



Northern Ireland  
Assembly

Committee for The Executive Office

# OFFICIAL REPORT (Hansard)

Brexit: Belfast City Council

4 November 2020

# NORTHERN IRELAND ASSEMBLY

## Committee for The Executive Office

Brexit: Belfast City Council

4 November 2020

**Members present for all or part of the proceedings:**

Mr Colin McGrath (Chairperson)  
Mr Doug Beattie (Deputy Chairperson)  
Ms Martina Anderson  
Mr Trevor Clarke  
Mr Trevor Lunn  
Mr George Robinson  
Mr Pat Sheehan  
Ms Emma Sheerin  
Mr Christopher Stalford

**Witnesses:**

Councillor Anthony Flynn	Belfast City Council
Mr John Walsh	Belfast City Council

**The Chairperson (Mr McGrath):** From Belfast City Council, we have Councillor Anthony Flynn, chair of the Brexit committee. We also have John Walsh, who is the city solicitor and director of legal and civic services. Gentlemen, you are very welcome. Thank you for making yourselves available to us today to discuss the impact of Brexit on the council. Do you have a few words to say first before we move into questions and answers?

**Councillor Anthony Flynn (Belfast City Council):** Thank you very much, Chair, and thank you to the Committee for holding this meeting. I represent the Ormiston district electoral area (DEA) of Belfast City Council, and I am a member of the Green Party in Northern Ireland. I have with me John Walsh, who is our director of legal and civic services. I will spend a couple of minutes on an introduction, and then, of course, we will open up to questions.

The Belfast City Council Brexit team undertook a Brexit readiness review exercise in October 2020, following on from a review carried out last year from when the transition period began. There are a number of potentially significant issues and themes stemming from a no-free-trade deal with the EU that we have identified, including significant concerns at the Port of Belfast. As you will be aware, members, the council undertakes checks on goods entering Northern Ireland, such as checks on fishery products and other consignments. We have also identified concerns with potential higher basic costs of running everyday council services and higher fuel costs to run our fleet, as well as a number of other issues, which I will mention in greater detail.

Although the Department of Agriculture, Environment and Rural Affairs has secured UK Government funding to design and build the new inspection facilities required to carry out sanitary and phytosanitary (SPS) checks at the Port of Belfast, those new facilities are planned on the assumption

that the EU will agree to significantly reduced levels of checks on GB to NI imports. If the EU does not agree to reduced checks, the development of the facilities will need to be upscaled significantly, as they will not be ready for the end of the transition period on 1 January. The Department is currently considering contingency arrangements for that scenario.

The Cabinet Office recently published its worst-case scenario, which stated that 40% to 70% of trucks travelling to the EU might not be ready for the new border controls. Clarity is needed around plans to manage such a scenario to ensure that trade is not adversely impacted on and to avoid unnecessary delays at the ports.

That outcome is anticipated, so greater clarity is needed on the contingency arrangements to ensure, as I have said, that trade is not adversely impacted on and to avoid delays at points of entry. Even if and when the facilities are built and ready to go, without clarity over the level of checks required by Belfast City Council, we may not have sufficient staffing levels to carry out the checks.

To date, the council has recruited a number of additional officers to carry out extra checks, and we are currently undertaking a second recruitment exercise to fill the vacant posts. It is our understanding and expectation, however, that the Food Standards Agency (FSA) intends to bid for funding to cover council staffing costs for the next three years. Those staffing arrangements may need to be upscaled if the EU does not agree to reduce the level of checks, however.

It is essential that councils be fully funded for the implementation of checks required under the Northern Ireland protocol, either through cost recovery or through government grants. Given the degree of uncertainty at this stage, it is essential that funding be flexible and can be upscaled if costs exceed estimates. Clarity is required over longer-term funding.

Other identified risks for council services include higher basic costs and additional costs on supply chains, such as providing sufficient and specialised food products for animals at Belfast Zoo; the impact on staffing levels with the reduction in EU migration; the impact on costs of running our council fleet with potential higher fuel costs; and costs of replacing components to maintain the fleet. The impact on supply chains and the higher costs identified by the council may impact on our council reserves if costs cannot be covered within existing budgets. We require clarity on potential funding streams from central government to help cover the additional costs.

I mentioned potential higher costs on everyday services and the issues identified under those higher costs. I cannot, however, overstate the potential impact on vulnerable people and ratepayers of the council area, who may face higher everyday living costs. Belfast City Council has been working in partnership with the Department for Communities and community partners to deliver relief and to support communities throughout the pandemic. Our models have been successful in delivering support, such as food distribution and the development of the virtual community hub. Clarity is needed, however, on future funding from the Executive to allow us to continue to support communities as the transition period comes to an end and the potential higher living costs kick in. I will hand over to John Walsh, who will cover some other identified risks.

**Mr John Walsh (Belfast City Council):** Thank you, Chair and members. The city has shown admirable resilience to the pandemic, but all sectors have been significantly impacted on. Claimant count has risen by 134.9% since October last year. Footfall in the city centre varies between 11.7% and 58.7% of normal levels, and the footfall level has been identified as the slowest of recovering cities in the UK.

Those figures give an indication of the challenges that lie ahead. The challenges of preparing for Brexit are truly made much more difficult by the current circumstances. The potential for increased costs, however arising, may have a significant impact on consumer and investor confidence, with a correlating impact on our rate base and, in turn, our ability to deliver on our ambitions for growth, our ability to support growth capacity in communities and our ability to sustain our growth in the tourism and hospitality sectors and for small businesses, which, outside of the public service, are our the main sources of employment. In the context of COVID, it almost seems that Brexit has become a bit of a sideshow, but the reality is that meeting the challenges of both poses a massive issue for government, businesses and people.

I will speak about some Belfast-specific issues. Belfast is significantly reliant on the visitor economy. One key sub-sector of that is business tourism, and the council recognised that through its £29 million investment in the Waterfront conference centre. The events industry pre-COVID reported ongoing challenges as a result of the uncertainty created by the Brexit decision. Given that events are

generally planned at least three to four years ahead, the industry reported that event organisers were concerned about the lack of certainty around what that would mean for hosting an event in the UK. As a result, the city lost out on quite an amount of business. The visitor economy sustains around 18,000 jobs in Belfast, and any developments that put that in jeopardy will have a significant impact on the local economy. It is important that we seek to re-establish our position in that market.

Belfast's is a service-based economy, particularly in hospitality and retail. Concerns have been expressed out of the ongoing trade negotiations that, in particular, some major food producers might pull out of NI because of the additional requirements associated with doing business here. That may have a fundamental impact on the city as a retail destination, as it may affect our offer in speciality or unique goods and produce. Concerns have also been expressed about increased costs making the city a less attractive proposition for tourists, whether they be from the Republic of Ireland or further afield. In that context, our visitor attraction, which is part of our city deal, is very important to that enhanced and unique offer.

One of the key drivers of the economy in Belfast is financial services. The 'Financial Times' has named Belfast as the number-one city globally for financial technology. We are also Europe's top destination for new software development projects and the number-one city globally for US investment in cybersecurity. It is essential that we retain access to the EU financial services market if we are to retain that competitive advantage.

Belfast is predominantly a microbusiness economy, and more than 90% of businesses in the city employ 50 people or fewer. Those small businesses and microbusinesses are particularly vulnerable to significant changes in trading requirements that may come about as a result of Brexit. They do not have access to resources, both human and financial, to work through the issues. We need to provide additional support to help them through the process.

Despite those challenges, I have received continuing positive interest in investing in the city, which is recognised as the regional driver for the economy. It is therefore important to continue with that positive momentum by ensuring strategic investment in the sectors that can sustain economic growth, with real reach for our citizens, and initiatives with the capacity to be multiple problem-solvers.

The city remains an attractive proposition for investment, with comparatively low land values and investment costs and the availability of skilled, educated and talented people. The city deal and its digital innovation programme point the way to how strategic alignment of public and private investment and partnership working among councils, government, universities and the private sector can achieve positive outcomes and identify and address deficits in the market. The 'Digital Skills for the UK Economy' report identified that 72% of large companies and 49% of SMEs are suffering technology-related gaps.

The city deal approach is the same approach that should be taken to future funding opportunities, including the shared prosperity fund. Although the approach to be taken is not finally set, it is important that the level of funding be at least equivalent to that which would have been received through the European social fund (ESF), the European regional development fund (ERDF) and other funds.

It is therefore important that the UK Government be faithful in their approach to levelling up and that a sound case can be made for Northern Ireland for future funding. Northern Ireland's productivity is lower than the UK average. GVA in Northern Ireland is around 76% of the UK average. NI has the lowest business start-up rate of all UK regions. Our long-term unemployment rate is significantly higher than the equivalent UK rate, and economic activity remains one of the greatest challenges. NI has the highest rate of people between 16 and 24 who are not in education, employment or training (NEET). Councils should have a role to play and should work in partnership to co-design the way in which the Shared Prosperity Fund (SPF) is allocated and managed. Priorities should be identified by assessment of need, and there should be alignment of subregional policies with the Programme for Government. The principle of outcomes-based accountability should apply to those projects. There should be no prescription around capital and revenue, and they should target investment at skills, business support, infrastructure and *[Inaudible.]* In that way, the SPF presents an opportunity not only to reduce bureaucracy but to provide much-needed flexibility for how funds are applied. With that, we should also consider our risk appetite. Post-local government reform, with the reduction in the number of councils to 11, there is the ability for councils to take on more responsibility under SPF. The ability therefore to work collaboratively with central government is much more realistic, as is evidenced by the city deal. The SPF should be aligned with and support other strategic opportunities and sources of finance. In short, the role that the SPF can play in economic development can complement the

emerging strategies of the Executive in the developing Programme for Government. The type of approach suggested can make the SPF very effective.

We also have to look at the other opportunities that may arise. There is a lot of discussion currently about innovation funding, so we need to be able to exploit those opportunities for levelling up as well.

Thank you, Chair. That concludes our submission.

**The Chairperson (Mr McGrath):** Thank you for that comprehensive report. It is appreciated. By the very nature of having to see as many councils as possible today, time is short. Apologies if there is only a short window for questions.

Anthony, I want to pick up on something that you said. This is obviously through no fault of your own, but is the council finding itself in a position in which you have to employ staff to carry out checks when you do not know where the funding is going to come from in the long term for those positions and you do not know yet what it is that they are going to have to check?

**Councillor Flynn:** Yes. You are right, Chair. That is our position at the minute. We have, as I said, started off a recruitment process for additional environmental health staff to carry out those additional checks. We are not completely aware, however, of the full level of checks that we will have to carry out. We are operating at the minute under the assumption that the EU will be quite lax in some of the checks that it is going to require from our officers. We do not have that clarity yet, however, and, as I said already, the funding for staffing levels will need to be upscaled, if and when we know what the final arrangement is. John, have you anything to add to that?

**Mr Walsh:** No. The position that you have stated is correct. The current funding allocation is for one year, but the reports coming back to us from officers are that it is very much unknown as to whether what they have will be adequate to carry out the required level of checks.

**Mr Sheehan:** Thanks for that, Anthony and John. You may have mentioned it, and I may have missed it, but did you give an exact figure for the amount of direct funding from the EU that Belfast City Council will lose as a result of Brexit?

**Mr Walsh:** I have some figures. There have been 194 approvals of the ERDF, and that represents just over £241 million of grant approved. For the ESF, there were 84 approved projects, and the investment totalled just over £240 million.

**Mr Sheehan:** When that is added to the increased costs that are going to accrue, what is the total figure? Do you know?

**Mr Walsh:** You will have to forgive me. I got these figures only just before the Committee commenced. Are you looking for the total for all the councils and the spend by area?

**Mr Sheehan:** Yes.

**Mr Walsh:** In total, for the ESF, it is just over £315 million. For the ERDF, the total is just over £355 million.

**Mr Sheehan:** OK. Thanks for that.

**Mr Lunn:** Thanks, gentlemen, for your presentation. I am looking at the report and the comments about labour migration and its effect on the events industry and, presumably, the hospitality industry and even the health service. Anecdotally, I have heard that there has been an exodus of foreign labour from Northern Ireland ever since the Brexit decision was taken. Have you noticed that accelerating, or do you anticipate that it might accelerate, as a result of the final departure from the EU? Do you have any figures or anything else to back up the notion that perhaps we are already in a crisis as far as foreign labour is concerned? That is before you talk about COVID-19.

**Mr Walsh:** I do not have the actual figures, but we anticipate that there could be future difficulties for market demand based on the attractiveness of the city to some of those people who would have chosen to come here and make it their home.

**Mr Lunn:** OK.

**Mr Beattie:** May I just follow on from that? Anthony and John, thank you for that. It was really good. On the back of what you have just been asked, I had a meeting with Mears, which deals with asylum seekers, the vast majority of whom find themselves in Belfast, as it is the hub. I know that this is a Home Office issue, but Mears said that there has been the largest increase of asylum seekers into Northern Ireland, and hence into Belfast, in the past six months that there has been in the past 10 years. Have you looked at whether that is likely to increase and the pressures that it is likely to bring to Belfast, and the council in general, if that trend carries on?

**Mr Walsh:** Chair, I do not have those details to hand, but I am happy to provide the information to the member at a later date. That view will be based on whatever is available to our officers.

**Mr Beattie:** The point is that there seems to be a two-way move. The people who can work are leaving Belfast, while the asylum seekers coming in are not allowed to work. There seems to be a really unbalanced flow in the lead-up up to the end of the transition period.

**Mr Walsh:** There is certainly a sense that particularly some of the people who worked in the hospitality sector are leaving.

**The Chairperson (Mr McGrath):** Martina, I cannot see you to tell whether you want to ask a question. There are a couple of minutes left if you do.

**Ms Anderson:** Yes. I am still here and can see all of you. I want to pick up on the issue of funding from the European social fund and European regional development fund that you mentioned. My calculation, from the figures that you read out, is £670 million. I do not know whether she is still there, but I know that you had a fantastic official called Laura Leonard, who was known throughout Europe for drawing down European funding and *[Inaudible]* funding streams, which were not then dedicated, as you said. I know that Belfast City Council was among the best councils for securing European funding. I want to ask a bit about that kind of funding stream as well, because, contrary to what some said earlier, we are a net beneficiary from the EU, and we are set to lose more than we put in. I am trying to get a sense, from council to council, of funding that will be lost. Pat was able to garner the £670 million figure from his questioning, and, on top of that, millions were drawn down by your council. I was quite jealous for Derry City and Strabane District Council. I wanted it to follow your lead at times, because you did that really well. Have you assessed what impact that will have on the council?

**Mr Walsh:** Yes, Laura was excellent, and another officer was also tasked with looking at whether other funding opportunities were available from Europe, so we were quite successful at that.

To be honest, because of where we find ourselves with COVID at the moment, we have not sat down and carried out the type of analysis that you suggest, Martina, but it is certainly something that we need to look at going forward. We particularly need to look at how we access funding to drive our green agenda. For me, we should look at how we can apply some of that money as a multiple-problem solver.

**Ms Anderson:** Again, we are tapping into a British fund that has been promised to the North but has yet to be defined. The council has already made a calculation and is quite ahead, which is right, but we have only 57 days left to go before the end of the transition period. Whatever about the future relationship deal, the funding element will be gone, and I recommend that you build on the sterling work that you have already done. You have been able to give us the figures today, but you might want to reflect on them so that you can encapsulate the entirety of the damage that is going to be done to your council by the loss of European funding, as that would make your funding case going forward.

**Mr Walsh:** It is important that there are full negotiations with the UK Government, particularly in the context of the principle of levelling up, so that we at least retain what we would have got from European funding. For all the reasons that I outlined in the presentation, there is a case for an enhanced level of funding coming here.

**Ms Anderson:** I agree.

**The Chairperson (Mr McGrath):** Thank you very much. The time has run out. Gentlemen, thank you very much for the presentation. We are meeting each council this week and next week, and each

council will have its particular focus. You have given the Committee a strong message about the amount of funding that is levered in to Belfast City Council from the European Union. With the clock ticking, the lack of surety about funding is obviously creating a difficulty. You have made an excellent case about the context we with the COVID pandemic. Belfast is one of those places with a concentration of businesses and commercial properties, and any downturn on the high street is going to be severely impact the council's rate base. There are two very big competing issues there that are going to drain finances, and assurances are needed going forward. We will make sure that your views are articulated to the Executive and the Governments as part of the Brexit process. Thank you very much for your time today.

**Mr Walsh:** Thank you.

**Councillor Flynn:** Thank you.