



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

EU Funding: DFP and SEUPB

30 April 2014

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)
Ms Michaela Boyle
Mrs Judith Cochrane
Mr Leslie Cree
Mr Paul Girvan
Mr John McCallister
Mr Ian McCrea

Witnesses:

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| Mr Frank Duffy | Department of Finance and Personnel |
| Mr Dominic McCullough | Department of Finance and Personnel |
| Mr Pat Colgan | Special EU Programmes Body |
| Mr Shaun Henry | Special EU Programmes Body |

The Chairperson: I welcome Frank Duffy, head of the European Union division in the Department; Dominic McCullough, head of North/South policy and programmes unit in DFP's European Union division; Pat Colgan, chief executive, Special EU Programmes Body (SEUPB); and Shaun Henry, director of managing authority in SEUPB.

I remind members of the usual format of these update briefings when there is a joint panel: DFP officials will make some opening remarks, and then the SEUPB officials will continue the briefing. Over to you.

Mr Frank Duffy (Department of Finance and Personnel): Thank you, Chairman, and thanks for the opportunity to update you on EU structural funds. You received a detailed paper from me, which I hope is interesting and informative. If you are content, I would like to make a couple of opening remarks and update you on the key issues covered in the paper.

With your permission, I will begin with the current programmes: Peace III and INTERREG IV. I am pleased to report that Peace III and INTERREG IV have met their 2013 N+2 targets and exceeded all their annual expenditure targets to date. SEUPB advises me that the N+2 targets for the remaining years will be challenging, but we do expect to meet them. I am sure that Committee members are aware of the much-publicised withdrawal of letters of offer from the Narrow Water bridge and Maze/Long Kesh projects. That presented a significant challenge to commit the remaining INTERREG and Peace III funds to suitable projects capable of spending within the EU regulatory time frame. Considerable work was undertaken to identify and access those projects. I am pleased to be

able to confirm that appropriate projects have been agreed and, once all letters of offer are financed, both programmes will be fully committed.

The UK partnership agreement — which, you will probably know from the papers, is the overarching strategy document for 2014-2020 — was formally submitted by the Department for Business, Innovation and Skills to the Commission on 18 April. That opens the negotiation process between the UK and the Commission and puts in place a timetable for the submission of UK programmes. DETI and DEL are developing Northern Ireland's European regional development fund (ERDF) and EU social fund programmes, and they must submit those by 18 July. My team will work with DETI and DEL over the coming weeks to finalise documentation to secure Executive approval for the draft programmes to be submitted to the Commission within the time frame.

The main purpose of today is to update you on the development of the new Peace IV and INTERREG Va programmes, and to consult you on the strategic direction. On behalf of the two member states, SEUPB has developed new draft programmes, and it has recently provided those for scrutiny. It has been advised by a steering group comprising appropriate sectoral stakeholders and informed by an initial consultation with the public. The main themes for each programme have been identified, and in line with European Commission guidance, those must be strategic, demonstrate a strong results orientation and meet the needs identified within the eligible area. With the Chairman's permission, Pat will cover those in his opening remarks.

Before submitting the Peace and INTERREG programmes to the Commission, SEUPB will carry out a full public consultation. Following that, the draft documents will be refined, and the agreement of the Executive, the Irish Government and the Scottish Government, in the case of INTERREG, will be sought. Formal approval will be sought from the North/South Ministerial Council.

EU regulations themselves set a deadline for the submission of cross-border — or, to give it its proper title, European territorial cooperation — programmes to the Commission by 22 September. I am working closely with SEUPB to meet that deadline. The proposed budget allocations are €269 million for Peace IV and €282 million for INTERREG Va. Those incorporate an 85%:15% ERDF match funding split, which is allowed by EU regulations.

Development of the new programmes provides the opportunity to consider measures that could simplify the programmes and reduce the administrative burden for beneficiaries. I am very aware, as I am sure you are, that the current programme assessment process has been subject to scrutiny. Whilst there is a strong desire to make improvements to the process, it must be recognised that we have to do so within Northern Ireland's public finance system, within which SEUPB and all EU programmes, including INTERREG and Peace, must operate. Departments are ultimately financially accountable for EU funds and are liable for any irregular expenditure. So, the appraisal and approval mechanisms are necessary and cannot be set aside.

Having said that, there is always room for improvement. So DFP, in consultation with SEUPB and our colleagues in the Department of Public Expenditure and Reform (DPER) in the Republic, has already agreed the basis for some administrative improvements in areas of agreement of the rules between Peace and INTERREG; use of simplified cost options, such as unit costs, where appropriate; and flat-rate costs for overheads. I will continue to work with colleagues in SEUPB and DPER to identify further efficiencies and improvements in a very critical area.

I welcome the Committee's views today on the overall direction of the programme. Following this session, and prior to launching the public consultation, I will be happy to engage further with the Committee on the development of the programmes in a format of your preference.

Mr Pat Colgan (Special EU Programmes Body): Chairman and members, as always, it is a pleasure to come here to give an account of our work to elected representatives and to the Committee. If I may, I would like to make a few points by way of opening remarks. First, I want to reinforce and confirm what Frank said in relation to the current Peace III and INTERREG IV programmes. We are at full commitment level. There are some final technical issues to be sorted out in relation to one or two letters of offer, but that should be sorted over the next week or so. However, the programmes are fully committed.

We met and exceeded all our very difficult expenditure targets for 2013. Between now and the end of 2015, we have €211 million to spend between the two programmes. That is quite a lot of money to spend. We would have preferred it if that had been spread a bit more evenly over the life cycle of the programme, but, unfortunately, the length of time that it has taken to get agreement on project

applications and assessments means that we have this sort of backlog at the end of the programme period. So it is a very difficult and challenging target for us to achieve that expenditure of about €211 million between now and the end of 2015. Once we get into 2015, our focus will turn to closure of the current programmes. Expenditure is eligible up to the end of 2015, but there is a fairly complex regulatory process involved in closing down the two programmes, which will take about two years and bring us up to about 2017.

Those are my introductory remarks on our current programmes. I am very happy to deal with any issues or questions that you may wish to raise in relation to that.

I know that the main emphasis today is on new programmes. If I may, I will make a few points by way of introduction. You have a paper from us on that. First, I want to highlight the cross-border nature of the programmes. To get the programmes agreed, we need agreement from the Northern Ireland Executive, the Irish Government and, in the case of INTERREG, the Scottish Government. Obviously, there is a negotiation process with the European Commission, and there is the issue of compliance with the various regulations and so on. That is just a background thing that we need to bear in mind all the time when we discuss these programmes.

I wish to point out the key highlights of what we have done to date. I will go back 20 months to 28 August 2012, when we kicked off the process with a formal initial public consultation on new programmes. That was open until 20 November 2012. We organised about 20 different public events, where we had about 1,000 people in giving us their views and opinions on new programmes, and we had 173 written submissions on new programmes. We wrote up a summary of those submissions and the feedback that we got at the events, and we published that in February 2013 — so, a little over a year ago. That was published on our website. It was also used as a kick-off or point of departure for our discussions with the members of a programme development steering group, which we set up together with our colleagues in DFP and DPER in Dublin.

The programme development steering group consists of representatives of the member states, obviously, but also elected representatives and representatives of all our key stakeholders, including local authorities, NGOs, community and voluntary groups, and so on. The programme development steering group has been our point of reference for the development of the programme. It met for the first time in February 2013. At that meeting, we presented what the emerging themes were. I have to say that the themes that were put on the table back then have not changed substantially. There has been some debate and discussion about the ins and outs of it, but 75% or 80% of what was put on the table at that time is roughly what we will come forward with now. We also obviously discussed with the group the mid-term evaluation of the current programme period, which feeds into preparation for the new programme period.

On 27 March 2013, we had our first formal meeting with the member states in relation to the new programmes. Detailed discussions started with them. So, since February 2013, we have had 10 meetings and engagements with the programme development steering group and a further 28 exchanges through meetings, seminars and working groups with the member states in relation to the new programmes, including submission of key documents and so on. So, there has been a lot of activity over the past 20 months.

We are required to submit draft operational programmes (OPs) for consideration by the two member states. We had to wait until finalisation of the regulations for the programmes before we could submit draft operational programmes. Those regulations were approved finally on, I think, 17 December 2013, and we submitted our first draft operational programme on 6 January 2014, so it was very soon after the finalisation of the regulations. The content of those OPs mirrored what was in the papers that we had been discussing and exchanging with the programme development steering group and the member states over the previous 12 months or so. Since then, we have gone through two further revisions of the OPs. One was submitted on 20 February 2014, and the most recent one was on 14 April 2014. Those new drafts reflect feedback that we get from the member states. There have not been any major redrafting issues in relation to the operational programmes, and we are taking on board comments and suggestions that we have received. Finally, on 17 April, we submitted a first draft of a paper to be considered for use as part of the public consultation process, and that is for discussion between ourselves and the member states.

One of the key issues we are addressing in the new programmes is, as Frank said, the issue of simplification and more efficient assessment and approval of projects. We submitted a paper in May 2013 with a number of recommendations on that. That paper is on the table and has been discussed backwards and forwards between us since then. It is still the agenda for us discussing as we go

forward. Frank mentioned the requirement for the programmes to meet Northern Ireland rules, Republic of Ireland rules, Scottish Government requirements and EU regulation. So, it is in that territory that we are having our conversations on all that.

I will talk about the content briefly. You will be aware from our papers that we are looking at four major pillars for the new Peace IV programme. I refer to the first one as shared education, and it reflects the demand that came through from consultation and, indeed, from a lot of representations from your colleagues in your political parties who were in touch with us to say that they felt that that is an important issue, together with the second pillar, which is young people, but with a particular emphasis on what we refer to as NEETs, who are young people aged between 16 and 24 who are not involved in education, employment or training. The programme will focus, subject to ratification, on those groups of people. Probably the largest part of the funding of the programme will go on the two pillars of shared education and young people/NEETs.

The third pillar proposed for the programme is shared spaces, and it is continuing the very successful work that we have done in that area in Peace III but broadening it out to take into account issues around shared spaces in thoroughfares in our towns, villages and cities, and working with local authorities on shared spaces in that sense. Finally, the fourth pillar is what we are referring to as civic society, in which we see a very strong role for local authorities and their work at a local level in line with their role under RPA and so on, and continuing the work that they have done under Peace III.

Under INTERREG, again, there are four pillars emerging. The first one is research and innovation, and there has been a very enthusiastic endorsement of that theme generally in our consultations to date. There are two dimensions to that. One is a strong SME focus on research and innovation, and the second is the issue around research competence and capacity throughout the region on a cross-border basis, perhaps with a view to taking advantage of opportunities under Horizon 2020 eventually, but using INTERREG as a basis for building up that competence and capacity. That is the first big theme. The second one — which, again, got a lot of enthusiastic support — is the theme of environment, with three sub-themes: water quality and protection, protection of habitats, and coordination of the approach of the Scottish Government, the Northern Ireland Administration and the Irish Administration to the management of the marine resource around our coast.

The third pillar that is proposed for INTERREG is health and, in particular, cross-border cooperation on improving access to primary care services at a local level across the border. Again, that is continuing the work that we have done very successfully under the last two INTERREG programmes through our cooperation with the two Departments of Health working very closely with each other and the statutory providers of health services in the region. We look forward to more progress being made on that. Finally, the fourth pillar that is emerging is a project pipeline in relation to the general theme of sustainable transport. That includes things like cycle ways and pathways, rail, provision of electric cars and so on.

Each of those four, and indeed the ones under Peace, has to fit with the overall requirement of the regulations. The main issues there are around concentration. There is a requirement in the regulation to concentrate on fewer rather than wider themes, and also for us to be results-orientated. We need to clearly identify what impact and results we are saying that we are going to achieve with those programmes through the expenditure, identify that up front and look for projects that can contribute towards the achievement of those results.

I will just make a couple of points and then stop. In terms of programme implementation, I have mentioned the issue of concentration and results orientation. That is very important. Frank has already alluded to the importance of simplification. There are a number of dimensions to simplification. One is how we manage the disbursement of expenditure within programmes. The regulation provides us with options and opportunities to simplify things in that regard, and we have put proposals on the table with the member states which have been very favourably received but which will require further agreement from audit authorities, the Northern Ireland Audit Office, the Comptroller and Auditor General, our own audit authority within the programmes and so on. The accountable Departments will also need to sign up. Those are proposals that are coming from us.

The other issues around simplification have to do with the way in which finance flows through the programmes and, specifically, the role of accountable Departments. That is where our discussions are with the member states at the moment as to how that might take shape.

We have a requirement to inform applicants of the length of time their applications are going to take within the new programme. That is something that will exercise our minds in terms of what we can

commit to. Everybody accepts that the length of time it has taken in the current programme period to assess and approve applications is unacceptably long, and we have to change it. That is what our proposals are designed to do, and our discussions with member states are focusing on that.

Finally, the next steps are that we in the SEUPB await direction from the two member states — the three Administrations — in relation to the content, structure and implementation arrangements for new programmes. Our proposals are on the table; we need them to come back and give us their views on them. Secondly, there is a requirement for a public consultation, and we anticipate — as Frank has suggested — that that is more than likely to kick off very shortly after the current elections are finished, obviously with discussion with you and the agreement of you as a Committee. Thirdly, once that public consultation process is finished — that is a Northern Ireland statutory requirement — we will draw up a final draft of the operational programmes, which must work its way through the Northern Ireland Executive approval process, and perhaps with a North/South Ministerial Council dimension to the final sign-off and approval. Then the very last step is that, by 22 September this year, the operational programmes need to go to the European Commission, where we will begin the process of detailed negotiation with it and discussions around the final approval of those operational programmes.

So, if we meet that deadline, the likelihood is that within three to six months after that — more likely six months, in the first quarter of 2015 — the programme could be open for business and the first applications. With some preparatory work done in advance, they could be open fairly soon after that for disbursement of funding.

That is it; those are my opening remarks. Thank you very much.

The Chairperson: OK. Thank you. A lot of ground has been covered. Let me start with the question I put to Maura in a previous briefing session, which was on the focus on outcomes. Obviously, there is a narrower view of what we should be focusing on this time round. You said that recommendations were made last year that there should be a simplification of the process, but given that the EU is looking for measurable results and outcomes, surely a degree of risk has to be taken into account to ensure that you get those results at the end of this process. Is there a danger that that bureaucracy could creep back in to ensure that the process is carried out to get those outcomes?

Mr Duffy: Chairman, if I may. Pat, feel free to jump in; I would welcome it. On a couple of the visits that I have made to Brussels, the Commission has been at pains to point out the importance of the results orientation. This is a new focus, and Commissioner Hahn is very emphatic about that. One of the issues is that, in setting up the programme, one of the requirements is that you can show an intervention logic. Basically, what they are saying to you is: what theme are you aiming to go for? What is the need? What is it that you intend to do? What target do you intend to achieve? And, ultimately and importantly, what is it going to do? Then they will work back. They will look at what your results are going to do and whether they go back to the original theme, whether they meet the need, etc. Part of that process is a thing called ex ante evaluation. Only Europe could come up with terms like that. Effectively it is saying —

The Chairperson: It sounds like a sickly cow.

Mr Duffy: Effectively it is saying: let us independently take a look at what you say are going to do, and then I, as an independent judge, will ask "Is that actually going to have an impact, and will it make a difference?" You must include that as part and parcel of the process. So that addresses some of the risk, but it is a risk. Is there anything you want to add, Pat?

Mr Colgan: There were two parts to your question or comment. One was in relation to the results orientation. It is a regulatory requirement for us to be results-orientated. Initially, regulations identified 11 thematic objectives. Under each of those thematic objectives, there were a number of what they called investment priorities. It is for a member state to choose which of those 11 it wants to focus on and, within the thematic objective that it has chosen, which investment priority it wants to focus on. When you have done that, you need to articulate a specific objective in relation to that investment priority. Under that specific objective, you have to say what your output indicator is — so, how you will know whether you are making progress — and your result indicators, or how you measure it. That is the intervention logic, at the end of the day. It goes from that, from the thematic objective down to the results indicator and the outputs indicator.

I think that that will be very helpful for new programmes and simplification, because it brings a greater clarity around what the programmes say that they should be doing. It will be less general, less generic. Basically, we will be saying in our applications process that anybody who feels that they can contribute towards the achievement of those objectives can and should have a part in the programme. We will be inviting applications on that basis.

The second part of your question or comment related to the length of time and the bureaucracy associated with approving it. That is a separate issue, and it is predominantly a member state issue. It is a member state issue particularly in the context of Northern Ireland, with respect to our rules and how we apply and interpret managing public money and so on, and also for the Dublin Government in terms of what their requirements will be, and also the role of accountable Departments. We are having detailed discussions with member states about that.

We are all committed to the target or objective of reducing the application, assessment and approval process, so that people have greater transparency, greater clarity and, hopefully, a clear road map so that they will know in advance the dates for calls for application, the dates at which steering committees will be held, the steps in between that will need to be taken, and that a final decision will be taken at the steering committee. People should have clarity on that. That is our target and that is what we are trying to do. Those are the lessons that we have learnt from the current programme period, and it is up to us now. We now have an opportunity to design the programmes to deal with those things, and that is the challenge for us.

The Chairperson: You said that you recognise the problems from the previous process and that there is a focus on it and recommendations to change that, but are you confident that there will be a radically different process this time around from last time, when there were problems with the length of processing time?

Mr Duffy: Chair, I will kick off again, and, Pat, feel free to come in. I arrived in this process back in July of last year, so I have looked at a lot of papers to find out what has been happening. As I understand it, midway through or towards the end of the year before last, changes were made to the assessment process that brought in a two-stage assessment so that, at least, people who had due consideration given to their applications knew earlier whether they were successful or unsuccessful and then moved to the next stage. From the statistics that I have seen, that seems to have made an improvement, and the two-stage process seems to have made an impact. As Pat said and as I acknowledged in my opening remarks, we need to do more. We need to be seen to be more responsive, and we need to be seen to be getting decisions to people. The thing about clarity and simplification is that, surprisingly, it takes an awful lot of hard work to be clear and simple. I think that that is what we have to do.

We have to recognise that we need to break the components down and strip out those that are causing delay and are not adding value. We need to get right down to the agreed processes across the board that we can all rely on. Pat alluded to the fact that accountable Departments will still remain accountable and, naturally, will have some degree of caution because, if they are going to be potentially appearing before the Public Accounts Committee, they will want to be assured that the process that we went through was robust and that they had an involvement in it. For example, if it is a road project, I am not a roads engineer, and therefore I am not technically competent to comment on whether a project is good, bad or indifferent, so I will need someone from the project-lead competent Department to comment on that. That requires them to buy in to that process, so there has to be a role for accountable Departments.

Mr Colgan: We have it in our gift currently to design a system that is predictable and transparent and where people will know how long things will take, and the challenge for us is to do that. We are having difficult conversations around it. These issues are not simple and are to do with the role of accountable Departments and the use of economic appraisals — who does them, how long they take and what is required of them? They have to do with the onus on project applicants, the information that they present, what is required of them, the point at which a decision will be made and commitments to timescales in connection to that. SEUPB, DFP, DPER and the Scottish Government in relation to INTERREG are committed to ensuring that our discussions will lead to something that will produce a significant change in this regard, but it is not simple. There are issues, particularly in Northern Ireland, to do with what is required for accountable-Department approval and involvement that need to be addressed. We need to have those difficult conversations, and we need to look for solutions. It is our business to come up with proposals, recommendations and suggestions and for the Department to come back to us and say, "That will work. That will work. That will not work. This

might work. That could work." Between the three of us, we need to come up with a formula that can meet the requirements of accountability and governance in Northern Ireland and also meet EU regulations and also the requirement from our clients for greater transparency and predictability in relation to what this whole thing will entail for them.

The Chairperson: I have one final question before I bring other members. We have had flagged up to us the number of economic appraisals that were required in previous projects, and one project had four economic appraisals. Will issues such as that, where there seems to be a lot of duplication of appraisals for whatever reason, be addressed? Can those be streamlined?

Mr Colgan: That is exactly the point that I was making with my previous remarks. Economic appraisals are at the heart of our discussion. There is no question about that. The requirement for economic appraisals is a Northern Ireland managing public money requirement. It is not required by EU regulations. It is not required by our programme requirements. It is not required by the Dublin Government. It is not required by the Scottish Government. It is a requirement of the Northern Ireland accountable Departments, and the question we have to address is how we meet that need and that requirement in an effective and an efficient way and how we stitch that into the design of the programme management and implementation structures.

Mr Duffy: There is also the question of what constitutes an economic appraisal? What is appropriate? For a smaller project, we do not want to see something like this arriving in. It is too much effort for the people applying for the project, and, frankly, it is disproportionate to what is actually being sought. It needs to be proportionate to what is being sought. We need to improve the guidance and help given at the outset so that people are very clear about what "commensurate" and "proportionate" mean. It could be five pages; it does not have to be 105 pages.

The Chairperson: Frank, from the Department's point of view, are you confident that you can do that? You say that you aspire to do all these things. Can we do it, and will we do it?

Mr Duffy: It is like looking through the glass darkly, as the saying goes. I am confident that we can do it, but not on every occasion. There are always going to be difficult projects. There will be projects that are politically sensitive. There could be disputes about the economics of it or about what the actual benefits and outcomes will be. Everyone will have a different perspective. Inevitably, there will be projects that are exceptions to the rule. Certainly, I would like to see a very significant reduction in the time taken from receipt of application to letter of offer issued. That is critical for us.

Mr Colgan: I will relate it back to your original question, which was about results orientation versus bureaucracy. The key question to be asked in relation to any project is this: in what way will it contribute towards the achievement of the results identified in the operational programme? The operational programme is basically your policy guide; it has been agreed as a policy document in the case of INTERREG III administrations and Peace II administrations. It should really be focused on the operational programme. The question to then be asked is this: what level of scrutiny and assessment is required to determine whether they will help to achieve that, and what value would an economic appraisal, for example, add to that assessment process? Some projects will be highly technical and will require technical input from outside because we do not have the expertise. You have to be able to make provision for that to happen.

The big thing is proportionality and appropriateness. There are some projects, particularly in the Peace programme, that simply do not bear that level of market-type scrutiny because they do not have internal rates of return, they do not generate net present values and they do not have proxies for any of those values. They are projects aimed at dealing with difficult complex issues that are the legacy of the conflict in this region that have to do with relationships between communities and people on these islands. An economic appraisal is a rather crude mechanism for actively looking at that sort of thing. I think that that is what Frank is saying. We need to be able to look at what is appropriate and proportionate in relation to each particular type of project we are talking about.

Those discussions are ongoing. We need to reach some agreement on it. We need to give some clarity in the consultation process so that when people see the draft operational programmes and the consultation document they will see that we have taken seriously the points that they have raised. This is one of the main issues that came out of consultation for us. It would not be right for us to go to a second public consultation without demonstrating that we have listened, we have taken it seriously, we have analysed the lessons during the programme period and produced our proposals for making it better. That is what we have to do. That is the challenge for us.

Mr Duffy: I see it as a very important part of my unit's business plan that we focus on this area and that we monitor closely what the targets are and what our achievement is. If there are sticking points or bottlenecks, we will work closely with SEUPB, naturally, and our colleagues in Dublin and Scotland to find out what is causing them and what we can do to address them. It is one of the issues that is really going to be very firmly on the radar screen.

Mr D Bradley: Good morning. You said that the current system of match funding is 75% from the EU and 25% from Departments. There was some talk of that being changed. Did you have a proposal for it to be 85% EU and 15% in kind?

Mr Colgan: The regulations provide for the possibility of grant aid up to 85% with European territorial cooperation programmes. Our proposal is that we should take advantage of that regulatory provision, which means that you are left with 15% to provide. Our proposals are that that could be a mix; there could be different ways in which that 15% could come forward. It could include in-kind contributions from project applicants. Some of it may come from central Departments and some from applicants bringing it to the table. The details of just how that will work is part of our discussions on financial flows and the specifics of the management of the programmes that we are engaged in at the moment.

Mr Duffy: It is also likely to be part of a public consultation. We recognise that there may be some small projects that simply do not have the wherewithal to raise that amount. From our perspective — a Northern Ireland Executive perspective — we certainly think that there is probably still room for a central fund.

Mr D Bradley: Do in-kind contributions not suggest that they do not necessarily have to be hard cash —

Mr Duffy: Absolutely.

Mr D Bradley: — but could be an asset, facility or whatever?

Mr Colgan: It could be staff time or assets in the form of resources that are brought to the table.

Mr D Bradley: OK. So, there is no final determination on that, as yet.

Mr Duffy: No.

Mr Colgan: Frank, would it be fair to say that we have agreement in and around the 85%?

Mr Duffy: Yes; absolutely.

Mr Colgan: We are discussing the details of the 15% —

Mr D Bradley: It has to be worked out.

Mr Colgan: — between Dublin, Belfast and —

Mr D Bradley: If there was more flexibility on the 15% and we were to accept that it could be made through in-kind contributions and include some of the assets that you mentioned, such as staff time, facilities, buildings or whatever it happened to be, would that reduce the concern of Government Departments and help to speed up the processing of applications considering the fact that there might be less financial commitment from Departments?

Mr Colgan: If I may say so, I think that it is important to understand what the accountability issues are for Government Departments, particularly in Northern Ireland. It is not just about the 15%. It is also about the cash flow implications of the 100% of the money. We are, in fact, drawing down money from 14 different Government Departments that cover 100% of the expenditure of programmes. We pay that money based on verified expenditure to projects and certified expenditure that we then claim back from the Commission and reimburse back to the Administrations. So, the Government Departments are actually accountable for 100%.

We have proposals on the table that will, we hope, simplify that in some way. However, I think that it is important to understand that it is not just the 15% that Government Departments have an accountable issue on; it is on the 100%.

Mr Duffy: Pat, as I understand it — again, correct me if I am wrong — God forbid that the expenditure should be declared ineligible, but, if it should, the Department becomes liable for that. Therefore, the Department has a very strong interest in what happens.

Mr Colgan: As the system is designed at the moment, the accountable Department is liable for any losses under ineligible expenditure.

Mr D Bradley: Pat, on that point, you supplied us with information previously that around six groups had had their letters of offer withdrawn. I asked your colleague who was in before you this question, but she was unable to answer it. Has the Department become liable for those moneys? If so, what is the extent of the liability?

Mr Colgan: The issue is that it would not just be one Department, although I think that OFMDFM would be the accountable Department in Northern Ireland for the cases that you are referring to. However, the liability would be spread between the Northern Ireland accountable Department and the Dublin accountable Department, which, in that case, would be the Department of Environment, Community and Local Government. That would be for the loss of any moneys that could not be claimed back from the EU for that European regional development fund (ERDF) component.

I think that in the case of OFMDFM in Northern Ireland, the exposure is of the order of £390,000 to £400,000. That is an issue for that Department in how it handles and recognises that in its accounts. That money will have been taken out of our programmes, and there is no longer an issue for us but for the Departments. It is a good example of how it can crystallise as a cash issue for a Government Department in terms of recognition in its accounts.

Mr D Bradley: In the case of at least one of the groups there was a police investigation. Is that investigation ongoing? Has it been completed? Do you know?

Mr Colgan: There may be one or two of those projects that we are still involved in, but SEUPB no longer has a role in most of those projects and has passed them to the accountable Departments. As I understand it, those Departments are considering their next steps.

Mr McCallister: Frank, in previous presentations we were led to believe that you were going to put a target figure on what you would like to see the timescale reduced to? Are you working towards a target? Bear in mind that you are being reported by Hansard.

Mr Duffy: I understand that. *[Laughter.]* Various figures have been bandied around about what the ideal position would be. When you are developing programmes, and they have not been launched and you have not even seen the applications coming in, it is very difficult to know what is realistic. In current terminology, people have said that it can take 50-plus weeks, on average, sometimes 56 weeks. I would like to see that reduced significantly. By significantly, I mean that I would like my team to say that we should be aiming to get that reduced by one third, at least.

Mr McCallister: Right.

Mr Duffy: You can work that out if we are talking about 50, 52 or 56 weeks. We would like to see a significant reduction from the point at which the application is received, in a decent format, to the point at which the letter of offer is issued. Hopefully, we could do that much quicker in many, many cases, particularly with smaller projects.

Mr McCallister: The target you want to work towards is somewhere in the mid-30s.

Mr Duffy: Forgive me, but I know that if I say 40 weeks, for example, that becomes written in stone. I am couching it in —

Mr McCallister: I detect that we are fairly keen to write something in stone.

Mr Duffy: I understand that, but, equally, I am conscious of the fact that I could be here in another six months' time, indeed a year's time, and you would beat me over the head because I had missed it by a week or whatever.

Mr McCallister: We would not dream of doing that.

Mr Duffy: I think that it would be achievable to reduce it by at least one third.

Mr McCallister: There is the age-old frustration. Pat, we were talking about this up in Derry, when you were previously at the Committee. I get it from constituents and businesses that are involved in this, and colleagues round the table get it. It is about the process. At previous presentations, it was asked whether some of these processes were almost just a postbox that was moved round. People asked how many economic appraisals you needed to do for all of this. The length of time is a big issue. We are not the only part of Europe that has borders, regions or regional government. From the previous occasion that we had this presentation and today, it has certainly become clear that it comes from Brussels. A wee bit gets added to it in Whitehall, and then we seem to add the final polish here in Belfast. I accept some of the arguments about being liable for the money, but it seems that we are being overcautious.

We also have a huge problem when we change into a new programme. It takes an inordinate length of time before we start to draw down the spend. It seems to take three-plus years before we spend any money in a seven-year programme, for example, then there is a rush in the last year. That cannot be a good way of managing money. I know that that is a constant thing with Departments. Sometimes, there is too much spend in the last third of the year.

I certainly want reassurance that we are making much more progress on those issues. EU programmes are not new. I know that they have changed and evolved over the years, but I do not think that we are seeing that we are getting any better at delivering them. You have the SEUPB doing its bit, but, clearly, there seems to be a bit of a fault line between DFP and how we are delivering on that.

Mr Duffy: Certainly, Pat will have aspirations, as will the public, about wanting everything to be done very, very quickly. I am under no illusions about that. Equally, there is a recognition, certainly among the Assembly, the Executive and the Public Accounts Committee, that a certain prudence has to be adopted when it comes to the use of public money. So, somewhere in between those aspirations is the reality. I will look at comparability. As I understand it, the Irish Government and the Welsh Government also operate EU programmes, and they are taking something in the order of 40 weeks from the receipt of application and the assessment to the issue of the letter of offer. That is the sort of benchmark that we should be aiming to achieve. I do not know whether that addresses your concerns.

As to aspects of what is appropriate and what is appropriate for particular Departments, we have to recognise that Northern Ireland has a unique political settlement, as Ministers from different political parties and different socio-economic outlooks have accountability for their Departments. Legitimately, they will want a say in what they are putting their names to and what they will be answerable for. We have to recognise that that is the case. We are not always comparing apples with apples when comparing one part of Europe to Northern Ireland. We have a unique set-up. That is not an excuse; it is just a recognition of reality.

However, I think that we have to aspire to ensure that our systems are at least as efficient as anyone else's, if not better. In that respect, I would look to the model of what is happening in Ireland and Wales, even though there are different constitutional settlements, even though theirs is a much smaller programme and even though the contributions are different. I think that it is fair for us to try to aim for that.

Mr Colgan: I will make three points, if I may. First, the regulations will require us to say clearly how long the application process will take. It will have to be written into our operational programme. I anticipate that we will be talking about a two-stage process: first, the original eligibility check, and I would anticipate that we should be able to do that within two to three months; and then there is the detailed assessment. Frank referred earlier to the two-stage process, that second stage is the detailed assessment. That is the first point that I wanted to make; that we are required by regulation to make this known.

The second point, if I may, is in relation to the economic appraisals, which are the processes that take more time. I emphasise what I said earlier in that this is not a requirement of EU regulations except for major projects worth over €50 million. That is the only case in which you are required or obliged to do a full economic appraisal. It is a requirement of the Northern Ireland green book on managing public money and it is a requirement of accountable Departments in Northern Ireland. Programmes in Ireland, Wales, Scotland and the rest of Europe do not require the same level of economic appraisal. It is an issue for Northern Ireland, and part of our conversations and discussions around that come back to the problems of proportionality and so on.

Associated and closely allied with that is the generation of what is, in effect, a dual application and assessment process. You have the programme assessment and agreement and decision-making procedures, and, parallel to that, you have an accountable Department, assessment and agreement procedures. The second part of that is taking an extended length of time. We propose that there should be one single decision-making structure from application through to final decision at steering committee. All accountable Departments should be identified and all necessary assessment, whether technical, economic appraisal or whatever it may be, should happen in that whole single system, and it should come to a steering committee at the end of the day for a final decision, after which a letter of offer should be issued. That is our proposal, and I think that it is not beyond our wit to design something to do that.

Mr McCallister: Could I just —

Mr Colgan: My final point, John, and I will shut up after this, is to say that, in relation to extended profiles for programmes, we are moving into new programmes. You are right to say that it has taken us a long time to get expenditure, but every programme, once it is approved, comes with an expenditure profile, which has, to date, been referred to as our N+2 targets. That means that, two years after a commitment, you have to have that spent. The new programmes' profiles will be N+3, which means that, you are absolutely right, if we do not start now, we are going to run into difficulties, even with an N+3 profile, if we do not have an active project pipeline ready to hit the ground running once these programmes have been agreed.

Thank you for your patience.

Mr McCallister: I have a couple of points on that. You are talking about having that one structure. Do you have agreement on that from DFP?

Mr Colgan: These are discussions on INTERREG that are ongoing between us, DPER in Dublin, DFP in Belfast and the Scottish Government.

Mr McCallister: Are you confident that we will get agreement?

Mr Colgan: We have to.

Mr McCallister: Is Frank signed up to that?

Mr Colgan: Frank and I are on the same page, here. Frank has said, and I agree with him 100%, that we have to set a target reduction, especially when you are dealing with the inherent issues.

Mr Duffy: If I am reading you right, John, the implication in that could be to ask whether one Department would take this on board for everyone else. One question that has been bandied around is whether DFP would take it on board on behalf of all the other accountable Departments. That would require those accountable Departments' agreement, and it would also have huge resource implications for our assessment process. So, I do not think that it is something that would be entered into lightly.

I will go back to my earlier point about policy competence. Theoretically, it might seem that the ills might be solved if DFP took on the role of doing all economic appraisals. However, as I said at the outset, I am not a roads engineer, for example, so if a roads project comes to me, I have to go to somebody who is competent to talk in policy and technical terms about whether it is a good, bad or indifferent project. Therefore, I have to involve them. It is easy for somebody to say that something is a good project, but unless they have a financial stake in it, they do not have any firm commitment to it. Those are complex issues that have to be addressed.

Mr McCallister: I can see that in the case of a roads issue, where you are likely to go over the €50 million spend. However, Pat made the point that Commission rules insist on an economic appraisal only if you are over €50 million. Why do we have to do that for every project? Even if you thought that €50 million was too high, does it have to be as high as that? Why do we need an economic appraisal for absolutely everything?

Mr Duffy: There is a delegation. First of all, we are operating to Treasury guidelines. 'Managing Public Money Northern Ireland' (MPMNI) is simply the Northern Ireland version of the green book from HM Treasury. The issue for —

The Chairperson: Just on that point, Frank, are Treasury guidelines mandatory, or can we derogate from them? Can the jurisdictions across the water derogate from them?

Mr Duffy: I would hesitate to mislead on that. I do not know about the mandatory aspect of it, but it would be a brave civil servant who would go against the guidelines that Treasury issues. That is because you would find yourself in front of the Public Accounts Committee very quickly to explain why you have not been following the guidelines set by the Treasury or, in this case, DFP.

The Chairperson: Yes, but if they are leading to adverse situations such as we have here, a degree of common sense has to be applied.

Mr Duffy: I think that it has. If we are talking about delegations, until recently there was a £500,000 delegation, which has been increased to £1 million. Therefore, for projects up to £1 million, that is delegated to SEUPB, so we do not require economic appraisals in every single case.

Mr McCallister: There is quite a difference between £1 million and €50 million.

Mr Colgan: Just to clarify, it is important to say that, although we have a delegated limit of £1 million, we still have to get the accountable Department to agree with that, and we are still required to do an economic appraisal for those projects in Northern Ireland.

Mr McCallister: Does that mean in Northern Ireland but not the rest of Europe?

Mr Colgan: No.

Mr McCallister: That is the point that I am trying to tease out. Why we are setting the bar so high for ourselves? We seem to be doing more than one economic appraisal for some projects, in that DFP may do one appraisal and another may be done elsewhere.

Mr Duffy: I think that this goes back to an earlier point. What do we mean? I have talked to colleagues in other accountable Departments, and they tell me that they are looking at a justification for expenditure. That justification proportionately might be five pages, for example. It sets out certain steps about why you are going to expend this money so that, if somebody comes in, whether it is you as a Committee, the Public Accounts Committee or auditors, and they want to know, there is a clear audit trail about the rationale for using that public money, what it was intended to achieve and what you were intending to do. They then have something to gauge it against, rather than the reason for wanting to do it residing in someone's head. It is simply having on record the justification for using public money, and it has to be proportionate. I think that that has to be borne in mind. I am not aware of any requirement to have three, four, five or six economic appraisals. One should be enough.

Mr McCallister: Is it happening that we are having more than one?

Mr Duffy: I would simply not have that knowledge, so I would not be able to answer that for you.

Mr McCallister: Pat spoke about their being obliged to set a time limit. What is that time limit?

Mr Colgan: It is not prescriptive. The Commission will have a view on it, based on what it sees in similar programmes throughout Europe.

Mr McCallister: So, does that mean that the Commission could come in somewhere if the European average is, what, 26 weeks?

Mr Colgan: Yes, it depends. Shaun and Frank are right; it is about whether you are comparing like with like. Depending on which figure you use, in quite a lot of European territorial cooperation or INTERREG-type programmes throughout Europe, you are getting 26 to 30 weeks. Some of them take a bit longer, such as up to 35 to 40 weeks. However, on average, you are talking about that kind of time. It depends on what is finally approved.

Mr McCallister: So, even if the Commission accepts 40 weeks, who would take the hit if we went over that, or who —

Mr Colgan: The point is that there is a period of time within which you call for applications, and there is the time within which you need to come back to the project applicant and say that their project application has been accepted as eligible or not eligible. If it is not eligible, it is kicked out, and you are told, "No thank you." If it is eligible, it goes on to detailed appraisal. You then have six months, or whatever you agree, within which to do any appraisal or assessment that you need to do, whether that is technical, engineering, economic, social or whatever. You get that work done within those six months. At the end of the six months, a date is set for the steering committee, where a final decision is taken. All the key people who have a stake in that decision are around that table, and that includes the accountable Departments, representatives of the member states and any other interested parties, such as elected representatives and so on.

Mr McCallister: You have given yourselves an extra year at the end for the programmes moving from, say, N+2 to N+3. Can we have an assurance that that is not just going to slow us down at the start of the programme and push it all further down the track?

Mr Colgan: To be clear, that is not something that we have gifted ourselves. We are not in a position to do that.

Mr McCallister: Do not get me wrong; I welcome it if it helps us to finish things.

Mr Colgan: It is provisional in the regulations. However, you are absolutely right that it leaves us in the situation where we have that extra year, so it should be used properly.

Mr Duffy: Effectively, people look at this and see 2014-2020. They then ask whether it is a seven-year programme. Effectively, it is a 10-year programme, because expenditure can be achieved within a 10-year period.

You made a point about timescales. It is very difficult when you are talking about the European level of 28 different states and all the complications therein. People often refer back to us and say that, for example, INTERACT programmes can be done within a 20-odd week period — it is a 20- to 26-week period. I went on to the INTERACT website to try to find out what its secrets were and whether there were any lessons that I could learn. The thing that struck me was its opening statement, which said:

"INTERACT does not have projects in the traditional meaning."

Therefore, you have to be careful that you are comparing like with like.

Mr Colgan: It is probably very important to be clear here. INTERACT is not an INTERREG programme. INTERACT is a technical assistance service that the Commission provides to programme managers — managing authorities and the joint technical secretariat (JTS) — and it assesses best practice throughout Europe and makes that information available to managing authorities and the joint technical secretariat. It gives you guidelines. At the moment, it is working on a series of harmonised implementation tools to simplify the whole application, approval and assessment process. It does not approve projects; it is not its business to do that. However, it provides you with guidelines, guidance and technical support in the programme management process. Just be careful when you are talking about INTERACT. That is what INTERACT is. I know, because I set it up.

Mr Duffy: No better expert, then.

Mr Girvan: John went into some of the areas that I was thinking about. I appreciate that we have to present our INTERREG programme, have the consultation completed and report back by 22 September. That process should have started in January this year, and we are now being told that the second consultation will start in June. That is another delay of several months. I listened to everything that was said. I heard about simplifying programmes, and it sounded like the most bureaucratic, complicated system that has ever been designed. I come from the private sector, and from being involved in that sector, I think that what I hear being brought forward here could not and would not exist at all in that sector, because it could never deliver in time for decisions to be made. I appreciate that we are dealing with issues such as cross-border projects. However, I think that the projects should be well worked up long before they even get to the stage of an application being put forward. That is the point. We have not necessarily worked the thing up to a level where it is a matter of ticking the boxes as soon as the application goes in. I believe that many of these should be a lot more streamlined than they are. It should not be as complicated as it has been presented. I appreciate that we have accountability issues with public money. The member state will ultimately pay the penalty if it is not administered correctly. However, I think that measures should be put in place to ensure that we do not end up elongating the process and making it difficult to get money on the ground to deliver for community projects, as in the Peace programme, but also INTERREG, where we have strategic projects that should be already worked up to a level that is not that complex.

What caused that delay between January and now? How do we ensure that we do not slip past the window and end up delaying it? That brings me back to John's point: we delay the start of the programme, with the result that we extend it at the end to allow us to make that spend. My question is just on that basis.

Mr Colgan: You were not here at the beginning, Paul, when I made my opening remarks. I covered some of those issues then.

Mr Girvan: I appreciate that. My apologies.

Mr Colgan: Let me reiterate the point. SEUPB kicked off the programme preparation process in August 2012. We had a first public consultation, which ran to the end of November 2012. We published a summary of that consultation in February 2013, and, also in that month, we set up a programme development steering group, which met for the first time. That programme development steering group has since met on 10 occasions about the content. The content and general direction of the programme has not changed since then. So, from February 2013, we had a general sense of the direction of these programmes, and it has gone through the programme development steering group. In addition, we have had a total of 28 different meetings with representatives of member states to agree the content and the implementation arrangements for these operational programmes.

We could not actually publish a draft operational programme until the regulations were finalised. That was done in the middle of December 2013, and our first draft operational programme was submitted to the member states — that happened in Dublin, Belfast and Edinburgh — on 6 January 2014. It has been with the member states since then. We have had two iterations of it since: a second draft was submitted on 20 February 2014; and a third just recently, on 14 April. So, that is the timing that we, the SEUPB, have followed. There are issues there on agreeing the content, and there are very difficult issues that we have just been talking about with the implementation arrangements of the structures. So, that is where we are at.

Mr Girvan: What happens if we slip past the September deadline?

Mr Colgan: We cannot and will not miss the deadline of 22 September. It is the law. We have to meet that deadline. Both member states are required to meet it, and they are committed to doing so.

Mr Girvan: Will that happen whether or not they agree the programme?

Mr Colgan: They have to agree programme before that. It then goes into discussions and negotiations with the European Commission.

Your other point was a very interesting one, and I think it very important. We do not have to wait until then to get projects prepared. We are actually out beating the bushes at the moment. We are talking to lots of people, who are asking us what we think about this or that idea. In the absence of any agreement or formal content, we cannot give any commitment. However, we are saying that, based on what we know and on what we think the shape of the programmes will be, we think that these kinds

of projects are what those people should be working at. We are encouraging people to work them up so that, when we actually get agreement, they are ready to go. For example, in the current programme period, the operational programmes (OPs) were signed off on 7 December 2007. We actually held our first steering committees in January and February 2008. We had a fair project pipeline ready by then. There were quite a number of projects. You remember, for example, Project Kelvin and Co-operation and Working Together (CAWT), which is the health project. They were all agreed very quickly, though some took a good deal longer. However, the preparation of a project pipeline is part and parcel of the whole programme preparation process. The difficulty, and the substance of our discussion to date, is that, when we actually get to the formal approval process, there are issues that I say are specific to Northern Ireland and that we now have an opportunity to look at critically, to examine and to make changes to. I emphasise again that they are not a requirement of the EU regulations or of Brussels, Dublin or Edinburgh. They are a requirement of our Administration in Northern Ireland. SEUPB must, and will, respect that.

Mr Cree: I certainly endorse that last point. It has taken us a long time to work that up. We need projects.

Gentlemen, I am sitting here being encouraged and discouraged in equal measure. When we started off, Pat said that one of the main tenets will be simplification, and I thought, "Hallelujah, we have got there at last". He then went on to say that the whole process was not simple. Frank talked about quick decisions, and I do not know how many times he mentioned the Public Accounts Committee. Clearly, there is still a risk aversion in Departments and a fear of the Public Accounts Committee. That is a healthy thing. If you are doing it right, you do not have to worry. However, we need to get rid of that risk aversion, and I am wondering how much that will affect going forward again.

You talk about targets and milestones, and that is another of the difficulties that we have had. Will it be different this time to all the other times?

I have a couple of tangible, simple questions to ask. Will we still be using consultants in the process? Frank, you talked about the roads example. Hopefully, that is not consultants as such. We need to know how long the economic appraisal takes. I remember economists being seconded — I think that that was the word that was used at the time — from DFP to SEUPB. Are there still a lot of DFP accountants working for SEUPB?

Mr Duffy: My understanding is that those economists are no longer with SEUPB.

I might have mentioned the Public Accounts Committee, but I have been on a number of audit committees through a number of different Departments, and I know that an audit committee is not simply about holding people to task. It is also about recognising good practice. Internal audit is a welcome process, whereby you identify whether your systems are functioning properly, and it gives you opportunities to do something about them. I mentioned the Public Accounts Committee, because it is a reality that Departments focus on the fact that, if something goes wrong, their permanent secretary or Minister could be called to account. Therefore, I think that it is only right that they are prudent about their decisions on public money. So, I mentioned it in that context.

You mentioned the simplification process. Pat and I have emphasised many times our commitment to try to make sure that this is a much more streamlined and quick process and that it is better than we have experienced to date. That is no bad thing.

You asked whether I can give you firm guarantees that things will be speeded up in every single case. I think that Paul made a very good point. It is based on the assumption that any application that reaches you is in absolutely pristine condition, everything is there and you can make the decision. Often that is not the case. There are times when you have to go back and seek more information, something has been left out or a critical piece of information has been missed or not addressed properly. An economist will quite rightly ask those questions before someone else asks them. I think that that is only prudent. We are using public money. It is not the same as saying that investors are taking this risk. We have to be conscious that the public have a certain appetite for risk, but that appetite for risk is not the same as that in the private sector.

Mr Cree: Frank, can I just interrupt you? Is it not possible to develop some sort of preliminary check so that, in fact, you are not at the full economic appraisal stage when you suddenly find that something is missing?

Mr Duffy: That is precisely the sort of issue that we are looking to address. I think that one of the critical issues is working with people to make sure that, when we work up a project, it is ready, as Paul suggested, and that we know that the pieces are in place. It is then a matter of judgement about one priority versus another.

Mr Colgan: We are talking about two stages. The first is that we should be encouraging people to prepare projects now, and, when we issue our first call for applications, it will not come as a bolt out of the blue. People will have been expecting it and will know that it is coming, so they will have some projects to put on the table. We should have a period of time — I am suggesting two to three months — within which we have to come back and tell those people either, "Yes, that project is eligible" or, "No, it is not eligible. Go away". If it is eligible, we then take it on to much more detailed consideration. I am saying that we should be allocating ourselves a fixed period of time within which we have to do the due diligence on it, whatever that due diligence work is. It could be technical, economic, regulatory, compliance, or governance — whatever it is. There should be one point of decision at the end, and a date agreed in advance so that, on such a date, you will get your final decision. After that, a letter of offer issues, and you are told to go away and do it and that we will monitor the implementation. That is the system that we should have in place.

Mr Cree: That is the encouraging bit, yes.

Mr Colgan: I have been saying this for years, and you have heard me say it before: we have an opportunity now that we will never have again in the current programme period. We have an opportunity to do it right and to get it right. We tried it at the beginning of the current programme period in 2005-06. We thought that we had a system that worked. Then when we started to implement it, we realised, "Sorry, that is not actually what we understood or agreed". We, as the SEUPB, were therefore left to defend it long years on until the point when I agreed to say, "We can no longer defend this; it is not sustainable. We have to change it". However, we cannot change it within a current programme period. We have to learn the lesson coming into the programme period coming up, and that is where we are at now.

Mr Cree: You and I are old enough and long enough in the game to remember the early problems about change conditions and all the rest of it. So, hopefully we are getting to those sunlit uplands at long last.

Mr Colgan: All right.

Ms Boyle: Thank you for the presentation. I do not have a question, as such, but some observations to make. Indeed, I was thinking along the same lines as Leslie: I was going to open my conversation with the word "hallelujah", but he beat me to it.

I am delighted that someone knew that the whip had to be cracked, and that is what I think has happened in this instance. You referred to the Public Accounts Committee, and I declare an interest as its Chair. You used a lot of buzzwords, Pat, about accountability and governance. Managing the public purse has to be utmost in the context of my job and that of other members here, as well as of members of the Public Accounts Committee. It is all about the process, and if there is a flawed process, there are flawed outcomes. I think that it is very important to note that.

You talked about economic appraisals. We all get frustrated about those. You talked about the appropriateness and having some flexibility in economic appraisals. I am just thinking about the social investment fund steering group, on which I currently sit. I am conscious that we are being reported by Hansard, but if, for example, a project comes to an economic appraisal, and it is reported that it is being downsized by the size of an egg box, surely it should not have to go back to full planning. I think that that is where appropriateness and flexibility must be looked at on merit for each project and programme.

I thank you for your sincerity. I think that you are sincere in your approach in moving forward. Come 2016, if we are re-elected, we will be sitting here and, hopefully, congratulating you on the approach that has been taken. I suppose the proof of how all this is applied will be in the pudding when the projects are completed and everyone is happy.

You said that there would be a consultation over the summer. I am sure that that will involve local government authorities as well, because I think that, at times, the frustration lies with local government and councillors, particularly where communication is concerned. I think that understanding the criteria

and the economic appraisal is paramount in any successful programme being completed. That has to be the approach. What you have been saying here echoes that. Going forward, you are doing your best to manage the adverse risk of using public money. So, as I said, I am delighted with your presentation. It has been very good and very helpful for us as we go back to our councils to tell them that we had you here today. They have been frustrated in the past by the slow process, but that is now being looked and things are moving on. The proof will be in the pudding in 2016.

Mr Duffy: No challenge, then. *[Laughter.]*

Ms Boyle: Hopefully.

Mr McCallister: I forgot to ask about the new councils. In the earlier session, Mitchel talked about how councils were going to fit into all this. We are trying to push some of this down as close to the people, if you like, and councils delivering on them. Where do you see that, or is that going to be just another layer of administration to go through?

Mr Duffy: When we were looking at the INTERREG programme the debate went back and forward about whether, so to speak, money needed to be ring-fenced that would be allocated to councils or council groupings to take forward. Local community-led development is a key issue to be addressed as part of the new programme. It has been enshrined in the civic society part of the INTERREG programme. It does not ring-fence money; that is in recognition of, from our perspective, what is happening in RPA. Councils are moving from the transition stage and are starting to bed in. The feeling was that allocating a sum of money to address European programmes in those circumstances would put a great deal of pressure on embryonic bodies. It almost creates an expectation of spend to be created, whereas this one is seen as an opportunity for councils, council groupings and cross-border groupings to come together to put forward programmes that will have a strategic impact. It is there for them to access rather than it necessarily being allocated for them.

Mr Colgan: I and my colleagues have been out talking to local authorities on both sides of the border about this issue. We recently met the county managers of the six local authorities on the Southern side, and, this Friday, we are meeting the chief executives of the local authorities in Northern Ireland. Our intention is that the new programmes will reflect the new RPA boundaries and that there will be ample opportunities in both programmes. We expect a high level of engagement with local authorities on the content of the themes that we have put forward, and we look forward to our discussions with them. Some of them have already come up with some very good ideas on how they might do it.

Mr McCallister: They are probably going to be new to this. We have some experience of doing it in councils grouping together.

Mr Colgan: The clusters have worked very well in Peace III.

Mr McCallister: Councils can now access levels of borrowing powers to provide funding. Do you see them as a key part of delivering this programme?

Mr Colgan: Yes.

Mr Duffy: The local knowledge, content and political representation is critical to ensuring that the programmes reflect the needs of the locality. That is central to what Europe is asking us to do.

The Chairperson: Thanks very much, gentlemen. I have one final point to make. There was discussion about consultation and a conference over the summer. Do you have any idea when that is going to take place?

Mr Colgan: We are in discussions about the date, but our sense is that it should take place almost immediately after the elections have been concluded.

Mr Duffy: We took soundings from the machinery of government on this, Chairman. The issue was about whether launching a public consultation in the midst of a European election would constitute concerns. Prudence suggests that it is probably better to have it shortly after the elections, and therefore there can be no issues.

Mr Colgan: There will be a consultation document that will invite responses. It will summarise the issues and what we are proposing. There will be access to the draft operational programmes for the first time in public; people will be able to see them if they so wish, even though most of the detail will already be in the consultation document. We are organising a number of public events to take place in June around Northern Ireland, the border counties and Scotland to which we will invite people.

Mr Duffy: I think that it is fair to say, Pat, that it is part of an ongoing consultation. It is not as if this is the first time we have done it. It is part of an ongoing process.

The Chairperson: OK. Thank you.