Belfast City Council

BREXIT COMMITTEE

Subject:	Shared Prosperity Fund – post EU Grant Funding
Date:	12 September 2019
Reporting Officer:	Nigel Grimshaw, Strategic Director City & Neighbourhood Services John Walsh, City Solicitor / Director of Legal and Civic Services
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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**
1.1	At its meeting on the 22nd August, the Committee asked that an update on the Shared Prosperity Fund be brought to its next meeting. This paper provides an overview of the Fund and its current status.
2.0	**Recommendations**
2.1	The Committee is asked to note the report.
3.0	**Main report**
3.1	<u>Key issues</u> The 2017 Conservative Manifesto promised a 'Shared Prosperity Fund' to replace EU funds after Brexit. The European Structural Investment funds (ERDF, ESF, EMFF, EAFRD and

	Interreg Va & Peace IV) allocate about £3.5B (£890M for non-agriculture) across NI (2014-20) but this will end with Brexit. In July 2018, the Treasury made assurances that any funding that organisations secure through EU programmes, from then until the end of 2020, will be guaranteed by the UK Government even in a no deal scenario. Links to the Treasury statement: https://www.gov.uk/government/news/funding-from-eu-programmes-guaranteed-until-the-end-of-2020
3.2	Current EU funding supports a range of areas including research and innovation, digital technologies, the low-carbon economy, sustainable management of natural resources, and small businesses. The replacement Shared Prosperity Fund will aim to reduce inequalities between communities through sustainable, inclusive growth based on the UK Industrial Strategy. A UK Government statement on the fund says it will: - Tackle inequalities between communities by raising productivity, especially in those parts of our country whose economies are furthest behind. - Use a simplified process so that investments are targeted based on strong evidence about what works at the local level. - Engage the devolved administrations to ensure the fund works for places across the UK.
3.3	To deliver on the UK Industrial Strategy, local areas in England are developing Local Industrial Strategies that will be agreed in 2020. These are described as prioritising long-term opportunities and challenges to increase productivity and will help local areas to maximise the impact of their bids to the Shared Prosperity Fund. Links to the statement: https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2018-07-24/HCWS927
3.4	The latest position There have been no major updates on the final approach to the Shared Prosperity Fund. A consultation had been proposed for late 2018 but this has not yet happened. However, comments and suggestions about the funds have been sent to the Treasury (see section 3.5) and the fund has been raised during Westminster debates. For example, - In June there were questions asked about any discussions the Cabinet had on the Fund. The reply stated that there had been “meetings between officials and over 500 stakeholders at 25 official events across the country.” (https://hansard.parliament.uk/Commons/2019-06-11/debates/445E3EA7-A557-4CE4-AE55-FF893EF489E2/SharedProsperityFund)

	- In July, the Chancellor responded to further questions about the progress of the Fund, stating that more details would be announced during the spending review (recent announcements suggest the spending review will happen in early September). (https://hansard.parliament.uk/commons/2019-07-02/debates/BCCA28BF-7188-4323-8980-AF973BDFAE64/SharedProsperityFund) - From an initial review of the recent Spending Round 2019 (3rd September) it would appear that no further information has been released in relation to this fund. Officers will continue to monitor developments and will update Members as required.
3.5	Feedback to date Although there has not yet been any formal consultation, a report released in May 2019 outlined some of the comments already received. Key messages include: - The general agreement that the fund should be of a similar size to existing EU funding, it should largely be allocated based on need and administered locally. - That the EU method of calculating need (GDP per worker divided by residents) may not suit the UK (with high numbers of commuters). The EU approach makes London 9 times more productive that the UK's worst region; other proposed methods to calculate need close this gap, from 9 times to only 2 times. - The use of the Barnett formula is discussed. For 2014, the EU had recommended removing Barnett from the calculation of how EU funding was allocated across the UK. It was estimated that this would have resulted in a 20-40% drop in EU funds for the devolved regions and a 9% increase for England. Westminster opposed the change and defeated a legal challenge from some English councils. (Report available at - https://researchbriefings.files.parliament.uk/documents/CBP-8527/CBP-8527.pdf)
3.6	Joseph Rowntree Foundation (JRF) At the previous Committee meeting, Members referred to the report on the Shared Prosperity Fund produced by JRF (https://www.jrf.org.uk/report/designing-shared-prosperity-fund). This report was released in October 2018 and JRF have recommended that: - Funding should be based on need, (estimated using employment rate and earnings) to drive up pay and employment in less prosperous areas. This is considered a more effective means of overcoming poverty, compared to the UK Government's focus on productivity. - The new fund should be outside of the Barnett formula. - The fund should be a 'single pot', mixing capital and revenue streams - investment in physical and economic developments can be complemented by programmes to provide people with skills and employment support.

	- The devolved governments and English regions should be able to control their own schemes.
3.7	The report states that using the Barnett formula would significantly disadvantage Wales and Northern Ireland as it is primarily based on population, and not on an assessment of economic need. However, it should be noted that, under the Barnett formula, NI receives approximately 24% more per head on public spending than England. In terms of need, JRF ranks Belfast in the bottom 40 local authorities across the UK; Belfast is mid-table in this group and rated by JRF as requiring less support than cities such as Birmingham, Liverpool, Manchester, Leicester, Nottingham, Wolverhampton, Middlesbrough, Dundee and others. The UK Government may determine the measurement of need differently to JRF and include factors such as the cost of living or the level of qualifications (for reference, Belfast is not in the top twenty local authorities for concentration of people with no qualifications or level 1 as their highest qualification, see page 13 of the JRF report). The factors that are included in the measurement of need will have an influence on Belfast's position in any rankings relative to other cities.
3.8	Currently the JRF report does not provide the level of information that would be needed to fully estimate the implications on funding for Belfast if JRF's recommendations are adopted. However, the earlier EU suggestion to remove Barnett from the calculation of EU funding in 2014 (see 3.5) was estimated to potentially cost NI between 20-40%.
3.9	Beyond the recommendations previously listed, the report refers to some broad policy interventions such as: business support, start-up support, improving basic skill levels, connectivity of infrastructure, etc. and many of these are already in place in Belfast.
3.10	<u>Financial & Resource Implications</u> There are no financial or resource implications directly relating to this report. However, the previous Council has noted that the scale of EU funding in Belfast is significant. More detail on the Shared Prosperity fund is needed in order to consider the implications for Belfast.
3.11	<u>Equality or Good Relations Implications/Rural Needs Assessment</u> More detail is required on the Shared Prosperity Fund in order to consider if there are any equality, good relations or rural needs implications.
4.0	**Appendices**
	None