Public Document Pack

Democratic Services Section
Legal and Civic Services Department
Belfast City Council
City Hall
Belfast
BT1 5GS

Belfast City Council

6th August, 2021

MEETING OF THE MEMBERS OF THE BREXIT COMMITTEE

Dear Alderman/Councillor,

The above-named Committee will meet via Microsoft Teams on Thursday, 12th August, 2021 at 5.15 pm, for the transaction of the business noted below.

You are requested to attend.

Yours faithfully,

SUZANNE WYLIE

Chief Executive

AGENDA:

1. **Routine Matters**

   (a) Apologies

   (b) Minutes

   (c) Declarations of Interest

2. **Update on NI Protocol** (to follow)

3. **Shared Prosperity Fund Update** (Pages 1 - 12)

4. **Port Health Update** (Verbal Report)

5. **Schedule of Meetings 2021** (Pages 13 - 14)

6. **Future of Brexit Committee** (Verbal Report)

Belfast City Council

BREXIT COMMITTEE

Subject:	EU Replacement Funding – Corporate and Local Government Positioning
Date:	12th August 2021
Reporting Officer:	John Tully, Director of City and Organisational Strategy Alistair Reid, Strategic Director of Place and Economy
Contact Officer:	John Greer, Head of Economic Development Lisa Toland, Senior Manager, Economy

Is this report restricted?	**Yes**		**No**	X
Is the decision eligible for Call-in?	**Yes**		**No**	

1.0	**Purpose of Report or Summary of main Issues**
	To provide Members with an update in relation to EU Replacement Funding, and the emerging issues which need to be considered as a council and the wider local government sector.
2.0	**Recommendations**
	The Members of the Committee are requested to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive exercise her delegated authority, to: • note the update on current issues set out below and in Appendix 1 regarding the potential impacts of the Shared Prosperity Fund on the Council and local government sector; • agree that SOLACE NI are approached to commission Ekosgen to undertake a further position piece in relation to the Shared Prosperity Fund. This further work should expand on the earlier lobbying piece which Ekosgen produced, and set out the basis for local government to have a greater role in the future management and delivery of the Shared Prosperity Fund; and • agree that officers continue to engage with partners across the city, delivery organisations, central government colleagues and the new

	MCHLG offices to assess the likely impacts of the Shared Prosperity Fund, ensuring that the council and sectoral position is suitably articulated.
3.0	**Main report**
	Background
3.1	Members will be aware of the UK government plans to replace European Union 'structural funds' with a new Shared Prosperity Fund, due to launch in April 2022. As a member of the EU, the UK received substantial transfers from the EU budget as structural funds. These formed a central part of the EU commitment to support sustainable development and reduce economic disparities between and within member states, and were used to fund employment and skills programmes, research and innovation, and direct support for business and infrastructure.
3.2	The two main structural funds that have operated in Northern Ireland are the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The two funds have slightly different profiles: • The ERDF supported investment in innovation and research, information technology, small and medium-sized enterprises, and the promotion of a low-carbon economy. Spending under the ERDF in the UK was split roughly equally between capital (investment) and resource (programme) expenditure. • The ESF supported employment-related projects and vocational skills training. Including support for programmes to support young people who are not in education, employment or training. ESF spending was categorised almost entirely as resource spending.
3.3	In 2014–20, the EU's last seven-year budget cycle, the UK was allocated a total of €11 billion from these two funds. The three devolved nations received a larger amount of funding per person than England. From the ERDF and ESF combined in the 2014–20 cycle, England was allocated €7.1bn, or €130 per person; Scotland €940 million, or €180 per person; **Northern Ireland €510m, or €280 per person**; and Wales €2.4bn, or €780 per person.

3.4	During the last EU Funding programme Northern Ireland received in the region of 4.8% of the UK's allocated funding. However, under the recent Community Renewal funding, which has been badged as a pre-cursor to the Shared Prosperity Fund, Northern Ireland received an allocation of around 3% linked to our population figure within the UK. If this approach was to continue with the Shared Prosperity Fund, this would represent a significant loss in terms of replacement funding. This is an area that we need to be well-positioned as a council and sector to work with colleagues in the regional government departments, to argue that there should be no reduction to the previous funding levels through the introduction of the Shared Prosperity Fund.
3.5	**The European Social Fund (ESF)** The European Social Fund (ESF) will come to an end in 2023. ESF funding is managed by DfE and much of the funding is administered through an open call. The fund provides support for a range of employability support interventions, largely aimed at those who are hardest to help (e.g. economically inactive, long term unemployed) and those that require specific support e.g. disabled individuals.
3.6	Over the last four years, 32 ESF projects in Belfast have been resourced to a level of £85million.
3.7	The volume of support provided by these organisations – and the significant structural challenges in the Belfast labour market that has been exacerbated by COVID-19 mean that the withdrawal of ESF will have a significant indirect impact on Belfast City Council.
3.8	Given our commitment through the Recovery Plan, the work of the Innovation and Inclusive Growth Commission and the recent agreement to establish Labour Market Partnerships to focus on supporting the development of an inclusive economy, any reduction in engagement and support for the most vulnerable groups will make it more challenging to deliver on that commitment. Having said that, officers are of the view that the current open call approach to addressing these labour market challenges and supporting those groups is not the best way to make an impact and this is borne out by the stubbornly high levels of economic inactivity and unemployment amongst key demographics that have not been impacted by the significant levels of investment to date.
3.9	

	European Social Fund – current status ESF projects are currently in year 4 of a 4-year funding agreement, with an end date of March 2022. Earlier this year, DfE confirmed that they were going to be able to extend the funding to existing projects for one more year and they began the planning work on the ESF successor fund. In May 2021, DfE subsequently confirmed that they would not be able to undertake the project extension support and that they would have to issue a new call for funding.
3.10	**Future delivery options for Shared Prosperity Fund** If the UK Government maintains its approach of engaging directly through MCHLG with councils in terms of future delivery of the Shred Prosperity Fund, we will need to consider carefully as a sector whether the capacity exists to take on this role and what the best delivery mechanisms would be to fulfil our own strategic objectives in managing this funding to address local need within our areas.
3.11	Members will be aware that Labour Market Partnerships are to be established in each council area. The Partnership is tasked with developing a local plan to address the key employability challenges and resources are allocated to support delivery of targeted interventions. The initial plan for Belfast currently in draft form for discussion with DfC will attract funding of up to £1.4million annually against a range of targeted interventions (overall regional budget is £7million). Going forward, funding will be allocated on a three-year cycle, taking account of the need for longer-term planning on these issues.
3.12	The current plan includes a significant investment to support LTU/economically inactive and the intention is to commission this support with input from both the Jobs and Benefits Office (JBO) staff and our employability stakeholder network and this has the potential to create a template for how employability support might be provided for key target groups in the future. However, the scale of investment is significantly smaller than the current ESF budget allocation and will not be able to be used to support all the organisations in the way that the current open call process has been able to do.
3.13	While there appears to be limited information available on the shape and scale of the Shared Prosperity Fund, there is an opportunity to engage with MHCLG to explore how the Labour Market Partnerships may become a conduit for targeting resources at a local level to address long-standing employability challenges and support the “levelling up” agenda. The added value of the LMPs is that they have direct departmental support

	and buy-in from both DfE and DfC and they also have support across other parts of government – including DoJ and DoH.
3.14	
	Each of the Labour Market Partnerships must complete a strategic assessment of the local labour market as part of their action plan development work with DfC and this provides an independent assessment of need against which interventions can be developed or activities commissioned. It is also important to note that, traditionally, DfE has used ESF to fund some apprenticeship delivery.
3.15	
	However, the employability element of the EU funds is only one part of the overall budget commitment. Funds allocated through ERDF and Rural Development Funding will have a more wide-ranging impact on support for businesses as well as rural diversification activities. On ERDF, it is clear that the reductions in funding will also have a significant impact on Invest NI and their ability to support local companies. The scope of the eligible expenditure extends beyond councils and, while we need to present a business case for continued investment from the replacement funds, this is likely to be part of a wider package of delivery, some of which will fall outside of the vires
3.16	of the council.
	For these reasons officers are seeking to engage Eskogen via SOLACE to expand on the earlier lobbying piece which Ekosgen produced, and set out the basis for local government to have a greater role in the future management and delivery of the Shared Prosperity Fund to ensure that the council and sectoral position is suitably articulated It is envisaged that this position will allow officers continue to engage with partners across the city, delivery organisations, central government colleagues and the new
3.17	MCHLG offices.
	<u>Financial & Resource Implications</u>
3.18	None associated with this report.
	<u>Equality or Good Relations Implications</u> None associated with this report.
4.0	**Appendices – Documents Attached**
	Appendix 1 – Additional background information on EU Replacement Funding - (Shared Prosperity Fund, Council/MCHLG/NICS relationships, SOLACE NI regional piece and ERDF)

Appendix 1 – Additional Background Information

1. Shared Prosperity Fund

1.1 The Conservative Party's 2019 general election manifesto promised that the new Shared Prosperity Fund would "at a minimum" match the level of EU spending in each of the four nations of the UK. However, following the announcement by the Chancellor in last year's Comprehensive Spending Review that the Government intends to match the receipts of EU Funding allocations and not the actual allocated funding that this may represent a significant reduction in the level of replacement funding that will be offered.

1.2 While much uncertainty remains in relation to the design and quantum of funding under the Shared Prosperity Fund. It appears the UK Government are intent on designing a post-Brexit system for supporting economic growth and regeneration which they believe will improve upon the EU framework. As such, the government intends the Shared Prosperity Fund to be:

- Less bureaucratic than EU structural funds, by cutting "overly prescriptive categories", reducing targets and focusing on outcomes over outputs
- Allocated more quickly than EU structural funds, which can take up to two years to reach local areas from the start of the funding period
- Better targeted to local places and people in need of funding, such as post-industrial towns, deprived rural and coastal communities, and the long-term unemployed
- Better aligned with other domestic policy priorities, such as net zero objectives and 'levelling up', by "enabling more holistic, joined-up investment"
- Better able to fund projects that span more than one of the UK nations.

1.3 In addition, the government regards the Shared Prosperity Fund as a central plank of its strategy to strengthen the union by showcasing the benefits of Whitehall-led investment in local and regional economies. The UK government has said that the fund will operate "UK-wide" with "common branding" for projects that receive support. The 2020 spending review stated that the UKSPF would operate UK-wide using new financial assistance powers in the UK Internal Market Act. The UK government is expected to publish a UKSPF investment framework by autumn 2021, followed by further detail on financial allocations in a full spending review.

2. Relationship between councils, central government departments and MCHLG

2.1 This new "UK-wide" approach means the devolved governments are expected to play a marginal role in allocation decisions within their own territories. This approach from the UK government carries risks that could both reduce the effectiveness of the Shared Prosperity Fund and undermine its own objectives.

2.2 These include:

- Duplication of functions, with both UK and devolved governments funding similar initiatives in competition with one another.
- Fragmented provision of services, if the UK government grants money to local projects that are not joined up with similar initiatives funded directly by the devolved governments.
- Funding uncertainty for devolved governments and potential local recipients of the UKSPF, since there is still little clarity about how funding will be allocated or over how long a period.

2.3 Traditionally, EU structural funds were administered on a devolved basis. This meant the governments in Edinburgh, Cardiff and Belfast took the lead in setting the funding priorities for structural funds within their territories as part of a 'UK partnership agreement' jointly signed by the UK government and the EU. Each of the devolved governments then acted as the managing authorities for disbursing those funds. The UK government was responsible for delivering structural funds only within England, working within the overarching framework agreed with the EU.

3. Regional piece on Shared Prosperity Fund through SOLACE NI

3.1 It is important that councils, particularly as a collective, are strategically aligned and well-positioned to help make recommendations which influence the future design, management, and delivery of this successor to EU funding.

3.3 This work can also ensure that funding programmes involving councils and local government are not viewed in isolation, and that councils individually and collectively, consider these funds in line with other funding opportunities, such as Peace Plus and City Deal

Complementary funding. This work will help to establish concrete recommendations on how councils can approach these funding opportunities to deliver meaningful projects and programmes within and across our local areas.

4. Replacement of EU Funding – consequences for BCC and Local Government Sector

4.1 The loss of EU funding and the lack of clarity around both the format and the quantum of the replacement funds will have significant direct and indirect consequences for Belfast City Council and other local authorities.

4.2 Since 1994, councils have had the ability to draw down EU funding to supplement local authority resources in the delivery of a range of local economic development functions. The nature and scale of interventions have significantly evolved over time. In the current programming period (2014-2020), ERDF funding – matched with Invest NI resources – was worth a total of £16.4million (of which more than £3million was allocated to Belfast City Council). When council match funding contributions were factored in, this means that a total budget of around £20million was allocated to a range of interventions to support business start-up and growth; around £4million each year of delivery in this programming period.

4.3 The withdrawal of ERDF and the lack of any clear guidance as to the shape and format of the replacement funds will have significant implications for the delivery of business start-up and business growth support.

4.3 **Business start-up/social enterprise**: Since 2015, local authorities have had statutory responsibility for a range of start-up and enterprise support activities (including social enterprise). Progress against target is reported annually through the Local Government Auditor. An annual financial transfer of around £412,000 is made to Belfast City Council (£3million across all councils) to support delivery of these interventions. In reality, Belfast City Council spend on these areas is generally in the region of £600,000 each year. Most of these resources are allocated to the regional start-up support programme (Go for It) – and these funds are supplemented with 80% match funding from Invest NI and ERDF (*total spend is around £978,064 including eligible go for it costs).*

4.5 Go for It is managed on behalf of all the councils by Lisburn and Castlereagh City Council and is delivered by Enterprise NI. Councils acknowledge that the current programme needs to be revamped and have recently commissioned research which suggests that, in order to achieve the step-change in performance that they wish to see, the level of investment would need to increase up to five-fold. Additional work is under way at present to build a detailed picture of costs and to understand the potential delivery model for any future collaborative programme. This work will give a better picture of the level of resources required from each council.

4.6 **Business growth support**: while business start-up/social enterprise is a statutory function for councils, business growth support remains a discretionary function. This support is largely focused on post-start-up support for new businesses as well as targeted interventions (e.g. digital support; procurement support) as well as sector engagement (the key growth sectors in the city as well as those sectors that are not supported by Invest NI and other government partners). Last year, Belfast City Council spent £310,893 (NET) (£646,351 total spend including ERDF/Invest NI income) in supporting 475 businesses to access one to one support and a further 1,153 who accessed a range of workshops and events. Over the ERDF programme period from 2017 – 2023 Belfast City Council have secured funding to support the delivery of programmes costing £3,564,493, this will include a total contribution from BCC of £712,899. The total jobs expected to be created through this support by the end of the programme period is 2219 in the Belfast City Council area.

4.7 Outside of ERDF support (and the current match funding provided by Invest NI), there is no additional mechanism for resourcing the business growth support, and no direct funding from government to support this delivery. This presents a significant risk to the local businesses: more than 95% of businesses in Belfast employ 250 people or less and we know that many micro businesses in particular have struggled in this challenging economic climate.

4.8 Given that a small part of the Belfast City Council district falls within the eligible area for rural development funding, businesses located in that area (largely those in Hannahstown and Edenderry) are eligible to apply for business grants of up to £5,000 to support a range of business growth activities through the EU-funded Rural Development Programme. There is currently a live call for these projects but, given the limited scope for Belfast, it is likely that no more than 5-10 businesses will be able to access the funding. Similar to the ERDF funding, this will end in 2023 and is likely to have a significant impact on councils outside of Belfast, given the previous funding allocations that were made through the programme.

Belfast City Council

BREXIT COMMITTEE

Subject:	Schedule of Meetings 2021
Date:	12th August, 2021
Reporting Officer:	Carolyn Donnelly, Democratic Services Officer
Contact Officer:	Carolyn Donnelly, Democratic Services Officer

Restricted Reports				
Is this report restricted?	**Yes**		**No**	X
If Yes, when will the report become unrestricted?				
After Committee Decision				
After Council Decision				
Some time in the future				
Never				

Call-in				
Is the decision eligible for Call-in?	**Yes**	X	**No**	

1.0	**Purpose of Report or Summary of main Issues**
	To advise the Members of the Committee of a scheduling conflict in September and recommend an alternative date to hold the meeting of the Members of the Brexit Committee.
2.0	**Recommendations**
	The Members of the Committee are requested to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive exercise her delegated authority, to allow an adjustment to the schedule of meetings for the Brexit Committee.
3.0	**Main report**
	<u>Key Issues</u> The Committee, at its meeting held on 12th November, 2020, agreed the schedule of meetings for 2021, and that the September meeting would be held on Thursday, 19th September.

	At its meeting in June, the Strategic Policy and Resources Committee agreed that, from September 2021, the Committee meetings would move to a full hybrid arrangement. These meetings would be held in the Great Hall / Banqueting Hall, City Hall and would allow all Members of a Committee to attend in-person if they so wished. The meetings would also be held jointly via Microsoft Teams to allow Councillors the choice to attend, participate and vote in the meeting remotely also. However, some events have been booked in the Great Hall and Banqueting hall which has resulted in a conflict with the Committee schedule. Accordingly, the following has been identified as an alternative date to hold the September hybrid meeting of Members of the Brexit Committee: • Monday, 13th September at 5.15pm Alternatively, the Members may wish to keep to the previously, agreed date but the meeting be held fully remote, as it is currently, with only the Chairperson in attendance in the Lavery Room. <u>Financial and Resource Implications</u> None associated with this report. <u>Equality or Good Relations Implications</u> None associated with this report.
4.0	**Appendices – Documents Attached** None associated with this report.