It is important that resources are focused on key sectors such as fintech, CDI, cyber, creative, advanced manufacturing, education and tourism. These are the most likely to drive regional prosperity.
- To avoid duplication, funding streams should be designed in partnership with local and regional administrations.
- The delayed Levelling Up White Paper, which will set out the strategic direction for the Levelling Up Agenda, was due out in October but has now been postponed until the new year. Hence, like the Shared Prosperity Fund, there is much concern around the lack of clarity on these key funding programmes. Belfast City Council did not submit a bid to the Levelling Up Fund first call due to a lack of clarity around criteria and amounts available.
- Belfast City Council is concerned about how funding will be managed and administered at a regional level. The respective roles of the NI Executive and Councils remains unclear.

### **Regarding the issue of encouraging investment in NI:**

Belfast City Council believe there are a number of steps government should take.

- The Innovation and Inclusive Growth Commission (IIGC) Report “Reset for Growth” June 2021 makes several recommendations. It identifies actions to achieve the housing growth ambitions within the Belfast Agenda (the Belfast area Community Plan). These actions are necessary if this growth is to come at the pace and scale necessary to make a lasting impact. Principally these are in terms of the structural models required to support public-private collaboration and access to finance to bring forward developments.
- The IIGC propose the establishment of Housing Investment Funds. These will provide innovative financing vehicles aimed at removing the historical barrier to investment in housing in Belfast and Northern Ireland. In particular, they will work by de-risking investment.
- These actions need to involve a range of partners including local councils and other public and private sector landowners as appropriate. This would provide assurances to the market to support the delivery of city and regional ambitions and would lever additional resources for investment.
- There should be a refocus of existing funds, such as the Northern Ireland Investment Fund on residential, which could assist with gaps in affordable and viable finance products in the market. An increase in total funds available could also assist large-scale stalled development projects, which in turn would act as catalyst for other city centre regeneration programmes.
- Additionally, the reintroduction of grants or tax incentives for living-over-the-shops (LOTS) and Heritage in Housing could assist with retail investment stabilisation. This would be by providing options to counter retail rental decline whilst increasing the city centre population and potential consumer numbers.

### **High Streets and City Centres**

Though not specifically asked for in the Call for Evidence, Council believes that strengthening High Streets and City Centres adds to the overall investment appeal of a region. In relation to overcoming and addressing the significant issues these currently face:

- There is a need for government to take steps to ensure the appropriate funding mechanisms aligned to policy and legislation are put in place. There is a need for the priorities around diversifying support for the future of our High Streets and City Centres and these should be within the Programme for Government. Additionally, these should be costed and presented in a multi-annual budgeting process across departments.

- The scale of commitment demonstrated through the £820 million 'Future High Streets Fund' and the £1.6 billion 'Stronger Towns Fund' put in place to support the high streets of over 200 towns within England, via councils, needs to apply in Northern Ireland. Similar investment programmes of scale, centrally funded, have been brought forward in the last 18 months in Wales and Scotland. A similar level of commitment is currently absent in Northern Ireland. Urgent consideration needs to be given to a similar scale of investment in NI. This should be in accordance with local community planning, development planning and growth planning priorities for Belfast.
- This could bring together multi-departmental, Council and other sources of funding into an aggregate multi-annual fund. Such a fund could be allocated and administered through councils with all partners (including government departments) working to deliver an agreed solutions and action plans.
- High Street Renewal Funding could be used to target larger scale infrastructure and structural change and improve the viability of stalled city centre development schemes, especially those with mixed use development that encourage city centre living.
- Government should give consideration to reopening the Urban Development Grant scheme which can act as an enabler for private sector development that may need support to address viability issues. This has the potential to enhance existing Belfast City Council programmes of work for example the Vacant Premises Programme within the city centre and sustaining the Vibrant Business Destinations programme that is directed at arterial routes and local neighbourhood centres.
- Long term investment in water and wastewater infrastructure is of great importance. Water infrastructure concerns are affecting the viability of key projects such as Weavers Cross, and the ambitious housing plans. The latter is important both to deliver for people who are on waiting lists but also to ensure NI is an attractor of talent to grow our economy. The UK's Infrastructure Bank will provide £22bn of infrastructure finance to tackle climate change and support regional and local economic growth. Steps should be taken by the devolved administration to engage with the UK Treasury on how this resource can best be used in Northern Ireland.
- City Centres and a commitment to place-based innovation and, in particular, acknowledging the importance of urban centres as the foci for knowledge-based innovation is another important element of attracting investment. Belfast City Council's Smart District is being constructed on the evidence of work by the Brookings Institution and example of places such as Smart Docklands shows there are a set of factors (beyond the traditional FDI formula) that are necessary to attract modern high quality investment in innovation.
- These include commitment to collaborative innovation between enterprise, SMEs, universities and other institutions, and quality of life factors.

### **Steps the UK Government can take to ensure investment, including foreign direct investment, is economically effective.**

- As highlighted by The Innovation and Inclusive Growth Commission (IIGC) Report 'Reset for Growth' there is an opportunity to:
  - take a more strategic approach to exploring and developing market opportunities,
  - build strategic networks and relationships,
  - develop viable investment propositions to bring to market,
  - build on Belfast's global brand and proposition as an investment location.
- Belfast City Council has been working collaboratively with DIT to promote capital investment opportunities in Belfast and the wider city region. This has involved:

- promotion of the DIT NI Investment portfolio – a portfolio of £1.3bn worth of property investment opportunities;
  - attendance at MIPIM – an annual global real estate conference; and
  - invitations to present at investment focused events at 10 Downing Street.
- Council considers there is an opportunity for DIT and Invest NI to more proactively leverage their international networks to positively position Belfast globally for FDI and real estate investment and development. In particular, more could be done to maximise the unique opportunities arising from Northern Ireland's unrestricted access to two markets and regulatory environments.
- Assistance should also be provided to develop a targeted trade & investment strategic action plan. This should include specific FDI propositions for key growth sectors; market specific investment propositions, and vehicles to fully realise the potential of the Belfast-Dublin-London relationship and the Belfast-Dublin Economic Corridor. It should build on the work already established by existing Belfast city regions investment partnerships such as the Renewed Ambition partnership, and Innovation City Belfast.

### **The potential effect of City Deals on economic growth in NI.**

- Belfast Region City Deal (BRCD) seeks to deliver a 10-year programme to increase GVA by £470m and create up to 20,000 new and better jobs across the Belfast City Region (6 Council areas). Within Belfast, it will support the delivery of the Belfast Destination Hub; active travel through a new cycle & pedestrian bridge; a Smart District; as well as innovative University-led centres of excellence in life & health sciences, data analytics and virtual production. It is expected to attract c.£150m of direct capital contributions plus a further £1bn of private sector investment. The BRCD funding of £850mn of UK and NI government funding will be a significant catalyst to attract even more investment across the region. While this City Deal was always going to be important for Belfast, as well as towns and rural areas; it is now a critical element of the post-Covid recovery.
- A key element of economic recovery will involve Digital Investments including:
  - £30m Investment in advanced wireless infrastructure. This investment is based on the premise that while investment in fibre is expected to reach sufficient levels in the next few years, investment in advanced wireless networks will lag considerably – potentially undermining the region's growth ambition for key sectors and our universities' research ambitions.
  - Wireless connectivity (4G, 5G, mmWave, 6G) is expected to be the enabling infrastructure for the modern economy (connected health, advanced manufacturing, screen and media, agri-food, etc). This aligns with the UK Government's own analysis.
  - The use of challenge funding to encourage collaborative innovation. BRCD partners are developing new funding programmes (including the £20m Innovation for Societal Impact fund) to encourage collaboration between SMEs, enterprises, universities and government.

### **Steps that business can take to invest effectively in NI.**

- Prior to the pandemic, Belfast was on an impressive growth trajectory. The City witnessed record levels of office, hotel and student accommodation development. Investment transactions from 2015 to 2020 totalled £717 million.
- Further Private sector investment is required to continue to drive the delivery of key regeneration projects; and to bring forward housing developments across all tenures to help create a vibrant, functioning city centre. This is necessary to achieve the Belfast Agenda's ambition to attract 66,000 new residents and create 46,000 new jobs in the city by 2035. Additionally, investment in commercial developments will provide the office accommodation required to capitalise on Belfast's current position as one of the most attractive investment locations in Europe for tech start-ups and FDI.

- Belfast Region City Deal is expected to attract c.£150m by way of direct capital contributions from the private sector. However, it also includes opportunities and a requirement for a further £1bn of private sector investment in order to deliver the benefits through jobs and productivity set out within the business cases.

### **Steps the UK Government can take to encourage investment that addresses the skills gap and increases employment opportunities for people with few or no qualifications.**

There are a number of key areas that need to be focused on to address the skills gap and increase employment opportunities:

- Large scale investment in digital skills provision is required, to meet the needs of the new economy and growth sectors in NI. This should focus on level 2 and above.
- A commitment to targeted interventions. This should include paid work experience and extensive wrap-around support for those that don't have relevant academic qualifications.
- This will require the development of further innovative intervention, which should be based on competency and aptitude rather than academic qualifications.
- Addressing other known barriers to employment, which may not always be skills related. For example, childcare issues are a particularly noticeable barrier in Belfast.
- Enhanced incentives for investment in key sectors.
- Ensuring the application of social value considerations as part of investments and the condition of funding.

### **Steps the UK Government can take to support the decarbonisation of industry in NI and stimulate investment in a sustainable economy.**

- Manufacturing contributes over £1 billion to the local economy accounting for 11% of employment and over 15% of GVA, making it a key sector in the Northern Ireland economy. The city is a global leader in aerospace and defence, marine manufacturing (which supports the needs of the maritime, offshore and renewable energy sectors), materials handling, automotive, electronics, Onshore/ offshore wind Energy efficiency, Energy storage and intelligent systems, Waste and recycling Water and waste water. The low carbon sector employs more than 12,000 people in over 300 companies with an annual turnover in excess of £1.7bn.
- The Climate Change Committee's 6th carbon budget estimates that the UK must invest 1% of GDP every year for the next 30 years in order to decarbonise at the rate and scale required.
- The delivery of the green growth and net zero ambitions will need to be resourced effectively and efficiently to ensure that public sector funding catalyses the level of private investment that is required to deliver at scale and at pace if we are to meet the targets.
- Council are working closely with the Place Based Climate Action Network, the Just Transition Alliance and the UK Climate Investment Commission to explore a range of financing models that could unlock private capital and also have initiated work to develop a pipeline of net zero investments for Belfast.
- Financial institutions are seeking net-zero investment opportunities but complain of a lack of investable projects and programmes of the right scale and form, while businesses have good net zero ideas but struggle to make them investable and source finance on a project by project basis.
- What is required is the intermediary layer that can develop and consolidate projects and programmes and match them to different forms of finance. There is a clear need to bridge gaps between projects and investment by building capability, capacity and connections to match projects with institutional investors.

One of the steps that the UK Government could take is to establish a series of Place-based Climate Finance Platforms as a way of bridging the divide with the capability to:

- Identify, develop and de-risk pipelines of projects,
  - develop the business models needed to make these projects investable,
  - consolidate multiple projects into programmes that work at the scale needed to secure investment and;
  - connect them to different sources of finance.
- Strong evidence suggests that unlocking climate finance this way would both enable decarbonisation and deliver local environmental, economic and social benefits whilst generating effective financial returns. This would enable a green recovery and promote levelling up.
  - There is a strong case for these platforms to operate at the local/regional scales in a place-based way that understands both the specific opportunities and the capacities needed to address them in a suitably nuanced way. The case for such platforms is increasingly accepted.

Therefore, to decarbonise industry in NI, Council suggests the Government considers:

- Investment to develop a Place-based Climate Finance Platforms in Belfast.
- Developing a comprehensive strategy and support and investment for green tech, specific proposals and develop and fund education and employability programmes to ensure a skilled workforce is in place to fuel green growth.
- Investment to support a Housing retrofit programme to create a demand for industry solutions to decarbonise and modernise NI's aging housing stock, with support for the development of a retrofit delivery hub (UK Green Growth Index suggests switch from oil to heat pumps, Climate Investment Commission report refers to retrofit, Reset for Growth report recommends housing programme).
- Provide an update on revisions to the Building Control regulations to future-proof new buildings for thermal efficiency and low carbon heating (and avoid costly retrofits at a later date).
- Investment to support Public sector decarbonisation to stimulate the growth of green supply chains. NB Council have been unable to access UK funding to support public sector decarbonisation to date.
- Investment to support Transport Decarbonisation – measures to support decarbonisation including EV infrastructure and investment in active travel infrastructure such as cycling networks (UK Green Growth Index refers to CCC recommendations on EV).
- Investment to support industrial decarbonisation – advice, support, grants to support private sector decarbonisation.
- Investment to support Adaptation planning in Belfast to future proof investments in infrastructure and real estate, including additional investment into Belfast Living with Water programme. The programme (estimated to cost £1.4 billion) is needed to upgrade the drainage and wastewater infrastructure serving the greater Belfast area to be more resilient to climate change and to support economic growth. The programme promotes the use of blue/green infrastructure rather than a continued reliance on hard engineered measures such as bigger pipes and higher flood defences.
- Investment to support our Nature based solutions programme to build resilience to climate impacts (flooding and heat stress) – additional investment into tree planting, peatland restoration, blue carbon restoration (Climate Investment Commission report refers to costs we calculated for tree planting for example).
- We have already seen commitments from the UK Government. For example, the relevant UK Government Departments jointly published a statement setting out the approach to transposing the 2020 Circular Economy Package waste measures, the Business and Energy Secretary announced in March 2021 an ambitious blueprint to deliver the world's first low-carbon industrial sector and over £1 billion to cut

emissions from industry, schools and hospitals. The new Industrial Decarbonisation Strategy sets out the government's vision for building a competitive, greener future for the manufacturing and construction sector. Part of the government's path to net zero by 2050 measures will create and support 80,000 UK jobs over the next 30 years whilst cutting emissions by two-thirds in just 15 years.

## **Relationships between schools and local Universities**

Although the Council has no statutory responsibility for education, we have developed a close relationship with local universities and schools to address skills and employability issues within the city. In particular, we consider that the prevailing challenges around educational attainment, especially within disadvantaged communities, should be a focus for investment in the context of the Levelling Up ambitions and commitments.

In considering options for investment, the council recommends the following:

- Supporting the delivery of the Fair Start recommendations to enhance educational attainment levels, focusing on areas of most significant disadvantage.
- Supporting interventions that encourage progression pathways from vocational into higher education to expand the engagement mechanisms to support access through non-traditional routes.
- Successive research work, including work by CBI and Ulster University's Skills Barometer, indicates that the digital skills pipeline is struggling. Career pathways guidance and digital engagement must start at an early stage. Significantly more also needs to be done within schools to encourage the uptake of STEM subjects and to address diversity imbalances. This is necessary if we are to establish a long-term NI skills pipeline.
- The focus should be on not only improving linkages between schools and universities but also between schools and FE colleges, in recognition of the value of technical and vocational education in building our economy.

## **Assessments of the understanding of the importance of education.**

The Government should develop a comprehensive and long-term range of programmes and interventions to address systemic issues in STEM imbalance. It should invest in interventions to overcome barriers to inclusive participation in technology, particularly by young people, in order to inspire the next generation of scientists and entrepreneurs.

School engagement through careers provides a clear opportunity to instill excitement around this vision. We support investment in a sustained intervention of scale that:

- Incorporates a common message or brand supported by all partners and delivered via a sustained engagement campaign.
- Integrates role models who are relatable to young people connecting to industry.
- Establishes clear career pathways into the occupational areas identified, through which young people and their influencers can see the educational journey they need to embark on. These pathways need to cover both further and high education, and they need to be joined up and coherent.
- Engages young people across the education system in new and innovative ways.
- Integrates across the education system, instilling core innovation skills and ensuring that young people, even if they don't progress into a R&D specific role, have still developed a set of core transferrable skills.
- Secures the commitment of the education system and develops the skill base of the teaching community to ensure they are equipped with the skills and knowledge to inform young people.

## **Status of technical, vocational education and apprenticeships.**

- Belfast City Council's work with partners has identified that there is a need for significant additional investment in apprenticeships, particularly in new and growth sectors such as fintech, CDI, cyber, creative, advanced manufacturing, and tourism.



- Additionally, there needs to be radical change to the apprenticeship levy investment model. Currently employers see no benefit from this. Instead it is seen as an additional cost that adversely affects their bottom line, which makes the apprenticeship model less appealing.
- To strengthen NI's skills pipeline there is a need for targeted interventions in key sectors, such as computer science where data indicates that many jobs cannot be filled due to shortages of graduates. Prioritising certain sectors and skills by introducing grant systems is one intervention that may help address supply side deficiencies. However, skills supply interventions are generally long-term in nature. Therefore, shorter-term approaches could focus on upskilling aspects of the existing workforce, especially those individuals adversely affected by COVID-19. To promote diversity across R&D roles, potential exists to look at alternative educational pathways beyond the traditional academic route usually associated with these roles. Vocational pathways such as apprenticeships and higher-level apprenticeships are examples of alternative routes into these roles.

### **Identifying sectors of investment and employment potential.**

- There is a need for better tools and data sources for identifying high potential growth clusters in Northern Ireland. The 10X Economy Ambition proposed that NI should be hyper-focused on those sectors that have the potential to greatly increase productivity and generate jobs. Investment proposals should align with those identified sectors. However, in keeping with the commitments around levelling up, government should ensure that investment is focused on inclusive economic growth.
- NI has struggled in the past to provide detailed quantitative analysis of these sectors (and for example their relationship to translational research strengths of our universities). Much of this was due to paucity of local data or the absence of common metrics. Work is now underway between the Council's City Innovation Team and Innovation City Belfast to exploit new technologies and techniques to better understand the landscape for cluster growth. We will work closely with Government to ensure that there is a place-based approach to investment that can maximise return for all partners.
- Talented people are the key ingredient to a successful innovation ecosystem. Hence a number of different initiatives are needed, particularly in light of Brexit and the implications for NI which faces a potential 'brain drain' outside of the region. This requires both a focus on creating a strong domestic skills pipeline and attracting talent, particularly within those key sectors.