



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

EU Funding: Strategic Direction

17 October 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mr Leslie Cree
Ms Megan Fearon
Mr John McCallister
Mr Mitchel McLaughlin
Mr Peter Weir

Witnesses:

Ms Maura Young	Department of Finance and Personnel
Mr Shaun Henry	Special EU Programmes Body

The Chairperson: I welcome Maura Young, who is the acting head of the European division in the Department, and Shaun Henry, who is the director of the Special EU Programmes Body (SEUPB). I ask you to make an opening statement outlining the recent developments in relation to the structural funds programmes post-2014 and future INTERREG and Peace programmes.

Ms Maura Young (Department of Finance and Personnel): Thank you, Chair. The Committee will have received a paper from me last week. I am sorry that it is a bit long-winded, but we were trying to give you a full picture of things that had been happening in relation to future funding over the past number of months. I do not propose to go through the paper and would rather take questions from you, because it is fairly detailed. It is about the wider funding streams that the Department of Finance and Personnel (DFP) is responsible for.

The purpose of today's briefing is to bring you up to date with the consultation process that is under way for the proposed Peace IV and INTERREG V programmes, but, as we have pointed out before at these briefings, DFP has a wider role in the implementation of structural funds. Our Minister is responsible for the co-ordination and implementation of all structural funds across Northern Ireland. That involves the Northern Ireland-only programmes as well as the cross-border programmes in conjunction with the Republic's Minister.

We are working very closely with Departments, and we have tried to give you a flavour, in each section of the paper, of work that has been going on. Various designated managing authorities have been tasked with looking at the objectives that the Commission is bringing forward as part of the draft regulations and the activities that they could potentially bring forward in terms of EU funding. We have a number of consultative groups running across Departments, in SEUPB, in the Department of Enterprise, Trade and Investment (DETI) — DETI and the Department for Employment and Learning (DEL) are running together, under a DFP chairmanship — and in the Department of Agriculture and

Rural Development (DARD) to carry on the consultation that we are having with our partners and stakeholders about the shape of EU funding.

You may remember that we launched a reflections exercise earlier in the year, and we reported to the Committee that perhaps consultation fatigue had set in among a lot of the stakeholders. We did not receive many responses to that reflection, but we were anxious that we wanted to continue the dialogue with our partners and stakeholders. Our Minister agreed that we could invoke a consultative partnership group, which is very much like a programme monitoring committee in shadow form. It takes into account any of the objectives and proposals that are coming forward for the investment in jobs and growth priority, which, primarily, will be the European regional development fund (ERDF) and the European social fund (ESF), delivered through DETI and DEL. There are similar committees on the DARD side for the rural development and fisheries programmes, and SEUPB will take forward the cross-border programmes.

The paper is fairly detailed, and we have had a number of meetings. I am happy to take specific questions that you may have on the wider issues of EU funding post-2014. However, I thought that it might be best for Shaun Henry from the SEUPB to give you a detailed presentation on the ongoing consultation on the Peace and INTERREG programmes, on which you also have a short paper.

Mr Shaun Henry (Special EU Programmes Body): Thank you very much. The two Governments asked us, back in April, to start preparation for a future INTERREG and Peace programme. On foot of that, we have launched a public consultation about the future of the programmes. That consultation is obviously happening within the context of draft regulations. We believe that we know the shape and the context of the draft regulations. They are not fully finalised and not likely to be finalised until the end of this year, and they are therefore subject to change, but we believe that we have quite a good context to work within. We are also working within the context of no defined budget allocation to the programmes. Given those two constraints, we have launched a public consultation. I have brought copies of the consultation paper with me. We have talked to some members individually, and they will be aware of the consultation paper.

The consultation paper asks members of the public and interested stakeholders to focus on and identify what the impact of the current programmes has been and, based on that, what the focus of any future programmes should be. One of the important aspects of the new draft regulations is that the future programmes will have to be strongly focused on the objectives of Europe 2020. Programmes will have to demonstrate how they are making a contribution to smart, sustainable and inclusive growth. That translates into having to identify four themes out of a potential 11 that are identified in the regulation. Through the public consultation, we are asking for people's views on what the programmes' future focus should be. We recognise that that focusing will be particularly challenging in the INTERREG programme, where the INTERREG programme between Northern Ireland's border region and western Scotland has a broad range of current activity. Given the constraints of the draft regulation, such activity will have to become much more focused in any future programme.

The draft regulations specifically mention and make regulatory provision for a Peace programme, and that fits comfortably within one of the 11 themes — theme 9 for social inclusion. So, we do not see the same sorts of constraints emerging within the Peace programme. Within that programme, the challenge is to identify the types of activities that can best contribute to peace and reconciliation, now that we are at this stage of the overall peace process in the island.

The consultation asks for views on the programmes' implementation structures and how those structures can be simplified. We have also asked for views on how the processing times can be simplified and how the general administration of the programmes can be made more user-friendly. We also have questions around the equality and environmental impacts of the programmes.

We have held a range of public meetings. So far, more than 500 people have attended those meetings, and we are slightly over halfway through the consultation process. I think that that demonstrates a high level of interest in the future programmes, and we have had some useful and informed discussions at the meetings. The findings of each of those meetings are published on our website. We are asking all stakeholders to return to us with a written response for the consultation by 20 November. As yet, we have not received any substantive written consultation responses, but we look forward to receiving them over the next weeks.

Following the close of the consultation, on 20 November, we will meet again with the overall programme development steering group that we established. It draws in the two Departments of

Finance, locally elected councillors and social partners to overview the overall consultation on, and preparation for, the programmes. We will consult them on producing an outline of potential future programmes and sharing that with the Departments of Finance towards the end of this year, with a view to our preparing detailed operational programmes in the first half of next year. Those programmes will then be subject to further public consultation in due course. That timetable obviously depends on clarity being achieved around the regulations and the budget allocations to the programmes. I am happy to take questions.

The Chairperson: Thank you very much.

Maura, in paragraphs 57 to 65 of the departmental paper that you gave to the Committee, there is some discussion about the possibility of the North qualifying as a transitional region, which would ensure a greater allocation of funds and other benefits. Has the Department contacted the Westminster Government to try to influence their view regarding that? I think that the paper refers to the fact that this particular category would include all regions with a GDP per capita of between 75% and 90% of the EU average, which we have started to fall into in recent months.

Ms Young: Yes.

The Chairperson: Is that something that has been raised at that level?

Ms Young: The last year's figures put us into that transitional category. As I understand it, the draft regulations that the Commission is bringing forward will include us as a transitional region. The problem will be the UK Government's red line against allowing any transitional status programmes into the Budget. That is an issue that we continually raise with colleagues in the Department for Business, Innovation and Skills, which leads on the UK's position on structural fund allocations. We continue to press our position, as we would for other flexibilities that are available to us.

The Chairperson: Shaun, since the Committee's previous update session in June, streamlining has been an issue for many public representatives. Has any progress been made in regard to INTERREG funding applications?

Mr Henry: We made the last call for the INTERREG programme in spring this year, and, through that process, we introduced a new two-stage application process. In stage 1, we processed more than 90 applications within four weeks. From those, we identified 13 projects that moved to stage 2. Through that process, we have developed economic appraisals and those projects are going through a detailed assessment process. Decisions on those projects are due over the next week to 10 days. As we meet this morning, our committee is meeting to look at the first batch of the projects, and a further committee meeting is scheduled for next week to look at the remaining projects. That should be the end of all the project assessments in the INTERREG programme for this programme period.

The Chairperson: Are you satisfied with the pace of the processing of those applications?

Mr Henry: We made February the closing date for the first stage of the applications. If we are able to have the decisions in October of this year, and can issue letters of offer shortly thereafter, I think that that represents a considerable shortening of the assessment time. However, we are aware — as we heard from the previous presentation from the Southern and Eastern Regional Assembly — that the norm for the approval process in other INTERREG programmes across Europe is around six months. So, although we recognise that the current process improves on what was there previously, I still think that, when we are planning for the new programmes, we have to take a much more fundamental look at their architecture to see whether we can get further improvements.

Ms Fearon: Thank you for your presentation. The first of my two points relates to the current EU funding structure. I am keen to see a breakdown of the spending by area, if that is possible. I do not expect you to have it at the minute. I am specifically interested in knowing how many Peace projects have been approved and funded in south Armagh.

Ms Young: OK. Is that just on the Peace programme or would you like to see the breakdown across the programmes?

Ms Fearon: Across the board, yes.

Mr Henry: We definitely can do a geographical analysis of how the Peace money or INTERREG money has been spent, and we are happy to do so. I caution that there will be caveats with that analysis, because it is based on the address of the lead partner who may sometimes not be located in the geographical area of impact. For example, they may be based in Newry but the benefit accrues in the rural area. So, there are caveats; but, yes, we will be happy to do that geographical analysis for south Armagh.

Ms Fearon: Thanks. My second point relates to the current consultation. Are there any plans to allocate funding specifically targeted on the women's sector? Historically, women have lagged behind in business and politics, and I think that it is important that money is there to enhance women's roles in peace building and the community sector. I would be keen to see similar projects supported.

Mr Henry: The current programme has funded quite a number of women's organisations. It targets the women's sector and the questions in the current consultation are phrased in an extremely open way. We have not formed a view at this stage as to whether there should be specific funding of any sector. We anticipate that some of the organisations within the women's sector are likely to come back to us through the written consultation process, but, at this stage, we have no view on that.

The Chairperson: With regard to the reflections document and the SEUPB consultation, can you give us a flavour of the kind of responses you are getting and the general themes that are emerging?

Mr Henry: We have published the feedback that we get from public meetings on our website. A strong sense is coming forward that any future Peace programmes should focus on young people and on youth. A number of responses that have come back mentioned shared education and the importance of engaging with youth through the youth sector. Quite a number of responses indicate the current issue of economic exclusion of young people and how we can improve their life chances and create pathways back in to the labour market. So, even though we are only halfway through the consultation process, the one common theme emerging within the Peace programme is young people and youth.

As I mentioned earlier about the INTERREG programme, there is a need and requirement for us to identify four out of the 11 themes in the draft regulations. I think it fair to say that there is no consensus of opinion emerging through those public meetings as to what the focus of any further INTERREG programme should be. Some people believe that we should have a very strong economic focus on research and innovation and on small and medium-sized enterprises (SMEs); others say that we should have a much more environmental focus; and yet others say that we should focus more on social inclusion and employment issues, so there is a broad range of views.

As Maura said previously, it is particularly important that we plan the INTERREG programme to work in a complementary fashion with other programmes planned for Northern Ireland. In that context, we are working very closely with the Department of Enterprise, Trade and Investment (DETI) and the Department for Employment and Learning (DEL), which are the managing authorities for future regional programmes for Northern Ireland. The regulations state that they must focus on a number of themes. For the growth in jobs programme, they must focus on themes 1, 3 and 4. So, the questions that we pose through our public meetings ask what the added value of INTERREG is and how can it complement those programmes, given that level of focus of other EU-funded programmes. That is an extra issue that we have to take into account when we are looking at INTERREG, but I think it would be fair to say that, at this stage in the consultation process, there is no strong consensus of opinion on where the focus of that programme should lie in the future.

Ms Young: If I can pick up on that issue, themes 1, 3 and 4 — for those of you who are not familiar with having numbers thrown at you — are about competitive SMEs, R&D and the low-carbon economy. For the regional programmes across all of Europe, 80% of the ERDF has to be focused on those areas, so they are a bit more constrained in how they look at the other thematic objectives as to what moneys can be targeted outside of that. Peace and INTERREG potentially are in a better place in that they have more range and more choice. However, as Shaun said, we would like there to be more complementarity across programmes this time. They also have to reflect back to the various strategies that are in place in Northern Ireland, such as the economic strategy, the transportation strategy, the regional development strategy, the Winning in Europe strategy and the Programme for Government. There are a number of strategies for things that we have already determined that we would like to do for our own region. It is about how we then use the complex multiplicity of the programmes and all of the funds to help us to achieve those things and to decide what can be achieved through funding that is allocated by the Executive and the Assembly and what can be

achieved through EU structural funds. Then, on the outside, we have the competitive funding coming through. We have to ask where else we could target our attentions. If structural funds are not the right place from which to draw down funds, is it, perhaps, through Horizon 2020, Life, Erasmus or some of the other programmes and projects that the Commission identifies?

At the moment, it is part of a big mishmash, in a way. We are trying to look at what activities we want to do across the piece through our consultations and where best to go to try to get the money to deliver it. So, it is really early days. We are trying to bring all of those things together. In the middle of it all, of course, there are delivery mechanisms, in which everyone has a particular interest and which are key in moving forward. Perhaps, in some ways, they have not worked as well as we would have liked across the whole of the last structural funds process. It is about using the evaluations that we are commissioning and have already commissioned across all of the programmes to see what worked best, what lessons were learned, and how to use that for the future.

I will just pick up on one point about the reduction in times for the appraisal of projects. It would be very nice to get it down to as minimal at time as possible. We have still to be careful that we maintain projects that are value for money, are required in the region and meet all of the necessary approval statuses that they have to go through to get funded. We go through all of those processes, sometimes, at the beginning. It stops us having grief at the other side when we have not actually complied with a lot of the Commission's requirements in the early stages. Therefore, we have to perform a balancing act. However, it has, obviously, taken too long.

One positive thing to come out of the current INTERREG application process is that, at least, projects know at an early stage what is happening. In the past, perhaps, they had been left in the dark for a little bit too long and did not know whether they were being moved on to the next assessment phase. This time, they know at the beginning whether they are out or in and whether they are moving on to the next stage and what the process is. That has helped.

Mr Cree: It was good to hear Shaun say that the process will be more user-friendly. It has taken us a while to get here. My questions, Chair, are similar to yours. First of all, Shaun, on the INTERREG programme, the current bid is valued at £45.6 million. How much of that is needed to completely cover all of the funds that are available? Does it take into account any slippage that there may be?

Mr Henry: Slippage is a movable feast in that we have now put in robust monitoring systems to identify slippage. However, often, slippage in individual projects will not be identified until much later on in the implementation process. The programme is due to close in 2015. Our past experience indicates that slippage will be identified and the rate of slippage that is identified will probably increase as we near the programme closure date. Therefore, we have to make prudent and risk-based decisions on the value of the letters of offer that we now issue to ensure that we have sufficient letters of offer to cover the financial allocations to the programme. We estimate that the committees that are meeting this week and next week would have to allocate something in the region of €30 million to ensure that we have full allocation of the programme and make some prudent provision for future slippage.

We have to be aware that the programme is subject to foreign exchange risk over the next two to three years. We have to take account of and monitor that foreign exchange position regularly and take action as required. We also have to be aware of the potential for irregular expenditure to be identified during the closure process, as that would, therefore, impact on the overall eligible level of expenditure in the programme. So, closing the programme to maximise the EU moneys coming into the region is as much an art as a science; there are many variable factors that we have to monitor and manage over the next two and a half years to ensure that we maximise those moneys. That is something that we are working on closely with the Departments of Finance to ensure that we have an agreed strategy in regard to the value of letters of offer that we issue at this stage.

Mr Cree: You mentioned €30 million. The current projects are valued at twice that figure. Does that €30 million use up all the money? Have you a sort of float? Is it the intention of the body to have, perhaps, a couple of standby projects, just in case something else comes out of the woodwork and the money is not spent?

Mr Henry: It would not be appropriate for me to determine the outcomes of the committee meetings that are being held this week and next week to assess those projects. Those projects are going to those meetings, they will be assessed and decisions will be made to approve or reject those applications. They also have to take into account the availability of budget. Obviously, if projects are

approved in excess of the available budget, projects would go onto a waiting list. However, it would neither be appropriate nor am I in a position to say what the outcome of those meetings is going to be over the next two —

Mr Cree: I know. We are concerned that no money should be returned to Europe at the end of this exercise.

Mr Henry: We are managing the programme with Maura and her colleagues with that in mind. As I said, it is a difficult balancing act because we are aware that, at a later stage, there will probably be slippage that we are currently not aware of in the projects.

Mr Cree: My second point, Chair, mirrors your own. The enhanced transitional status for Northern Ireland is interesting. Figures announced fairly recently are not actually recent in the real sense, because they refer to 2009.

Ms Young: That is correct.

Mr Cree: There are two years after that during which the economy has declined significantly further. What effect will that have? Does a continued decline in the Northern Ireland GDP figures mean that we get more or stay in it longer? What is the thinking?

Ms Young: If the next round of figures shows our position worsening, it would leave us in the current position, which is that we would be considered to be a region in transition for the seven-year period 2014-2020.

Mr Cree: How quickly is that likely to be known?

Ms Young: I understand —

Mr Cree: Is it normally a three-year lag?

Ms Young: I understand that another set of figures will be available before regulations are approved, which is due to happen by the end of 2013. So, during 2013, another set of figures bringing us up to 2010 will, I think, be available and factored in. Once they are available, the Commission will build those into the regulations.

Mr Cree: It is a very long gap. I do not know why we cannot get figures much quicker than that, when people are quoting them monthly.

Ms Young: That is the way that Eurostat announces them.

Mr Cree: OK; so, there is money for us there, hopefully?

Ms Young: Hopefully.

Mr Cree: Thank you.

Mr D Bradley: Good morning. There was quite a bit of controversy over funding to victims' groups. Is that controversy reflected in any of the responses that you received?

Mr Henry: We fund quite a number of victims' groups through measure 1.2 of the Peace programme, which is implemented by the consortium of the Community Relations Council (CRC) and Pobal. So far, we have not received any written responses from victims' groups or any other groups. We anticipate that the stakeholders from that sector will probably make a written submission through the consultation process, and we welcome that. However, no; we have not had any written submissions from them, at this stage.

Mr D Bradley: A number of groups had their funding stopped or suspended. Is that still the case, or has any of their funding been restarted?

Mr Henry: Following irregularities in the project implementation, letters of offer for a number of projects were withdrawn, and that is the current status of their funding. Their letter of offer has been withdrawn.

Mr D Bradley: Is it possible to get a full list of the groups that have had letters of offer withdrawn and a list of groups from which the SEUPB is clawing back funding?

Mr Henry: I think that we have shared with you previously the list of groups from which we withdrew letters of offer, and we are happy to update that list and share that information with you again.

Mr D Bradley: Thank you very much.

The Chairperson: OK. Maura, Shaun; thanks very much.