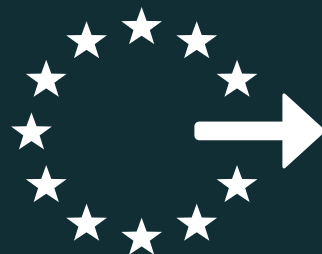


EU Successor Funding in Northern Ireland: Position Paper for SOLACE NI Executive Summary



November 2020



Introduction

ekosgen were commissioned in early 2020 by the Society of Local Authority Chief Executives in Northern Ireland "SOLACE NI" to undertake a research study to explore the future of EU Successor Funding in Northern Ireland. This Executive Summary provides a brief overview of the findings and sets out the recommendations for Northern Ireland. This report has been developed with the support of NILGA, the Northern Ireland Local Government Association.



Context

Now that the UK has left the EU, the UK Government has begun the process of developing a replacement investment mechanism for the EU Structural Funds. The Shared Prosperity Fund (SPF) will address regional disparity and structural economic challenges, and drive innovation, productivity, and sustainable economic development.

The Ministerial Statement of July 2018 strongly links the Shared Prosperity Fund to the UK Industrial Strategy, tackling inequalities between communities by raising productivity, and with an implied geographical focus on those economies which are furthest behind. In Northern Ireland, a refreshed economic strategy is underway, as well as a number of emerging strategies; for example skills and employability and rural development, all of which will align with the UK Industrial Strategy. A future SPF for Northern Ireland must take cognisance of and align to the priorities in these new strategies which will underpin the new Northern Ireland Programme for Government.

The UK SPF will be resourced within the context of the current spending review. At this stage we know the following from the UK Government:

- SPF is a successor to EU Structural Funds, not a continuation.
- There is no commitment to rolling forward current Structural Fund allocations by programme or area and no commitment to taking forward ERDF and ESF financial breakdown across priorities and themes.
- It will have a specific UK remit and be shaped by UK policy objectives, in particular, the Industrial Strategy, not EU Structural Funds heritage.

- It is not clear which Departmental budgets the UKSPF will be funded from.

The distribution and delivery of structural funds is overseen by government departments of the Northern Ireland Executive. Invest NI is the sole intermediate body for the entire Investment in Jobs Programme. Whilst local authorities also have a role in the management and delivery of programmes and initiatives and are match-funders for much of the activity, they do not act as accountable bodies. They do, however, have an important role to play going forward in co-designing (and managing aspects of) the SPF, and sharing their experiences and expertise with the Northern Ireland Executive as the SPF model emerges.

In addition to ensuring that the spending power provided by EU funding is preserved through the SPF, it is also essential that the UK Government respects Northern Ireland's previous status as a transition area for the purposes of EU funding in this new funding regime. This is significant as, although Northern Ireland accounts for only about 2.8% of the UK population, it receives 5% of the UK allocation of EU funds. This will ensure that funding will continue to be concentrated in areas to increase productivity and lessen economic inactivity. Such a commitment would also acknowledge and support Northern Ireland in moving forward as a post-conflict society.

It is also crucial that other funds should not be forgotten, in relation to this new funding regime, such as Peace funds (which may not be extended after this round), as well as ad hoc funds through the European Committee of the Regions.



How Northern Ireland has successfully invested Structural Funds

Since 2000 over the last three EU programme periods Northern Ireland has received some €1,750 million of structural fund support. In the current 2014-2020 programme ERDF and ESF funding has amounted to €492.4 million. This investment is arguably more focused in Northern Ireland versus the rest of the UK - a strategic decision, to target structural funds at the areas or issues of greatest need, address evident market failure and structural economic disparity in Northern Ireland.

Achievements through the current programme (ERDF and ESF) include:

900 Northern Ireland businesses are engaged in R&D.



There has been a 75% increase in the number of high-growth SMEs.



46,704 participants have been supported through access to employment interventions and **11,038 participants** through social inclusion interventions.



30,719 Apprenticeship NI participants have received ESF support.



In particular, Local Economic Development (LED) delivery (through ERDF), and locally delivered employability (through ESF), have been a vital component of Northern Ireland's delivery. The 11 local authorities have demonstrated their capability in the management and disbursement of Structural Funds, from the point of view of procurement, audit, compliance, etc. and also in fulfilling the strategic role they hold in place-making.

They have managed the delivery of LED projects totalling over £14 million in eligible spend, in many cases in collaboration with partner Councils. The approach to delivering City and Growth Deal interventions is further demonstration of this capability and expertise.

Invest Northern Ireland has also utilised ERDF monies to help support innovation in business and assist job creation. It is crucial that Northern Ireland's enterprise agency can continue to provide such financial support.

Northern Ireland's Rural Development Programme (NIRDP) has supported rural economies over a number of years and is a significant source of funding; local authorities have delivered projects totalling £17.82 million to date. This type of investment will need to be supported by a similar fund if rural communities are to continue to thrive and grow. A successor to the NIRDP must be considered alongside discussions about the new SPF.

The SPF should be designed to unlock the potential, and improve the connectivity and accessibility of, Northern Ireland's rural areas, support rural businesses and close the gap between income levels in rural and urban areas.

Northern Ireland's local authorities are an important part of the delivery of Structural Funds. They act as a very effective link between the regional level operational programmes and the local level, providing important, geographically specific knowledge and interpretation so that local needs are met. They are also an important mechanism for establishing a growth pipeline of businesses for progression to intensive support through Invest NI.

EU Funding has also played an important investment role in supporting major capital projects that have been transformational to local economies. Examples include the Giant's Causeway visitor centre, which received nearly £6 million of ERDF funding. This visitor centre has acted as a magnet for tourism and a catalyst from which a range of people and industries have benefitted. The Waterfront Convention Centre also received significant EU funding investment, which has helped to create more business, attracting greater number of tourists, which has seen local investment in the development of hotels positively impacting the local economy.



Limitations of the Structural Fund Approach

Although Northern Ireland's local authorities have achieved many successes in their use of Structural Funds, the approach adopted to managing, overseeing and using the funding has many limitations, and has become more bureaucratic and unwieldy over time. Particular issues include:

- A perceived lack of alignment between regional and local priorities, and priorities in urban and rural areas. Priorities need to be developed with the flexibility to respond to local need identified in Community Plans and outlined in the Executive's Programme for Government, and clusters of need, for example geographical clusters of local authorities, and/or thematic or sectoral clusters. A more place-based approach to planning and investment is required.
- The centralised approach adopted for decision making and managing EU funds has resulted in local authorities having less scope to deliver discretionary activity which is based on local priorities and need. This presents difficulties in delivering holistic packages of support that combine different structural and even other funds. Eligibility rules which exclude the funding of capital expenditure projects have also served to minimise the benefits which can be derived from other types of structural fund investment, for example, in business growth.
- Over-engineered application and administration processes, lengthy timescales for project approvals, and match-funding requirements have combined to reduce the overall impact and benefit derived from the Structural funds. These factors prevent some organisations from applying for funding and make others cautious of doing so; projects are designed to meet the funding criteria rather than being innovative and maximising benefits. Too much time and resource is spent on administration rather than those activities which will have an impact on the economy.
- A lack of robust and transparent monitoring of outcomes and impacts, as opposed to outputs, of structural fund investment at both regional and sub-regional level has worked against understanding where investment has made the most impact.





Priorities for Northern Ireland

The UK Government has stated that the SPF will tackle inequalities between communities and raise productivity in those parts of the country whose economies are furthest behind. This is key to the levelling up agenda and the aim for the Northern Ireland SPF will be to 'level up' within NI and between NI and other parts of the UK by taking a place-based approach to inclusive growth.

The NI SPF is likely to focus on strengthening the foundations of productivity to ensure that people benefit from economic prosperity, i.e. it will both support economic growth and ensure that growth is inclusive. It is important that EU Successor funding continues to support rural development programmes. It is therefore incumbent on the UK Government and Northern Ireland Executive to ensure that rural funding is protected in the same manner as the arguably more urban-focused ERDF and ESF funds.

Addressing the potential impacts of COVID-19 in Northern Ireland will also be key. Research suggests

that productivity is down by 25-30%, GDP will reduce by 8.1% in 2020, the economy will contract by 7-10% and over 200,000 will be impacted. The SPF must recognise that the scale of the interventions will increase as a result of the pandemic and that many of the groups previously supported by European funds are likely to be adversely impacted by the economic consequences of the pandemic.

Protecting businesses from the potential negative impact of Brexit will also be a consideration, as is the opportunity that Brexit presents for Northern Ireland as an access to the single market. Priority areas for focus are likely to be skills and employment, business growth, innovation, places and infrastructure.

It is vital that the new UK SPF is properly resourced and Northern Ireland's future allocation must be at least equivalent to the current programme's level of funding, as well as being correctly targeted, and appropriately managed to secure the best possible outcomes for the whole country. This must then be reflected in the SPF for Northern Ireland.





Developing a Shared Prosperity Fund to meet Northern Ireland's aspirations

As the quantum of money available to Northern Ireland will be set at Westminster and provided as a block grant, it is vital that the money remains ring-fenced for the purposes set. It must be hypothecated so that it can be directed to activities that are additional and deliver value-added benefits for Northern Ireland and its sub-regions.

The key factors which need to be considered in determining the SPF in Northern Ireland are as follows:

- Allocation should be built around the foundations of productivity, namely: ideas; people; infrastructure; business environment; innovation; and places.
- Community Planning, aligned to the Programme for Government, has a central role to play and should guide the shaping of SPF overarching priorities.
- SPF must demonstrate how the achievement of sub-regional priorities will contribute to regional objectives and how these then support UK level ambitions.
- SPF funding must align with, be able to support, and be supported by other strategic priorities and sources of finance.
- The SPF in Northern Ireland must be developed and co-designed through structured collaboration and co-production with partners including Invest NI, local authorities, education, health, the voluntary sector, and industry.
- Adopting a three-year funding period for projects with an annual review to enable issues to be identified, changes in context, and fine tuning to optimise performance.
- SPF nationally and regionally must have built in flexibility to respond to changing and unanticipated needs. This could be responding to COVID-19 recovery planning and the needs of particular groups such as young people, or of sectors, or of areas.
- There must be careful consideration of attitude and articulation to risk to encourage innovation and achieve the right balance between level of risk and potential returns.
- Supporting a business pipeline from new start to growth and high growth with a continuum of support that is integrated with other interventions and activities, such as skills development.
- SPF must recognise the importance of cross-border opportunities and initiatives including the opportunities of having a land-based 'border' with the single market, and have the flexibility to support these where appropriate.
- The level of management and administration should be commensurate with the spend and should recognise the existing mechanism and assurances in place with local government as a trusted partner.





Allocation and management

There is strong support in Northern Ireland to move to a transparent allocation system based on need and opportunity to support inclusive growth, achieve a balanced economy across all rural and urban areas, and close the productivity differences within the region, and between the region and other parts of the UK.

Allocation of the SPF must be considered at three levels: national level e.g. for strategic infrastructure, regional level and local level for council and community interventions; without alignment to local priorities, rebalancing cannot be achieved and cannot reflect place-based development.

Relationships between the Managing Authority, local authorities, delivery partners and other relevant bodies should be based on partnership working, moving away from purely transactional relationships while maintaining clear lines of accountability. Devolution of SPF responsibilities such as project appraisal, management and delivery should be asset-based, recognising the strengths and capabilities of all organisations and where there may be a gap in capability and/or experience, addressing it through knowledge sharing and capacity building.

There is a need to recognise the value of community plans as multi-partner plans delivering Programme for Government priorities for local areas involving local, central and other relevant partners. SPF priorities and allocations need to link back to the

needs and issues outlined in these Plans and set regionally through the Programme for Government. There is a need for a true place-based policy co-produced between central and local government to inform allocations and investment on a broader scale.

Local authorities have an important role to play here as more than service providers, but hubs for local businesses and co-investors in local regeneration and business and community development programmes. Their role at the local level allows them to consider regional and local strategies to meet local need and opportunities working alongside and with local stakeholders and service providers and delivery agents.

There is a greater role for local government working with central government partners in the management and delivery of SPF moving forward. If approached in a spirit of co-design and complementarity new processes could be streamlined and better aligned without creating another layer of bureaucracy.

Whilst effective management and delivery are important, there is a need to measure performance too. A robust monitoring framework with indicators that assess actual outcomes and impacts, which can be compared and aggregated at different spatial levels and across types of activities, is needed with the aim of driving and managing performance and informing decision making.

Opportunity and learning

There is now the opportunity for all partners to use national and regional evidence to shape the new SPF so that it aligns with all strategies and funding streams and is directed at national and regional priorities. Use past experience to rethink and carefully design what the SPF will do, how it is managed, allocated, delivered, and monitored so that it is simple, fit for purpose, efficient and not unduly onerous.

The real opportunity lies in addressing the inequalities in Northern Ireland and between Northern Ireland and other parts of the UK and as with other regions, to build on strengths, enhance productivity, and embrace green growth and the opportunity presented by its border with the EU single market.



A new approach

The means by which the Shared Prosperity Fund will be managed and delivered is as important as the finance available. There is an opportunity to move away from the Structural Fund programme approach and its limitations, to more effective arrangements, which take account of how partnerships and policy have evolved over the last EU programme period in Northern Ireland.

The principles set out in the table below should be viewed as an integrated package of measures that work as a whole, rather than a menu of options.

Principles and recommendations for a new approach in Northern Ireland

Principle	Commentary
National Framework	UKSPF should set a national framework defining high level strategic direction, objectives and priorities and alignment with UK strategies.
Regional and sub-regional priority setting	<p>There must be a commitment and processes at regional level to set strategic priorities. These should be developed in partnership and based on an evidence-based assessment of need.</p> <p>At a sub-regional level, there must be scope to identify and invest in activities that will address local priorities and reflect the local context. This must be an underpinning principle that all stakeholders sign up to. Ownership of sub-regional funded activities should rest with local partners.</p>
Outcomes based	Progress and achievements should be measured as outcomes and impacts, rather than activities and outputs. KPIs should be set that capture progress as well as final outcomes e.g. progress towards employment.
Flexible, single pot	<p>There must be an assumption of trust so that monies can be disbursed with as few restrictions as possible, balanced with the right degree of scrutiny.</p> <p>Monies should be provided in Northern Ireland with no restrictions on capital and revenue allocations or prescriptive allocations by theme. Spend should be based on identified need and a holistic approach covering, for example, investment in skills, business support, infrastructure, innovation and so forth.</p> <p>There should be a strategic approach to spend, combining all available funding sources to maximise value for money.</p> <p>Business support (including social enterprises) should be business-led and include support to invest in the workforce, in equipment, in processes, as well as advice, and specialist business development support.</p>
Maximum devolution of management and delivery	<p>Northern Ireland should work towards devolving management and delivery to sub-regions where there is sufficient capacity and capabilities.</p> <p>For some activities, there will be a rationale for clusters of areas and partnerships who could act as intermediate bodies, and a regional approach with flexibility for distinctive local need.</p> <p>Where appropriate, the approaches used successfully through the city and growth deals could be replicated.</p>
Attitude to risk	<p>Being overly risk averse can inhibit impacts and limits the opportunity to test and learn from new and innovative approaches.</p> <p>SPF at UK and regional levels should set an attitude to risk that allows for innovation and moves away from simply funding 'more of the same'.</p>
Fit for purpose systems and processes that are actively used	<p>Management, appraisal, monitoring and verification processes should be fit for purpose, not overly complex and proportionate to the level of funding and scale of activities. They should be used to review and drive performance.</p> <p>Additional layers and processes should not be added over time unless there is a clear rationale and demonstration of added value.</p> <p>Management and monitoring systems and processes should be, as far as possible, harmonised with those of other funds and their activities. This will make for a more efficient use of project management and administration time and generate consistent data.</p>



These recommendations are set within the context of the role that the SPF will play in Northern Ireland's economic development and the emerging strategies of the NI Executive and the developing Programme for Government. The principles and recommendations set out here would make SPF in Northern Ireland more effective and efficient than the current EU Structural Fund Programme.

The evidence sitting behind this Position Paper has been prepared through detailed research and extensive engagement with a wide range of organisations with regional and sub-regional remits. This ethos of co-production should continue.



