nilga
northern ireland
local government association

ALL-PARTY PARLIAMENTARY GROUP ON POST-BREXIT FUNDING FOR NATIONS, REGIONS AND LOCAL AREAS

1. What would be an appropriate annual budget for the new UK Shared Prosperity Fund?

The 2017 Conservative Manifesto said that “we will use the structural fund money that comes back to the UK following Brexit to create a United Kingdom Shared Prosperity Fund, specifically designed to reduce inequalities between communities across our four nations.” NILGA asserts that national government must respect this pledge and the budget allocation should not make Northern Ireland worse off, either proportionately or numerically. The allocation should either match or exceed current funding levels. This point is echoed by the Local Government Association and the Welsh Local Government Association. The current funding allocations for Northern Ireland should be ringfenced and there should be no future cuts or diversions of funding to other initiatives. Within the current funding period of 2014-20, Northern Ireland currently receives over €3.5billion in EU structural funds. This is broken down as follows:

Fund	Amount
Investment for Growth and Jobs (ERDF)	€313,2m
Northern Ireland European Social Fund Programme (ESF)	€210,6m
PEACE IV * (ERDF)	€229.1m
INTERREG VA ** (ERDF)	€240.3m
Common Agricultural Policy: Direct Payments (Pillar I) (EAFRD	€2,299m
Common Agricultural Policy: Rural Development Programme (Pillar II) (EAFRD)	€228.0m
European Maritime and Fisheries Fund (EMFF)	€23.5m
TOTAL	**€3,533.1m**

** PEACE III and PEACE IV are joint Northern Ireland/Republic of Ireland allocations.*
*** INTERREG IVA and INTERREG VA are joint Northern Ireland/Republic of Ireland/Scotland allocations*

2. Should there be a multi-annual financial allocation, and if so why and for how long?

NILGA recognises that the current seven-year multiannual financial framework for EU funding allows local councils, the private sector and third sector to plan for longer term investments with a greater degree of certainty. It also removes the political and policy bias that could be associated with shorter programming periods. It will be critical that a future programme is flexible to adapt to economic shocks and cyclical changes within the multiannual framework.

NILGA notes that the evolution of city and growth deals in England, Scotland and Wales has allowed councils to plan for the longer term, drawing in regional partners to working towards a strategic vision for their area. While Northern Ireland’s councils are at formative stages in designing city / growth deals, we believe this system could be a useful start in designing a programming framework that works for all of the UK.

3. Would it be appropriate to roll in other budget lines (e.g. the Local Growth Fund in England) into the UK Shared Prosperity Fund?

NILGA sees the introduction of a replacement for EU funding as a once in a generation opportunity to put in place a distinctive fund to achieve inclusive growth outcomes that benefit future generations. There is added value in ensuring coherence with mainstream programmes since fragmentation of funding leads to an increased burden for local councils as they seek to address needs locally. A single pot should be made available to the eleven council areas in Northern Ireland to enable local decisions and deliver local outcomes aligned with the industrial strategy, local economic development strategies and local community plans.

Lack of coordination between funding streams creates fragmented funding applications whereby organisations shape the project to suit the funder’s requirements. A single funding pot with standard criteria and eligibility rules would reducer complexity in the application, monitoring and evaluation processes, remove funding (and departmental) silos and would make aligning outcomes with the NI Programme for Government more straightforward. The current lack of coordination at local level can lead several organisations in one area delivering similar programmes, engaging with the same target beneficiaries and all reporting the same outcomes.

Under EU funding, match funding has been provided by government departments, local councils and others. We believe there should be greater flexibility around the make-up of match funding in order to introduce more innovative funding packages and to attract private sector investment. In order to assist council financial planning cycles, a clear indication of whether match funding will be required must be given at the earliest opportunity.

However, we strongly maintain that a replacement for EU funds should not be used to replace reduced budgets within government departments, i.e. schemes which are already or should be funded by central government or devolved administrations should continue to be so. The principle of additionality must be guaranteed.

4. How should the UK Shared Prosperity Fund be divided up between the four nations of the UK?

EU Structural Funds were introduced as a regional policy tool to reduce regional disparities in income, wealth and opportunities among and within EU member states. In the absence of a regional policy for the UK, the purpose of a replacement fund for EU Funding should continue to address regional disparity in order to encourage convergence among regions, enhance local places and support local people.

NILGA welcomes the stated purpose of the UK SPF to reduce inequalities across nations and the commitments outlined by the then Chief Secretary to the Treasury to the then NI Finance Minister to respect the devolution settlement in the development of the SPF. NILGA also note in the Confidence and Supply agreement with the Democratic Unionist Party (DUP) *"The UK government is committed to ensuring the needs of Northern Ireland are properly reflected in the future UK Shared Prosperity Fund, which will benefit all parts of the UK. "*

The government should use the consultation process on the Shared Prosperity Fund to understand the needs and priorities of local areas in Northern Ireland and in the absence of Stormont, this engagement can be with local government, as the place-shapers, community wealth generators and local service providers. While the government has said that the Shared Prosperity Fund will "reduce the inequalities between communities across our four nations", all of the government's Brexit papers issued to date have failed to recognise the geographic fragility and peripherality of Northern Ireland. We are at a disadvantage to the rest of the UK mainland in terms of connectivity, access to market, transport & energy costs and increased costs of doing business.

Northern Ireland should receive a share of the funding that sees no decrease in the 2014-2020 baseline and is based on allocation methods consistent with EU distribution methods and based on addressing inequality between regions. Northern Ireland receives the second largest amount of EU funding in terms of percentage of regional GDP, behind Scotland.

The UK's only land border with the EU presents unique and complex challenges for Northern Ireland. Border areas depend on free-flowing movement of goods, workers, shoppers and visitors to sustain their local economy. The enterprise ecosystem in Northern Ireland must be able to continue to work with SMEs to seek that they continue to invest in terms of productivity and employment in the short term. The border corridor was affected more than any other part of Northern Ireland / Ireland during the conflict, contributing to a weaker economy, infrastructure & skills deficit, higher unemployment, weak inward investment and social exclusion.

NILGA believes that the new Shared Prosperity Fund offers an opportunity to mitigate against the unintended consequences of Brexit in Northern Ireland, such as the outflow of people, capital and businesses to the Republic of Ireland in particular. NILGA therefore proposes that additional weighting is given to regions most negatively impacted by Brexit – both economically and socially.

Within Northern Ireland, use of the principles applied to the Rates Support Grant could be a mechanism to allocate funding appropriately. This grant fund leverages an estimated £183 million per annum into the private sector and social economy of 7 local councils – ten times the sum itself and is a critical investment tool assisting areas that are less well off. However, all eleven councils must buy in to and receive an agreed formula.

5. Would rolling forward the existing shares going to England, Scotland, Wales and Northern Ireland be a sensible way forward?

Including for reasons outlined above, no. NILGA is concerned that consultation on this funding will only take place in late 2018 and the structures, criteria and operational arrangements will have to be in place for December 2020. It is critical that a clear plan is developed as a matter of urgency regarding future funding for interventions currently delivered through EU funding. There is a risk that vital interventions to secure and support jobs, businesses, skills, local growth and area-based disadvantage will cease if action is not taken to put in place successor arrangements. It would therefore be sensible to create a transition period of no more than 18 months whereby the funding is allocated on the same basis as at present.

As Northern Ireland is currently without its Legislative Assembly, there is no mechanism for the Northern Ireland voice to be heard in pre-consultations which we understand are underway between MHCLG and councils in England. NILGA calls on Westminster to ensure that the needs and concerns of Northern Ireland's councils and other stakeholders are considered in the pre-consultation phase to ensure that a meaningful consultation and engagement process takes place, rather than a pre-determined outcome which has been designed elsewhere than Northern Ireland. This could be led by the Central – Local Government Forum which has been convened by NILGA to assist policy deliberations in the absence of the statutory instrument in the NI Local Government Act, the Ministerial Partnership Panel.

6. Should the allocations within the devolved nations be an entirely devolved matter?

In 2017, the UK Prime Minister stated there would be no dilution of the devolution arrangements as a result of Brexit and NILGA insists that this commitment is upheld. Under the devolution settlement in Northern Ireland, European funding, economic development, employment and skills, agriculture, housing, environmental issues and transport are all devolved matters. NILGA firmly maintains that a replacement for EU funding should continue to be a devolved matter as it would undermine the devolution settlement in Northern Ireland. But this devolution should not stop at Stormont. Local devolution to council level offers the greatest opportunity to generate community wealth as neighbourhood-based organisations can be directly involved in priority setting through the community planning process.

EU Structural Funds provide crucial funding that delivers vital benefits to Northern Ireland's eleven councils. The 2014-2020 ERDF programme has a budget of €513m, made up of €308m from the EU and a further €295m of national co-funding. Of the total budget, only €25m has been allocated to Northern Ireland local authorities under the Local Economic Development (LED) measure with €18m of ERDF and a further €7m in co-funding from local government. At present (and in past programmes) there is an underspend in this funding measure but NILGA would suggest that given the new powers for economic development and community planning that have transferred to councils since 2015, there is an appetite and ability within local government to deliver more locally, to regenerate and sustain local areas and communities. For this to happen, the guidelines and criteria must be co-designed with councils.

7. In England, should the funding to local areas be allocated by an appropriate formula, and if so what are the best statistical measures?

n/a

8. Is there any role for competitive bidding between areas for funding?

An agreed formula to address regional disparity should be the basis for the funding allocated across the UK. We see no role for competitive bidding as this risks funding being allocated to regions who are most adept at writing funding bids, rather than to local areas who are most in need.

9. In England, should sub-regions (e.g. LEP areas, combined authorities) be the basis for financial allocations, as with EU funding at present?

n/a

10. As with present-day EU funding, should economic development and convergence remain the primary objectives of the new Fund?

As the government's desire is to *"reduce the inequalities between communities across our four nations"* we can assume that convergence will be central to its policy aims. However, this new funding programme offers an opportunity to modernise the definitions of economic development and convergence. For example, with the move towards more localised delivery of economic development in areas of deprivation, more emphasis could be given to community wealth as a generator of economic development. The primary objectives must guide place-based growth in all four nations of the UK. Despite some recent improvements in the local economy in part, driven by ERDF and ESF funded interventions, NI is still lagging behind on a number of measures in comparison with elsewhere in the UK and Europe.

- NI Comparative Economic Index remains 5.6% below the maximum value recorded in Quarter 2 2007 and looking at the annualised trend there is further evidence that the pace of growth has slowed.
- NI's productivity lags behind the UK average. The most recent data on labour market productivity (2016) shows that gross value added (GVA) per hour worked in NI is around 17% below the UK average.
- GVA per head in NI is around 76% of the UK average, at approximately £19,997 per capita. This is broadly similar to the level reported in the original socio-economic analysis to support the 2014-2020 Operational Programme.
- NI has the lowest business birth rate of all UK regions (10.2% - UK average is 14.6%).
- The latest long-term unemployment rate is 63.1%, up by 14.2pps over the year and markedly higher than the equivalent UK rate (26.7%). The employment rate (69.3%) remains the lowest of all the UK regions and significantly below the UK average (75.6%).
- Economic inactivity remains one of the greatest challenges for the local labour market, with NI having the highest rate of all UK regions (27.9%).
- NI has the highest 16-24 NEET rate (12.2%) of the 4 UK nations. Wales (10.1%) England (10.6%) and Scotland (11.0%). UK average (10.7%).

11. Are there activities beyond the scope of present-day EU funding that should be supported?

In time, we can expect councils in Northern Ireland to follow in the footsteps of their counterparts in England, Scotland and Wales and agree city & growth deals, therefore activities which meet the overarching priorities of skills, jobs and growth should be included in the replacement fund.

In Northern Ireland, if the local community plan deems there is a need for a project, this should be the basis on which it moves forward, rather than shaping projects to fit criteria (e.g. delivery of housing projects to meet housing needs and not to meet environmental targets). Many issues which are central to the sustainability of local areas are not currently covered by EU funding, including funding for urban regeneration to sustain town centres and assistance to retailers – these issues merit support.

While cross-border cooperation is facilitated within the EU Interreg programme (which will continue to receive EU support post Brexit), given the interdependency of the small business sector in Northern Ireland and the Republic of Ireland (in particular in the border corridor area), this should be an objective of the new funding in Northern Ireland.

12. Should there be guarantees that specific activities supported at present by EU funding (e.g. ESF support for training) will continue to receive funding?

While the strategic aims of EU funding are laudable (reducing disparities, combatting poverty and enhancing social inclusion), NILGA believes that no guarantees should be given for any support to be rolled forward. Instead, local councils should be free to decide which issues should be tackled in their own areas, which priorities they wish to focus on and which outcomes they wish to achieve. In Northern Ireland, the Community Planning Partnerships offer a vehicle for local consultation, agreement and delivery since they involve a wide spectrum of stakeholders and although still in their infancy they have been able to deliver on locally agreed outcomes.

13. As a UK fund, should the UK government set the broad guidelines for the priorities to be supported by the Shared Prosperity Fund?

UK government should set the high-level policy guidelines for the Shared Prosperity Fund in close consultation with the devolved governments across the UK. In the absence of the Northern Ireland Assembly, NILGA has brought together a Central – Local Government Forum which will continue in shadow form until the Partnership Panel is reconvened. This body could provide the local input and scrutiny in the engagement process to determine the broad guidelines.

14. What role should the devolved administrations play in setting the broad guidelines?

As per the previous question, the devolved administrations must play a central role in determining the broad guidelines. The Northern Ireland Assembly should then develop detailed guidelines for the operation of the fund in Northern Ireland in conjunction with the eleven councils, taking cognisance of the eleven council community plans, draft industrial Strategy, NI Smart Specialisation Framework, NI Regional Development Strategy, Innovation Strategy and local economic strategies.

As per the previous question, NILGA would propose that if the current impasse at Stormont continues, the Central - Local Government Forum supplemented by regional engagement between Government Departments and Council Senior Officers should be the vehicle to agree the detailed guidelines in Northern Ireland. Alternatively, if the Legislative Assembly returns, the Partnership Panel should agree the detailed guidelines.

15. How should the impact and desired outcomes of the Fund be defined and measured?

There should be a focus on qualitative issues, outcomes and performance rather than just quantitative data and outputs. These outcomes should be directly linked to those in the draft Programme for Government in Northern Ireland and should consider the impact on inclusive growth, community wellbeing and social inclusion. NILGA recommends that the council community plans are an excellent basis for identifying desired outcomes within the eleven council areas and that contemporary performance improvement models could also be looked at, which are citizen centred. There should be a strategic and flexible approach to delivery, facilitating partnerships across the public and private sectors and across council boundaries - where the best local outcomes can be achieved.

16. How can the promise that the Fund will be "cheap to administer, low in bureaucracy" best be delivered?

The fund should be designed with minimal bureaucracy and should be administratively simple to manage. Regulations should be proportionate to the funding allocation and there should be an alignment of rules across the UK to avoid confusion. Nationally accepted procurement practices should be applied to all programmes and opportunities to simplify the compliance burden should be agreed at UK level.

In terms of project assessment, a clear timeframe should be given at the outset for applications, turnaround of funding request and an appeals process. Efforts must be made to speed up project approvals and issue letters of offer. The average timescale in other European jurisdictions is 26 weeks for a letter of offer to be issued, in Northern Ireland, this timescale can reach up to two years, even after the review panel have recommended a project for funding.

17. Where should local authorities fit into the management of the new Fund?

Local authorities in Northern Ireland have the capacity, track record and experience to continue to manage delivery of the new fund. In Northern Ireland many of the local councils have formal and informal partnership arrangements with other councils, enterprise agencies, universities, colleges and third sector delivery partners. They should be able to work collaboratively to identify local needs / opportunities and prioritise accordingly. As such, they are best placed to identify collaborative partners at a local and regional level. Community planning partnerships in Northern Ireland – now three years in their formation / delivery – are local growth and investment platforms, planning sustainable wealth over 30 years and more. They can provide a delivery model & strategic impetus for local delivery of the new funding framework. The outcomes achieved by these partnerships are already firmly linked to delivering the draft Northern Ireland Programme for Government.

Greater authority together with management and monitoring of the new programmes should be delegated to the councils. There must be a mechanism for councils to work across council boundaries on joint projects, for example to continue the all-council delivery of the NI Start a Business programme, to deliver regionally significant projects that have been prioritised in city / growth deals, install broadband infrastructure and develop important transport networks.
In the case of Northern Ireland, given the interconnected nature of social and economic life in the border area in particular, there should be scope for border area councils to collaborate with partners in the Republic of Ireland to deliver shared priorities. Council led partnerships such East Border Region and Irish Central Border Area Network have a proven track record in managing the delivery of EU funding and should continue to play an important role in a successor programme.

18. How should programmes and projects be monitored and evaluated?

The Shared Prosperity Fund offers an opportunity to remove the bureaucracy and complexity which has long been associated with EU funding. Restrictive audit and compliance regimes should be overhauled, and NI government departments should review the operation of other non-EU funded programmes (both in the UK and rest of the EU) to identify a system that is based on outputs and outcomes, that focuses on the beneficiaries and not on the funders.

We must emphasise the good governance, track record, local economic knowledge, accessible partnerships and innovation of councils delivering existing funds and levering ten times their modest allocation of same. They should better resourced and challenged more to deliver the principles of the new SPF in practice, in and with the communities of Northern Ireland and be involved in the monitoring and review process regionally through NILGA.

Footnote: The APPG should note that the comments contained in this document are precursors to more detailed responses to the more formal consultation to be delivered later in this and early in the next calendar year. These comments, also, do not reflect the substantive feedback sought by NILGA from its 11-member councils, which will be known more fully when an all council meeting on the important matter occurs in October 2018.

	UK	NI	NI ranking of UK regions	
			NUTS I	NUTS II*
GVA per head *(£, 2016)*	26,584	20,435	10th of 12	32nd of 40
GVA per hour worked *(£, 2016)*	32.6	27.1	11th of 12	33rd of 40
Gross disposable household income per head *(£)*	19,432	15,719	11th of 12	37th of 40
Economically active *(%, 16-64, Apr17 - Mar18)*	78.3	72.5	12th of 12	40th of 41
Economically inactive *(%, 16-64, Apr17 - Mar18)*	21.7	27.5	12th of 12	40th of 41
Employment rate *(%, 16-64, Apr17 - Mar18)*	74.8	69.2	12th of 12	40th of 41
Unemployment rate *(%, 16+, Apr17 - Mar18)*	4.3	4.4	7th of 12	25th of 41
Claimant Count *(% proportion, Apr17 - Mar18)*	2.0	2.5	11th of 12	32nd of 41
Average gross weekly earnings *(Full time, £ per week)*	619.6	532.5	11th of 12	-

NUTS I rankings	1 = best; 12 = worst
NUTS II rankings	1 = best; 40/41 = worst
(red)	Worst performing region
(dark green)	Best performing region
(light red)	Within bottom third of regions
(amber)	Within middle third of regions
(light green)	Within top third of regions

** 41 NUTS regions categorised for labour market indicators; 40 regions for other indicators*

'-' denotes no data at NUTS II level