

89% of councils opting for alternative funding post Brexit

Most (60%) public service leaders aren't budgeting for Brexit in their medium-term financial plans, according to The Chartered Institute of Public Finance and Accountancy. The extent to which the public sector is failing to prepare for Brexit is especially alarming given that local areas were meant to receive over £8bn in EU funding from 2014 to 2020 from sources such as the European Regional Development Fund and the European Social Fund, and the UK Government has not yet provided detail on replacement funding streams.

Whilst long-term arrangements are far from certain, in the short term at least funding applications to EU programmes can be submitted up until the date that the UK leaves the European Union on 29 March 2019. So, there is still time left in which councils and local groups can apply for, and benefit from, EU funding.

A perfect storm of funding pressures

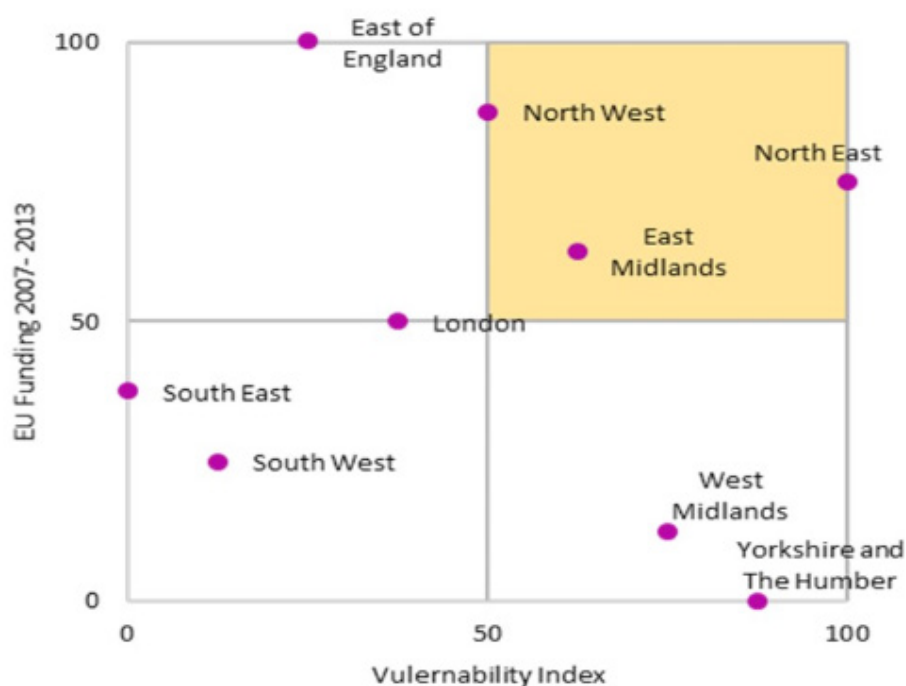
The uncertainties around funding for councils caused by Brexit, coincide with the continuing reduction in budgets caused by austerity.

PWC's annual survey of Local Authority Chief Executives and Leaders found that almost three quarters (74%) of respondents expected that some councils will get into serious financial crisis in the next year. The news on 23 July that Northamptonshire County Council has imposed emergency spending controls for the second time this year is just one example of this. The section 114 notice bans all new expenditure at the local authority, with the exception of statutory services for protecting vulnerable people.



Image 1: EU Funding vs. Community Vulnerability Index

Source: Place Analytics; Grant Thornton UK LLP, June 2017



Understanding the level of risk that local areas may face on the loss of EU funding, and how this can be mitigated, is therefore something that councils should be factoring into their strategic planning and financial management.

Analysis by Grant Thornton of current funding levels and the scale of the vulnerable population at regional level in England, has shown that the North East, North West and East Midlands are particularly at risk with both high vulnerability and high levels of EU funding. Local authorities in these areas may then be under added pressure to fill the funding gap left by the loss of EU grants.

Councils in other areas shouldn't relax though – across the country, leaders need to make sure they have a clear understanding of both their place and their population in order to identify the potential impact Brexit may have on the funding their communities receive.

A perfect storm of funding pressures

- » Local authority grant income has plummeted by £16bn since 2011
- » Two thirds of councils are dipping into their financial reserves to fund services
- » 89% of councils now consider exploring other sources of income a high priority or essential
- » 8 in 10 councils lack confidence in their financial sustainability
- » 61% of council leaders and chief executives believe that Brexit would have a negative or very negative impact on their local economy
- » 20% of schools (primary and secondary) are asking parents for money to help with school funding in the current school year

(Sources: Local Government Information Unit, 2018; National Education Union survey, March 2018; NCVO, 2018; New Local Government Network, 2018)

The knock-on impact on the voluntary and community sector

- » 32% of voluntary sector income comes from government sources
- » At £6.5bn, the value of grants made by independent foundations to the voluntary sector now exceeds grants made by government

(Sources: NCVO, 2018; Association of Charitable Foundations, 2017)

A funding gap or a chasm?

“Brexit cannot leave local areas facing huge financial uncertainty as a result of lost regional aid funding. The clock is ticking for the Government to set out a firm plan to replace this funding into the next decade and beyond.”

Cllr Kevin Bentley, Chairman of the LGA's Brexit Taskforce

The UK Government has pledged to create a UK Shared Prosperity Fund (UKSPF) to replace the regional aid funding local areas currently receive from the EU from 2021 onwards. However, few details have emerged about the scheme, with the government only committing to holding a consultation by the end of 2018.

Council leaders have warned that this provides insufficient time for local areas to design and deliver new UKSPF funded schemes. And the Local Government Association has called for a firm commitment from the UK Government that EU funding to local areas will be fully replaced from 2021.



Specific areas of concern include:

- » **The European Social Fund:** The Work and Pensions Committee has [called on the UK government](#) to urgently design a successor programme to the ESF. The current funding round is worth about €3bn (£2.3bn) across England over the period from 2014 to 2020. The Education and Skills Funding Agency (ESFA), the Department for Work and Pensions, and the Big Lottery Fund, administer ESF funding, with each organisation also providing match funding.
- » **ESFA match-funded projects:** Of [greatest concern](#) are the many projects co-funded by the Education and Skills Funding Agency. These projects, delivered with the involvement of local enterprise partnerships, and focused on young people not in education, employment or training, have received a combined total of £456 million. All ESFA-match funded projects had to be delivered by July 2018, which leaves the future of these projects in doubt unless new sources of funding are immediately identified.
- » **European Investment Bank:** The LGA has called on the UK Government to [set out plans for lending alternatives](#) to the European Investment Bank (EIB). The bank, which helps small and medium-sized enterprise (SME) development and major infrastructure projects, provides a cheap source of long-term finance and is often willing to invest in projects that are deemed too risky for commercial banks. As the UK is the fifth largest recipient of funding, it's unsurprising that several of the UK's major infrastructure projects have benefited.

The reality is that March 2019 is looming, and local councils are facing unprecedented levels of uncertainty. It was revealed at the start of August that councils are preparing their own Brexit impact assessments – and almost all councils who have released their assessments have expressed significant concerns about how the treasury will replace crucial EU structural and regional funds - particularly now the PM has promised any money that might materialise after Brexit to the NHS (Sky News, 1 August 2018).



And with 74% of respondents to PWC's survey of Local Authority Chief Executives and Leaders reporting that they are not confident that central government will engage with cities and local government in reshaping regional investment and regeneration funds beyond Brexit (The Local State We're In, 2018), the message is that councils need to be proactive. Making the most of alternative existing funding sources is therefore critical.

Filling the funding gap

What are the options for local authorities for filling the funding gap created by a loss of EU funding?

[GRANTfinder](#) is the largest repository of its kind, providing information on over 8,000 funding programmes and policy abstracts. As well as reporting on EU funding, it brings together information on national programmes of relevance to local government as well as national, regional and local funding targeted at the local business, voluntary and charitable communities.

Local authority projects which can attract support from government and other national bodies include:

- » Changing travel behaviour
- » Local community sports projects
- » Improving green spaces
- » Inter-generational community projects
- » Supporting children at risk of domestic abuse
- » Mitigating the strain of high and unexpected immigration put on local services
- » Creative, cultural and heritage projects
- » Strategic research to build skills and capacity in the heritage sector
- » Economic regeneration



Looking to the post-2020 future

Although the shape of the post-Brexit relationship with the EU remains unclear and details of the UK's new arrangement are yet to be agreed, the Prime Minister has expressed a wish that the UK remain as part of several EU programmes. At July's Local Government Association conference, a senior official for the EU's Brexit negotiating team raised the possibility that the [UK could still access EU funding](#) for regeneration and infrastructure once the transition period had ended.

Stefaan de Rynck, senior advisor to the EU's chief Brexit negotiator Michel Barnier, explained that:

“The Commission’s proposals also foresee participation for non-EU members in many programmes. Non-EU countries will have to pay for their participation, obviously, and an agreement must result in a balanced relationship in terms of non-EU members and contributions.”

Some local council leaders will have breathed a sigh of relief on hearing this statement. Yet, accessing EU funds as a non-EU member is unlikely to replace the billions local councils currently receive, as the majority of EU funding is only [available to EU members](#).

Even if the UK Government negotiated continued access to funding programmes, it would be expected to accept EU rules of participation. For instance, when Switzerland became eligible to participate fully in Horizon 2020, it agreed to allow free movement of people from the whole of the EU. Considering the UK's current political climate, this type of arrangement would be hard to imagine.



What councils can do now to prepare

Research by CIPFA highlights that a third of leaders have started planning. As a priority, local council leaders should look to take advantage of EU funding whilst it's still available. For example, local councils undergoing digital transformation projects should consider applying for an EU grant to install public wi-fi (part of the [WiFi4EU project](#)).

They can also expect to get an increased number of queries on alternative funding sources from other groups in their local area who rely on grants – this can include businesses, the voluntary sector and schools.

GRANTfinder is Europe's leading professional funding information tool, identifying support for community projects, capital expenditure, R&D, the environment and many other areas. It is relied upon by local authorities across the country, to secure funding and in turn the long-term growth of local communities.

“We had always received grant queries from other organisations, community groups and individuals, but GRANTfinder allowed us to have a streamlined, ordered process for dealing with such enquiries – it was also infinitely quicker and less time consuming. It's revolutionised the way we do things and has been a very positive investment.”

**Christian Foster, Programmes & Partnerships Manager,
Doncaster Metropolitan Borough Council**

“In the past 3 years my team has secured over £15 million in grants for the Local Authority, local schools and voluntary sector partners in Bolton. Most of this has been generated as a result of GRANTfinder services.”

**Lesley Turner, Strategic Resources and Partnerships
Manager, Bolton Council**



“The income generated through GRANTfinder has far outweighed the cost of our subscription. We’ve been successful in securing funds for a variety of added-value projects that meet and exceed our priorities.

As well as reporting on live opportunities, GRANTfinder lists those not presently calling for applications. This intelligence allows us to build up a portfolio of potential partners for both future projects and those where we need an alternative source of funding as part of an exit strategy.

We’re confident that GRANTfinder will remain at the heart of our mission to bring additional funds into Caerphilly.”

**Antony Bolter, Business Support & Funding Manager,
Caerphilly County Borough Council**

Although unthinkable to many, an EU funding cliff edge for local government is a genuine possibility. Therefore, local council leaders should prepare for the worst-case scenario and explore alternative sources of funding for their authority as well as their local community, whether that’s through national funding programmes or through charitable trusts.

For more information on how GRANTfinder can support the work of your authority, please contact:

grants.marketing@idoxgroup.com or the idoxgrantfinder.co.uk website.

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