

MID - ULSTER DISTRICT COUNCIL

RESPONSE TO NI ASSEMBLY'S ENTERPRISE, TRADE & INVESTMENT COMMITTEE CONSULTATION ON 'GROWING THE ECONOMY AND CREATING JOBS WITH LOWER CORPORATION TAX'

MARCH 2015

This Paper is Mid Ulster District Council's Response to the NI Assembly's Enterprise, Trade and Investment Committee's Inquiry to consider how the two-year period leading up to the devolution of Corporation Tax varying powers in April 2017 can be used to maximise NI's potential as a region to attract investment, grow the economy and create jobs and determine the key economic drivers that the NI Executive can influence to achieve these outcomes. **Deadline: 10 March 2015**

Mid Ulster District Council advises the points noted herein as comprising its response to the proposals.

- Council acknowledges the potential of these new powers to stimulate economic growth. However, it also recognises that a cut in the corporate tax rate from 21% to potentially 12.5% will reduce Northern Ireland's corporate tax receipts by 40%; this reduction in income will be in addition to further planned cuts in public expenditure – as yet unspecified – yet to be announced.
- Furthermore, the impact of the deduction from the annual budget of potentially £300m on public services and, more specifically, frontline services (which are already experiencing severe pressures in advance of further austerity measures) remains a key concern.
- In addition, NI's recovery has been at a much slower rate than the UK average; while economic activity increased by 1.2% relative living standards still remain well below UK average.
- However, the opportunity to create jobs, attract investment and stimulate growth is to be strongly welcomed. Council believes that, if appropriate and targeted measures are deployed, this is a key opportunity for the NI Executive to deliver balanced regional economic growth and address some of the long standing inequalities.

Context

A number of key disparities exist across the Mid Ulster and wider Western region which have long acted as a barrier to sustainable economic growth, including:

- a) Its peripheral and dispersed rural location
- b) High level of micro and small businesses
- c) Need for infrastructure investment in both roads and telecommunications
- d) Little or no foreign direct investment
- e) A number of multiple deprivation and new TSN areas
- f) Higher than average long term unemployment levels
- g) Below average employment in the public sector
- h) Average weekly earnings below the Northern Ireland average
- i) A strong dependency on the agricultural sector which is contracting rapidly.

Growth Drivers

It is critical that the income from the devolving of corporate tax setting powers is targeted at **delivering real and meaningful change** to transform our economy to stimulate investment, job creation as well as broader societal benefits, and Council advises the following as priorities to be addressed:

- The Mid Ulster District Council area has the highest number of businesses (7915) of any Council area outside Belfast; the sub-region is dominated by the small business sector, in that 99% of the area's businesses employ fewer than 50 people.

The additional income generated from this tax is required to address long term economic imbalances and deliver measures to accelerate business growth in our indigenous businesses which could include e.g. the creation of a Small Business Innovation Fund to provide specialist support this sector to exploit new opportunities in R&D and drive competitiveness and productivity.

Competing in a global market – NI's smaller businesses face a greater challenge than most of the UK in competing in a global market – need to increase capacity of private sector to export

- Improving skills, employability and job creation are essential to build sustainable economic growth– research estimates that a reduction in NI's Corporation Tax rate is expected to create 58k jobs above the baseline employment levels by 2030. Given the region's problems with long term unemployment it is critical that Mid Ulster is identified as a priority area to address this issue.
- Large scale investment is also required to improve infrastructure in the sub-region (both connectivity and roads); for far too long businesses in Mid Ulster/ West have been prevented from competing on an equal basis with their counterparts in other areas due to poor provision.
- Creation of an Enterprise Zone for the sub-region to create conditions for sustainable balanced growth, support entrepreneurship and facilitate business expansion
- Research has estimated that of the 58k new jobs which could be created, 25k of these may be as a result of new Foreign Direct Investment. To date, the Western sub-region has seen virtually no FDI. If there is to be balanced regional economic development the policy for locating new investment needs to be reviewed.
- Facilitate increased access to finance for our local business sector to support growth and R&D

Summary

New Council-led Community Planning powers means that Councils are pivotal to the future development of their distinct micro economies and communities; local government is now the 'key driver' to make things happen at local level.

The two tiers of NI government (NI Councils and NI Executive) share the same key economic and social challenges, and a partnership approach should be considered to drive future economic development (in its broadest sense) and address long standing regional economic disparities to achieve greater prosperity for all throughout our society.