CENTRE FOR CROSS BORDER STUDIES

Briefing Paper: The UK Community Renewal Fund

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April 2021

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Introduction

The UK Community Renewal Fund (UKCRF) was launched by the UK government on 3 March 2021 as part of Chancellor Rishi Sunak's budget. It was presented in a Ministry for Housing Communities and Local Government (MHCLG) press release as forming part of a wider package of fiscal measures the Government is taking to "support our economic recovery from the pandemic, level up communities, and help vulnerable people". The Community Renewal Fund has an allocation of £220m and will run between 2021-22.

The UKCRF is intended as bridging finance, filling the gap between the end of the Brexit transition period – up until when the UK had continued to be eligible for the EU's European Structural and Investment Funds (ESIFs) – and the introduction of the UK Shared Prosperity Fund, the UK government's longer-term replacement for the European Regional Development Fund (ERDF).

Details of the Shared Prosperity Fund will be announced later in 2021 with a fuller profile confirmed at the next spending review, in anticipation of a 2022 launch. The MHCLG has said that the Community Renewal Fund will be evaluated, with that assessment informing the development of its successor Shared Prosperity Fund. Thus the UKCRF is to be used to finance pilot projects whose delivery must be completed by 31 March 2022.

Moving from EU structural funds to the UK Community Renewal Fund

Despite the end of the Brexit transition period, the way that the EU structural funds operate means that local areas in the UK can continue to spend investment from these schemes until the end of 2023 if the money has already been granted. It is therefore possible that parts of the UK, and even particular projects, will receive support from EU funds and the UK's Community Renewal Fund and Shared Prosperity Scheme within a period of a year or two.

In his foreword to the Community Renewal Fund prospectus, the Secretary of State for Housing, Communities and Local Government, Robert Jenrick, restated the Government's commitment to "at least matching" the level of funding which the EU spent on regional development in the UK, estimated at an average of some £1.5bn annually.

In designing the UK Community Renewal Fund, the MHCLG reports that it consulted with more than 500 stakeholders through 25 engagement events.

The UK government has said that it wants its successor programmes to the EU's structural funds to release funding more quickly, be better targeted, be more closely aligned with domestic priorities, and involve less bureaucracy than the existing EU schemes. The UKCRF's prospectus also describes the European Structural and Investment Funds as "overly prescriptive" and promises to "empower places to take a more holistic approach" instead (although as we will discuss later in this Briefing Paper, there are serious concerns that the UKCRF disempowers the devolved nations).

Missing from the UK Community Renewal Fund's prospectus or the accompanying technical note for project applicants and deliverers is any mention of a cross-border dimension, something which EU regional funding has a particular focus on, although there is a brief reference to it in relation to Lead Authorities in Great Britain within the "UK Community Renewal Fund: frequently asked questions" online policy paper (sections 2.7 and 2.8 in the version last updated on 24 March 2021). The European Territorial Cooperation framework – better known as INTERREG – is financed by the European Regional Development Fund (ERDF) and has a strand – INTERREG VA – dedicated to the economic and social challenges faced by border regions. INTERREG VA, along with the EU's PEACE programme, which is unique to the island of Ireland, are managed by the Special EU Programmes Body (SEUPB), one of the six implementation bodies established under Strand 2 of the 1998 Belfast/Good Friday Agreement.

Importantly, the priorities for INTERREG VA and PEACE spending on the island of Ireland are agreed between the European Commission, the Irish government, and the Northern Ireland Executive (with the Scottish government also involved in the INTERREG VA programme, which covers Northern Ireland, the border counties of Ireland, and Western Scotland). Thus the implementation of EU structural programmes and the prioritisation of the accompanying funding have not only offered vital support for a wide range of cross-border development projects, they are part of the broader architecture of North-South cooperation under Strand 2 of the 1998 Agreement. The fact that the PEACE PLUS programme that will replace the current INTERREG and PEACE programmes for the 2021-2027 period, and agreed by the UK government and EU during the Brexit negotiations, means that cross-border and North-South cooperation as part of the ongoing peace and reconciliation process continues to receive support.

Even if the UK government does match the EU's Structural and Investment Funds pound-for-pound, it is difficult to see how a wholly domestic funding programme such as the UK Community Renewal Fund can be attuned to the cross-border dimension on the island of Ireland, and it does not appear explicitly supportive of collaboration initiatives between the island of Ireland and Scotland or Wales.

The EU and the UK government will contribute financially to the PEACE PLUS programme, which will continue to support post-Brexit cross-border cooperation projects. There will also be a contribution from the Northern Ireland Executive and the Irish government. Since 1982, through the Department of Foreign Affairs, the latter has also funded its own programme – the Reconciliation Fund – which has supported North-South and cross-border projects among many other peace and reconciliation activities, while more recently the Irish Government launched the Shared Island initiative and a Shared Island Fund. There is no indication that the UKCRF is open to supporting cross-jurisdictional initiatives across these islands or that it will consult with the devolved administrations on such matters.

The UK Community Renewal Fund's objectives and priorities

The Community Renewal Fund has four overarching investment priorities:

- Investment in skills (e.g. work-based training, reskilling the workforce, promoting digital skills and inclusion)
- Investment for local business (e.g. increasing employment, encouraging innovation, supporting decarbonisation measures)
- Investment in communities and place (e.g. feasibility studies for decarbonisation and energy projects, cultural development, community regeneration, and rural connectivity)
- Supporting people into employment (e.g. linking people with unemployment services, addressing labour market barriers, skills development)

For bids to be successful they must align with at least one of these themes. There are no ring-fences applied to the four categories so, in theory, a disproportionate amount of funding may go to projects fulfilling one or two of the priorities at the expense of the others, although according to the assessment process document, Ministers may exercise discretion to achieve a "reasonable thematic split of approved projects" (p.9).

Fully 90% of the support available through the UKCRF will be revenue funding, with just a small amount on offer for capital funding. Applicants are therefore advised to propose projects that are either wholly or predominantly revenue-based.

Beyond the four investment priorities, project leaders are asked to consider the UK's environmental and equalities commitments in their applications.

Allocating and delivering the UK Community Renewal Fund

Any part of the UK may bid for a share of the £220m pot and there is "no pre-set eligibility" for the Fund.

Although bidding for the UKCRF is an open and competitive process, in Great Britain 100 "priority places" have been identified by the Ministry for Housing, Communities and Local Government. These locations are said to have been chosen based on an "index of economic resilience" which takes into account the area's productivity, household income, unemployment, skills, and population density.

Of these priority places, 73 are in England, 14 in Wales, 13 in Scotland. Separate arrangements are in place for Northern Ireland, which will be treated as a single geographical area for the purpose of bids.

Unlike Northern Ireland, the process in Great Britain will see the lead authority – mayoral combined authorities, county councils, unitary authorities, or the Greater London Authority – inviting applications from local organisations. The lead authority will then assess those applications, select projects costing up to a maximum total of £3m, and submit that shortlist to MHCLG.

In Northern Ireland local organisations are to submit their applications *directly* to MHCLG to be considered for part of a ring-fenced £11m allocation. The UK government says that it is taking this different approach in Northern Ireland to "ensure all communities have equal access to apply for the Fund". How this commitment to ensure equal access across communities in Northern Ireland will be achieved or how it will be measured is unclear, with no decision-making role apparently being given to the Northern Ireland Executive, Northern Ireland government departments, or regional officials.

All projects, whether they be via local authority shortlists or direct applications, must be with MHCLG by midday on 18 June 2021. Successful projects are scheduled to be confirmed from late July 2021 onwards.

Up to £2m of the UKCRF will be reserved for the coordinating and assessing bids in the priority places identified. A further sum of up to £14m for Great Britain and an unspecified amount in Northern Ireland will be spent on capacity building for delivering the Shared Prosperity Fund.

The Community Renewal Fund's prospectus makes a point of noting that the distribution of capacity funding at this stage does not pre-determine the allocation approach which will be taken for the Shared Prosperity Fund.

Projects will be selected based on a number of criteria, which fall under the two overarching categories of (1) strategic fit and (2) deliverability, effectiveness, and efficiency. The full assessment process and criteria can be viewed here.

Projects must be fully delivered and all funding received spent by the end of March 2021. Such a short turnaround time is likely to limit the range of projects and organisations that will be able to apply to the Fund.

The UK Community Renewal Fund and devolution

The introduction of the UK Community Renewal Fund – and, indeed the other funding programmes announced alongside it – represents a change to the *status quo* for the devolved administrations, which has proved controversial with some.

Previously, in allocating EU structural funds to Scotland, Wales, and Northern Ireland, priorities were agreed between the European Commission and the relevant devolved administration. Only for spending in England were Whitehall departments the direct liaison for the EU.

The prospectus for the UKCRF expresses the explicit wish to pursue "a new way of working between UK government and places". The emphasis throughout the prospectus is on funding being received and projects devised and driven at the local level, thus "forming a new, direct relationship with the UK government" and "aligning national and local provision".

The Part 6 of the United Kingdom Internal Market Act (UKIMA) 2020 gave ministers in Westminster the ability to "provide financial assistance to any person" for a range of purposes, including promoting economic development, building infrastructure, and supporting cultural or educational activities. This includes spending directly in the devolved nations in policy areas of devolved competence. Unlike other parts of the UKIMA, there is no requirement for Ministers to seek the consent of the devolved administration before making such spending.

In the Draft Budget 2021-22, the Northern Ireland Executive expressed "disappointment" that devolved administrations would be bypassed (p.22). Welsh Finance Minister Rebecca Evans went further, describing to the BBC the handing of funding directly to local authorities from central government as "an astonishing assault on devolution". UK government Ministers for the devolved nations contend that the devolved governments and MPs will be involved in the decisions made, with the Minister for Regional Growth and Local Government, for example, promising during a debate in the House of Commons that "the Devolved Administrations will have a place within the governance structures" for the UK Shared Prosperity Fund when it is developed. It is not presently clear what form engagement in either scheme may take, however, and whether it will amount to decision making, consultation, or simply information sharing.

Figures in the devolved government have also argued that the sums of money for the devolved nations is lower under the UKCRF, contrary to promises made. The Government's position is that this is not the case because some regions of the UK will continue to receive EU structural funds for the next few years. Nevertheless, the fact that the Community Renewal Fund, and its successor the Shared Prosperity Fund, will use a different methodology than the ESIFs did for apportioning their budgets will almost inevitably result in at least some regions losing out.

There is also a question mark over policy coherence, with the potential for central and devolved governments to be spending in the same areas but with differing or even contradictory objectives.

Conclusion

It is imperative that lessons are learnt from the development and roll-out of the UK Community Renewal Fund, and that these be applied to the finalised UK Shared Prosperity Fund. There is little doubt that the devolved administrations have seen introduction of the UKCRF as a UK government initiative which has sidelined them and encroaches, to a considerable extent, on areas of devolved competence. In more general terms, there are significant concerns about the lack of public consultation regarding the UKCRF, and the extent to which consultation may still take place in relation to the UKSPF.

Moreover, there appears to be little attention given to how the UKCRF fits into the wider policy and funding landscape of Northern Ireland, and particularly how it may interact (positively) with grant streams supporting cross-border cooperation, whether between Northern Ireland and Ireland or the island of Ireland and Great Britain. As the PEACE PLUS programme – to which the UK Government is a major contributor – is in its final stages of development, the UK Shared Prosperity Fund should be explicitly aware of how it can relate to activities supported by PEACE PLUS in ways that would increase the impact of both programmes. In order to do so, there must be meaningful engagement with the Northern Ireland Executive and other relevant stakeholders on the island of Ireland so that we maximise the opportunities presented by these investments.

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