



Northern Ireland
Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

European Social Fund Processes and
Allocation: DEL Briefing

13 June 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Pat Ramsey (Acting Chairperson)
Mr Jim Allister
Mr Sammy Douglas
Ms Michelle Gildernew
Mr Chris Lyttle
Mr Fra McCann
Mr Barry McElduff
Mr David McIlveen

Witnesses:

Mr Owen Gillespie	Department for Employment and Learning
Mr Colin Jack	Department for Employment and Learning
Mr Brian Smart	Department for Employment and Learning

The Acting Chairperson: I invite the Department officials forward. We have Colin Jack, director of strategy in the European employment relations division; Mr Brian Smart, head of the European unit; and Mr Owen Gillespie from the European unit. You are all very welcome to the meeting. I ask you to be very succinct as we are under pressure this morning. I will be vacating the chair at 12.00 pm, and I hope to have the business finished by then. So, Colin, I ask you to be succinct and clear, please.

Mr Colin Jack (Department for Employment and Learning): As you mentioned, Chairman, we have provided a single paper to cover both aspects of this: the processes of European social funding and the allocations. The paper covers the issue of processes up to around paragraph 13. Do you have a preference as to whether I cover only that now or whether I take you through the whole paper?

The Acting Chairperson: It would be useful to go through the process element first.

Mr Jack: The Department is the managing authority for the Northern Ireland European social fund (ESF) programme for 2007 to 2013. The European Union runs the structural funds on the basis of the six-year periods, and the Department for Employment and Learning (DEL) is the managing authority for the European social fund. The details of the programme are set out in the operational programme document, which was subject to a public consultation process in late 2006 and early 2007, and was agreed by the Executive on 13 September 2007. The programme was adopted by the European Commission on 26 October 2007.

The budget for the programme is €414 million, which is allocated across three priorities: there is an intervention rate of 40% European social fund funding; 25% is match funding provided to all

successful projects by the Department, and the remaining 35% needs to be raised by the projects from other public sources of funding in Northern Ireland.

The European social fund element of the budget is just below £166 million, which is allocated among the priorities — £95.5 million under priority 1; £67 million under priority 2; and just under £3 million under priority 3. So, of the three priorities, 1 and 2 really deal with distinct population groups. Priority 1 is aimed at helping people into sustainable employment through reducing unemployment and economic inactivity among the unemployed. Priority 2 is improving workforce skills, and aims to improve the skills of those already in work. Therefore, priority 1 is aimed at getting people into work and priority 2 is about people who are already at that point. Priority 3 is technical assistance, which covers a range of support issues for the managing authority to undertake its responsibilities for the programme's administration.

Priority 1 operates by way of targeting a range of individuals and groups that experience disadvantage in the labour market, such as, among others, people with disabilities and health conditions; lone parents and other disadvantaged parents; older workers; young people not in education, employment or training; and women with low or no qualifications. Projects funded under priority 1 are delivered by a mixture of public, private, voluntary and community sector providers. However, the majority are from the voluntary and community sector.

Priority 2 aims to increase the number of workers qualified to level 2 or 3 and to reduce the number of workers without essential skills. As part of the agreed operational programme with the Commission, only government projects are supported under priority 2. Currently, Apprenticeships Northern Ireland is the only programme that is funded under priority 2.

I have already outlined the requirements on match funding. The last 35% is contributed by the Department, but projects get match funding from a range of other public sources. The Department for Social Development (DSD) provides funding for a number, and, in some cases, local councils provide that final source of funding. Self-certification provides an alternative source of match funding — an organisation that receives more than 50% of its total funding from the public sector can provide its own match funding, and it does so by signing a match funding commitment. The procedure that I have described is closely based on the processes for previous rounds of the European social fund and it was endorsed in a consultation process in 2007.

The programme is focused on promoting employment and skills, but there is also the issue of social inclusion in the labour market. Indeed, the Department held an exhibition two weeks ago of all the projects that are currently being funded under the second tranche of applications under priority 1. That put on show the range of work that is carried out under the programme and the groups that benefit from it. They included young people with learning disabilities, older workers, women's training provision and people with mental health and brain injury issues.

That is a broad introduction to the funding process. The current round of funding is for 2007-2013. We are at the early stage of developing the next round of funding for 2014-2020. However, that gives the Committee an overview of the process. I am happy to take questions on that now, after which I will say more about how the funding was allocated to individual projects.

The Acting Chairperson: Clearly, the main interest from the Committee came after we received a presentation from the Training for Women Network (TWN), and I am sure you have had sight of the Hansard report of that. It would be good to see you responding to that without being prompted by questions. I am sure that the Department has some formal response to the concerns and issues that are very valid from their perspective in respect of the process. Do you want to try to deal with those?

Mr Jack: It may be better if I just go through the whole paper and explain the process for allocating the money.

Mr F McCann: Obviously, there is a fairly sizeable list of applications. When people looked at the European social fund in the past, they saw it as something that was very difficult to tap into. The Department has a responsibility to ensure that all the information is made available to groups that fall within its remit to ensure that the application process for groups is easy enough to complete.

I remember a number of years ago there was a situation with two groups. I think one was based in the Shankill area and the other was based in the upper Springfield area. They tapped into the European social fund and got substantial amounts of money for education, capacity building, life skills and all

that. The outcome of it was that a number of young people came out of it with excellent training and education, and the capacity building was also excellent. There are a number of groups out there that would like to tap into that, but it seems to be out of reach for them. I am impressed by the number of groups that have applied; quite a lot are council based.

Mr Jack: We had an open call for applications. We have held two calls for applications during the life of the programme. We had one call in 2007, and we advertised that opportunity through local newspapers and on the Department's website. A range of organisations support community and voluntary organisations to access funding, and they also help with publicity. Brian, would you like to add anything to that? We receive technical assistance in respect of the administration of the programme through an organisation called Proteus, which we fund, but there are other awareness-raising organisations.

Mr Brian Smart (Department for Employment and Learning): Thanks, Colin. As you said, the call was publicly advertised in all the regional and local newspapers. The current project, which was supported under priority 1, would also have been notified. The Northern Ireland Voluntary Trust and the Northern Ireland Council for Voluntary Action (NICVA) have also been advised of the call, and they let their members know. Therefore, we feel that the programme is fairly widely publicised, and the evidence of that is the significant number of applicants for the second call. It has gone up from 83 to 110. Therefore, on that basis, the job of publicising the calls is done as best we can.

Mr F McCann: I appreciate that, but what was the success rate? For groups, is there assistance provided in completing the applications?

Mr Owen Gillespie (Department for Employment and Learning): In the advertisement that we place on the website publicly, we provide contact names in the branch, and those people act essentially as a help desk to potential applicants. We have also made provision in the past for accepting applications in hard copy. Smaller organisations in particular may have difficulty applying electronically, but, more recently, they have found it possible to do it entirely through the electronic application system, as long as we have the assistance in place if anyone should call with specific queries. That has been the case over both calls.

Mr Jack: With regard to the success rate, the first call for applications, in 2007, took place when funds in general were more widely available than at the time of the second call. A pass mark of 130 was agreed with the Commission and monitoring committee, which applied to applications in both rounds of funding. All applications that achieved at least the pass mark in the first call were able to be funded from the available budget.

The decision was taken to split the budget evenly between the two calls for applications, each lasting three years. The second call, under which we are funding applications at the moment, has allocated money to projects until the end of March 2014. That is the period for which we have awareness of our departmental match funding as well as the ESF funding.

Under the first round, all applicants that scored more than the pass mark were able to receive the funding that they applied for. Under the second call, we received 112 applications, of which 100 scored over 130. The budget available under the second call was £30 million. The bids that were successful came to substantially more than that, so it was not possible to give all the successful projects all that they applied for. That left the Department in a situation of having to look at a number of ways in which the money might be divided in order to achieve the best outcomes from the programme. One option might have been simply to give the organisations all they wanted and work down projects in order of their score until the money ran out. Had we done that, only 47 projects could have been funded, so more than 50 projects that had applied and been above the pass mark would not have received any funding. Clearly, that would have had quite a wide impact across the community.

The view was that that was not the preferred way forward. In fact, eight scenarios were considered by officials and the Minister at the time for how the funding might be divided. The decision was taken to allocate to projects 75% of what they applied for as far as the available budget allowed. That left us able to offer funding to 83 projects, which meant that no funding was available for 17 projects that achieved more than the agreed programme pass mark. The view was taken that giving projects 75% of what they applied for was sufficient for them to deliver in a viable way. Had we tried to spread the money more thinly, projects would have struggled to be viable. So the decision was taken to give a clear decision to those 83 projects that they were successful, and the others were not.

Ms Gildernew: You are very welcome. I was at the Training for Women Network session that prompted the request to get you in to talk about this. One point that they made was that they were not offered a debriefing. Paragraph 21 of your briefing states:

"Unsuccessful applicants were offered a debriefing session with the ESF Managing Authority and/or a formal appeal".

When TWN spoke to us, it said that it had not been offered a debriefing. It also made the point that, on the scoring threshold, it was four points short. I think the threshold was 134 and it got 130.

Mr Allister: It was 133.

Ms Gildernew: It was 133. It had reached 170-odd or 180-odd in the previous round and could not understand how it was under the threshold and why it had dropped significantly since the previous application.

When looking through the list of successful ESF projects, I wonder whether I am the only one for whom Belfast and Derry are jumping off those pages. Training for Women Network has projects right across the Six Counties, but this is so urban-dominated that it is frightening. Women and people from a disability background are isolated, and training and confidence-building is absolutely essential to getting into employment in rural areas, yet the focus is on urban. I do not think I have ever seen such stark inequality and inequity of funding for projects in rural areas. Did anybody in the Department notice that? Have any steps been taken to rectify and balance that out? It really is shocking.

When I saw that DSD was one of the funders, I wondered how that worked out because it took a decision a number of years ago not to fund anything in towns with a population of fewer than 4,500. That was of great concern to me as the then Agriculture Minister. This strikes me as so urban-centred. There is an inequality issue that has to be addressed, if not by this Committee then by the Department.

Mr Smart: Could I deal with the first question? I met the Training for Women Network to give it an informal debrief, and I have a letter from Norma Shearer that I can make available. It says:

"Thank you to your colleague and John for meeting with myself and my team for our debriefing session on Wednesday 5 January at your offices."

The Acting Chairperson: We listened to the group intently, and it said that it received the briefing, but it was clear that it was not happy with that process. As I said to Colin, without rehearsing things, you know exactly what the concerns were, and I hope that you will try to address them rather than waiting for the questions to come along.

Mr Jack: You made a point about the application submitted under the first and second rounds. The selection committee that considered the applications consisted of people who were appointed by the Department as a managed service to consider the applications on the Department's behalf, and the membership of that committee differed between the first and second rounds. Obviously, there was also a gap in time between the two applications being considered. As well as that, there was a larger range of applications in the second round and there was more competition. I mentioned that 100 applications achieved more than the pass mark in the second round. Had we given funds to all those, we would have needed £50 million, and the budget was £30 million. We were significantly oversubscribed.

You mentioned the urban/rural issue. I understand that the Department of Agriculture and Rural Development (DARD) provided match funding for some of the projects, and we can take that point into account when we are designing the next round of European social fund funding, because there are always concerns about geographical distribution of any fund. This was a competitive funding process. The applications were marked against specified criteria and that was done in a consistent way. We did have an appeal process, and the appeals panel considered any project that submitted an appeal and gave a view on whether the scoring by the selection panel had been consistent with the scoring of other projects. Indeed, TWN did submit an appeal, and the appeal panel took the view that the scoring of its application was reasonable and consistent with the other applications.

The Acting Chairperson: Further to Michelle's question, which is getting to the crux of it, if your group was based in the rural community, was it getting fewer points under the metrics than a group within an urban setting?

Mr Gillespie: The overriding determinant of an applicant's success or otherwise was merit. The programme specified in the programme document, which was endorsed after public consultation by the Executive, makes it clear that there is no money ring-fenced or hypothecated in any way for any group or any region. The only overriding selection procedure is the extent to which the applicants score against the agreed criteria. The Department stands back independently and allows the selection panel to apply the criteria to all applications. It is only after the applications have actually been scored and we can see a list of projects that have got beyond the minimum quality threshold that the Department is in a position to see what the distribution of the projects is, whether geographically or by participant group.

Ms Gildernew: The three priorities are: helping people into sustained employment, improving workforce skills, and technical assistance. Although DARD may have match funded some of those, it was not its remit to deliver on those three priorities. Match funding is one thing to put in to ensure that something goes through, but, ultimately, we have gone through years of anguish trying to get a rural White Paper on the table. It does not look like that document ever came into consideration with any of this. Who is on the selection panel, and are they all from an urban point of view? Is there any weighting given to an organisation in terms of a regional balance?

I can accept that an organisation might have its headquarters in Belfast or Derry, but if, like the Training for Women Network, it is delivering services, not just in Kilcooley and west Belfast, but in Cookstown, Dungannon and Fermanagh, is any weighting given to an organisation that helps to spread the three priorities across the entire area?

It beggars belief that we would have an ESF programme that is so weighted in favour of certain people. I recognise that there is disadvantage and deprivation in urban areas, but they are not on their own, and it can be much more hidden and harder to tackle. There is no recognition of the needs of rural areas at the programme development stage, without just keeping an eye, but having it written in there, that is taking into consideration the needs in our regional towns and drawing in people from those rural communities that they serve. I think that the membership of the selection panel might tell the tale on that one, but I stand to be corrected.

Mr Jack: The selection committee comprised consultants who worked for —

Ms Gildernew: Here we go; the C-word again.

Mr Jack: — organisations with which the Department had a contract to deliver a managed service. In fact, the company concerned is based in Newry. I do not have details of where the individual consultants who were on the panel live or come from, but their headquarters is in Newry. It is a valid point to make, and it is one that we will want to take into account in designing the next programme. There is a difference in the way that the European social fund has been administered until now, it is an open call for applications, and how DEL tends to procure its programmes generally. For most of its mainstream, publicly funded programmes, DEL operates on a procurement basis and contracts with organisations, some in the private sector but a large number in the voluntary and community sector. We may want to look more towards that kind of model for the next round of funding.

Ms Gildernew: Is there any look at duplication of services? If four groups within a two-mile radius are providing the same service, is that looked at?

Mr Jack: Other providers looked at that in deciding whether they were willing to provide match funding. For example, DSD would have raised issues with DEL about projects that were successful and would have said that there was enough provision in that area.

Mr Gillespie: All the projects that were funded were subject to an economic appraisal, and those economic appraisals were allocated to consultants to undertake regionally to address that very issue of ensuring that one project was not doing exactly the same thing on the doorstep of another. If the economic appraisals found duplication, we would go back to the relevant projects and ask them to modify what they were doing.

Ms Gildernew: With an overview, and with hindsight being a great thing, looking at the list, do you think that that is being done properly?

Mr Gillespie: The economic appraisals' findings did not give us any reason to suggest that anything other than that was the case.

Ms Gildernew: It really and truly depends on what you are looking for. I still think that there are huge duplications.

Mr Smart: On that point, we shared the economic appraisals with DSD, and its economists were able to look at the findings.

Ms Gildernew: With the greatest respect, they would, again, come at it very much from an urban perspective.

Mr Jack: The other point is that the economic appraisals look at displacement by making sure that the successful applications do not duplicate other provisions. However, they do not identify gaps in provision elsewhere, because they look at the successful projects that have got through the system. So I think that you have highlighted an issue that we need to look at in considering how the next round of funding will work.

The Acting Chairperson: I remind members that we hope to conclude this meeting by noon, so try to keep your answers a wee bit snappy, Colin, please.

Mr Allister: Mr Jack, do you stand over this process?

Mr Jack: I was not in the Department at the time that this —

Mr Allister: You are speaking for the Department. Do you stand over it?

Mr Jack: I am speaking for the Department and I have examined this process. I find it very difficult to see how I would have administered it differently. I have reviewed the papers and I am satisfied with it.

Mr Allister: Do you also stand over the so-called appeal process?

Mr Jack: Yes, I do.

Mr Allister: Who was on the review panel?

Mr Jack: It was chaired by an official in the Department at grade 6 level and two other departmental colleagues. In fact, one was from —

Mr Smart: — the Department of Finance and Personnel (DFP) European unit and the other from the European unit in the Department of Enterprise, Trade and Investment (DETI).

Mr Allister: What do you understand by a review process?

Mr Jack: The review process reviewed the applications, the selection panels' scoring of them, and took a view as to whether that scoring had been reasonable.

Mr Allister: Did it investigate and re-evaluate the scorings?

Mr Jack: Where it felt that there had been any discrepancy, it used a range of applications that had been successful as a benchmark and considered whether the standard of marking across the applications was consistent. It looked in particular at whether any application for which there was an appeal had been marked in a way that was consistent with other projects where there had not been an appeal.

Mr Allister: What does it say to you about an appeal process if that process delivers no change whatsoever?

Mr Jack: In the first round —

Mr Gillespie: Sorry, may I say that we had two calls and an appeal process.

Mr Allister: I am talking about this second call. I want to focus on the second call.

Mr Jack: A low level of successful appeals is consistent with my experience in the administration of appeal processes in other funding schemes.

Mr Allister: The level was nil, in this case.

Mr Jack: My previous experience was that it would have been nil in those processes.

Mr Allister: So it is a bit of a farce, is it?

Mr Jack: Well, we are in a situation where there were 112 applications and only 83 were funded.

Mr Allister: No one makes mistakes?

Mr Jack: People can and do make mistakes.

Mr Allister: Not any that this review process will pick up.

Mr Jack: This review process did not pick up any mistakes on this occasion.

Mr Allister: Paragraph 23 does not evince much conception of what a review process might be about, which is re-examining, reinvestigating and seeing whether the evaluations were proper. Paragraph 23 has the audacity to tell us:

"During review meetings between the Department's ESF Managing Authority and applicants, it was explained that the selection procedure had been applied in accordance with the procedures agreed by the Competitiveness and Employment Monitoring Committee on 5 October 2007, and that all decisions regarding scoring and appeals are determined independently of the ESF Managing Authority."

Nowhere does it give us any indication that, at any stage, anyone looked seriously at the evaluations handed out at the first stage.

Mr Jack: The review meetings that are referred to at paragraph 23 are meetings that the managing authority offered to unsuccessful applicants to explain why their application had not been successful. That was not the formal review process.

Mr Allister: So that is unconnected to paragraph 22?

Mr Jack: Paragraphs 21 and 22 refer to the review panel and the process that it carried out.

Mr Allister: I suggest to you that there was another reason why the review panel made no changes — because you had already spent all the money.

Mr Jack: In practice, had an appeal been successful, there are financial processes in the Department whereby money could have been bid for in monitoring rounds.

Mr Allister: So that we are clear: the allocation that was available for the second call had all been allocated to the 83 projects that were given the money.

Mr Jack: That is correct.

Mr Allister: You established an artificial enhancement as a cut-off point of 134 and said that that is the level that we can go to to spend this money and that is the number of projects that will get funded.

You then have an appeal process, but you have spent all the money, so there is no money available in the process to allow any appeal to be successful. Is that right or wrong?

Mr Jack: That is not the case, because the money has been allocated in two three-year tranches up to the end of March 2014. The programme is the 2007-2013 round of structural funds, but the ESF funding can be spent up to the end of 2015. There is some flexibility with money that has not yet been allocated for the final year of the programme, potentially, and we need to consider how the run-out of the programme aligns with the introduction of the next round of funding.

Money can also become available through exchange rate fluctuations. The Department would have been in the position, had an appeal been successful, of finding additional European social fund funding from its allocation for the overall programme and bidding for matched funding at 25% through the normal monitoring processes.

Mr Allister: So that we are clear: you had £30 million set aside for the second call and you allocated £30 million to 83 projects?

Mr Jack: We allocated £33 million.

Mr Smart: That brought in another five projects.

Mr Allister: Yes. You then had an appeal process, but — surprise, surprise — no one succeeded on appeal because you had overspent the allocation.

Mr Jack: That would not have come into it.

Mr Allister: At the end of it, Mr Jack, all the money was not drawn down, and some money that you had allocated was not taken up by some of the projects. Is that right?

Mr Jack: There were small amounts of money —

Mr Allister: It was £1.5 million, was it not?

Mr Jack: The amount of money that was not drawn down reduced the over-allocation from 11% to 7%.

Mr Allister: Did you give money back to the centre?

Mr Jack: No. Maybe Brian could say a bit about the first tranche.

Mr Smart: In the first call, certainly, the project was slow to get off the ground. During that pre-stage, money was surrendered back to the Executive and then used within the Department in the second call. A small amount of money was surrendered but we are still overcommitted for the next two years of the programme.

Mr Allister: How is money surrendered if you are overcommitted?

Mr Smart: That was in the first call.

Mr Allister: In the second call.

Mr Smart: Owen, do you want to explain about the expenditure and drawdowns?

Mr Gillespie: The money that was surrendered was an easement of expenditure that was not actually spent by projects that had received an allocation or commitment.

Mr Allister: In the second call?

Mr Gillespie: In the first call. The commitment is measured in terms of the cumulative amount in the letters of offer. Those are formal letters of offer up to the maximum in those offers that may be spent by the individual projects —

Mr Allister: When was the surplus money from call one becoming available?

Mr Jack: The match funding was returned to the centre but any surplus money from within the ESF allocation is available for further use.

Mr Gillespie: There is no decommitment of ESF money.

Mr Allister: When did the money that was returned to the centre become available to you?

Mr Gillespie: It would have become available towards the end or maybe even after the end of the three-year period of funding —

Mr Allister: Which would have been coinciding with the beginning of the second call.

Mr Gillespie: Well, we would not have known just exactly —

Mr Allister: But you knew before you had done and dusted it.

Mr Gillespie: We may not have known exactly the final amount of the underspend.

Mr Allister: Is it not bizarre that you had some excellent projects scoring above the EU standard of 130 that you could not fund, yet you had money coming back from the first stage, which you were passing on to the centre rather than redistributing under the second call?

Mr Jack: No, the funding that was passed back to the centre was the matched funding, not the ESF funding. The matched funding would have had to be —

Mr Allister: OK. What did you do with the ESF funding?

Mr Jack: The ESF funding is available for use across the programme.

Mr Allister: Why did it not go to bodies such as TWN, which came so close, with one point down? You had, I think, £1.5 million or thereabouts available. You had the two projects sitting at 133 points whose needs were £1,250,000. Why was that money not given to them?

Mr Gillespie: One of the difficulties is that we are constrained by the amount of money that we can allocate to projects at any one point in time by the 35% DEL funding that is available. In order to provide additional funding on the second call, we would have had to have a larger budget available to the Department for three individual financial years.

Mr Allister: I just do not understand how you have money left over that you cannot spend on the purpose for which it was given. I just do not get that.

The Acting Chairperson: That is a reasonable question, Colin.

Mr Jack: The money that was surrendered was DEL funding that could be spent only in the year for which it was allocated. The ESF funding can be spent at any time across the life of the programme. The problem the Department had was that the match funding allocation was on the basis of the budget for the two tranches of priority 1 separately. It was bid for in the comprehensive spending review (CSR) and carried forward in baselines.

Mr Allister: But you had ESF money that you were not able to spend from call 1, which you could have put into boosting the funding available in call 2.

Mr Jack: But what we do not have is matched funding.

Mr Allister: Because you had given your matched funding back to the centre.

Mr Smart: Because we cannot carry it forward.

Mr Allister: You could have bid for more.

Mr Smart: Well, we could have bid for more.

Mr Allister: But you chose not to.

Mr Smart: That would then have accelerated the expenditure of ESF money. That would, perhaps, have left us in a situation where all the ESF money would have been allocated and expended and we could have a gap year between this programme and the new programme starting. So, that causes even more problems for us.

Mr Allister: So what did you do with the surplus ESF money?

Mr Smart: The surplus ESF money is still there and is within the envelope of the seven-year programme.

Mr Allister: So we have deserving projects such as TWN without money and you are sitting with ESF money that you did not allocate. Do you call that good management?

Mr Jack: We have a year after the end of the current programme in which we do not have certainty about whether the new programme will have been agreed with the Commission. Based on experience, I can say that it is unlikely that the new programme would be agreed in time for it to be started and be fully operational by 1 April 2014.

Mr Allister: But you are not anticipating a third call. What are you going to do with it?

Mr Jack: We obviously need to get that agreed with —

Mr Allister: What are you going to do with it, Mr Jack?

Mr Jack: — whatever Minister is responsible at the time. Certainly, one of the options we will be looking at is offering funding for an additional year for projects that are funded under the second call.

Mr Allister: So, those who benefited from the second call get more money.

Mr Jack: Many of the projects are —

Mr Allister: So, we have more of this Belfast-centric funding, is that right?

Mr Jack: Well, that is the situation we are in at the moment. However, we will be working to get the new programme agreed as quickly as we can, but that is not a process that is entirely in our control. There is a role for the UK Government —

Mr Allister: I still do not understand why, if you have something approaching £2 million left over that you have not been able to spend, you did not allocate it to applicants who got well past the pass mark.

Mr Jack: We are certainly not anticipating any underspend on this programme. All the money will go to supporting the priorities under the programme: priority 1 and priority 2. There are departmental programmes, including ApprenticeshipsNI among others, that are supported by this ESF programme. We have scope to allocate more money to those programmes without requiring match funding. That is somewhere we may need to go.

Mr Allister: I have one final point, Chairman, if I may?

The Acting Chairperson: OK, Jim.

Mr Allister: What was the allocation to priority 1?

Mr Smart: It was —

Mr Allister: Was it €95 million?

Mr Smart: Yes.

Mr Allister: What did that translate to in sterling?

Mr Smart: The exchange rate was about 68p at the time of the launch of the programme.

Mr Jack: It is about 60% of the overall programme. The overall programme is €414 million. The figures in paragraph 4 relate only to the ESF contribution.

Mr Allister: Yes, I understand that.

Mr Jack: So, in fact, by the time you add the match funding to the €95 million allocated to priority 1 —

Mr Allister: I am just talking about the ESF component.

Mr Jack: It is going to be somewhere around £65 million.

Mr Allister: So, we are spending on an exchange rate that is so out of date it is grossly disadvantageous.

Mr Jack: The exchange rates do fluctuate across the life of the programme. We —

Mr Allister: Are we tied to the 68?

Mr Jack: No, not necessarily.

Mr Allister: So, tell us a little bit about that. You would have us believe that we are, but we are not. You know that.

Mr Jack: We are not tied to that exchange rate. What we are tied to is the allocation of match funding that we have, which we require for priority 1 but not for priority 2. So, if —

Mr Allister: So, it is in the Department's interests to keep the sterling equivalent low so that the percentage of match funding stays lower. Is that what you are telling us?

Mr Jack: No. Anything that the Department spends European social fund money on relates to training provision to boost the skills level within the Northern Ireland population. Certainly, in considering any money that might become available through changes in the exchange rates, there is an option for us to allocate additional funding to departmental programmes. However, that money, you can rest assured, is for the public benefit —

Mr Allister: Mr Jack, let us be straightforward about it. You have €95 million. At today's rate, that is something like £80 million plus. If you were putting in match funding on that basis, it would be a bigger call on the Department's resources than saying that the €95 million, in fact, equates to £68 million. You are making a saving on that.

Mr Jack: We are not making a saving. We do not have the budget to provide the additional match funding; we do not have that in our budget.

Mr Allister: Are you making on it? Given that you can readjust the exchange rate and, in fact, you end up with more than the £68 million from the ESF, but you are not increasing your match funding component, who is making on it?

Mr Jack: Well, the Executive's overall budget —

Mr Allister: So, there is a bit of a move going on with EU funding. We call it in at €95 million; we say, in DEL terms, that that amounts to something in the order of £60 million; we match fund it at that percentage; and then, in fact, we work the money that we have drawn down from Europe at a different, a better, exchange rate; and it turns out to be not some £60 million but £80 million, and we — the Executive — pocket the difference. Is that what you are telling us?

Mr Gillespie: We do not have the flexibility to set the exchange rate. The exchange rate that you referred to was a nominal estimation of what the sterling value was at the commencement of the programme. The European Commission sets the exchange rate. We draw down our money —

Mr Allister: But it fluctuates.

Mr Gillespie: Yes.

Mr Allister: It is not set for seven years.

Mr Smart: It also goes down. We saw, two or three years —

Mr Allister: Yes, but it has been going the other way.

Mr Smart: We saw it go down to 98 pence two or three years ago. That was almost parity, and, OK, sterling has strengthened. However, if I was in an exchange rate market, I would be happy to know which way it was going to go.

Mr Allister: Just tell us who has got the financial advantage out of this. It is certainly not groups such as TWN. Is it the Department or the Executive as a whole?

Mr Jack: The Department needs to look at all financial issues in conjunction with the Department of Finance and Personnel. There are certainly exchange rate fluctuations, and they affect European programmes, but the Department is not in control of that. The Department cannot plan these things.

Mr Allister: Just tell us, Mr Jack. We know that the beneficiaries of the programmes are not getting the advantage of the fluctuation. Who is getting the advantage of the fluctuation?

Mr Jack: The euros that we have available for the European social fund programme in Northern Ireland translate into a bigger allocation of pounds. That allows us to support more activity under the European social fund programme.

Mr Allister: Not this activity.

Mr Jack: If we had additional match funding, it could, potentially, support more projects, but —

Mr Allister: It has not.

Mr Jack: — we do not have that much funding. What it does allow is the Department to undertake more activity overall.

Mr Allister: So, when you do not have the extra match funding, what do you do with the windfall?

The Acting Chairperson: Hold it a wee second. I am giving you a fair bit of latitude, Jim, and I understand the rationale of where you are coming from. I want to be with you on this, but time is upon us and other members are trying to get in.

Colin, will you reflect upon this debate and about the notional exchange rate and provide the Committee with a paper that outlines the fluctuation of that rate over the period that we are involved in this programme? In that way, we can understand who the winners are, what they are gaining and who is losing. Will you provide that to us as soon as you can? You obviously do not have it today, but it is fundamental because the Training for Women Network's concerns are very clear. Additional resources became available to the Department. Did the Department follow the procedures in

allocating that money? So, those are the concerns, and I do not think that your responses are giving any comfort. One could argue that your earlier reference to the Department re-examining this programme so that it has clear and distinct outputs going forward, amounts to your acceptance that there is an imbalance in how the money is actioned. However, other members are trying to come in, and I will have to stop this session in two minutes for a briefing from the Training for Women Network. We tentatively agreed to end this meeting at 12.00 noon, because a lot of the members have to leave for other business. Fra, I will let you in.

Mr F McCann: I appreciate that, Chair, and I will be quick. Is it the case that the Department claws back to the centre any underspend by other groups that it has funded? Or, if groups tell you that they could not spend it because there was a different timeline or for another reason, are they allowed to retain the money? Seventeen groups had the level of points that were required to allow them to get a grant. If there is surplus money, will you go back to the 17 groups and say that money has now become available and it can be distributed among those groups because they had the relevant number of points?

Mr Jack: In the course of running a programme, groups can find that they cannot spend the money as quickly as they anticipated. That is why we over-allocated the budget. It is important to understand that there are two limitations on our budget. One is the limitation of the ESF funding that is available, and the other is the match funding that is available. We initially over-allocated the budget by 11%. However, two projects could not use the money, so that reduces the level of the over-allocation to 7%. As I understand it, we are not in a position to reallocate any funding from within the budget to other projects, but we keep monitoring and liaising with all the organisations that we fund.

Mr F McCann: If there was a surplus of funds, could you go back to the 17 groups that had passed the level of points that were required and tell them that you did not have the finances to give them the money at the time but that money has now become available? Would you allocate that money to them?

Mr Jack: If money came back, and it transpired that 7% over-allocation was not sufficient, we would have to look at what we would do with that money at the time. However, we would have to bear in mind that the applications were submitted in 2010, so the capacity for a group to set up a new project in the remaining period of the programme might be limited. However, we are not in that situation. We are not at the point where we can reallocate money because we are working within a 7% over-allocation already.

The Acting Chairperson: Colin, is there anything you want to say in concluding?

Mr Jack: Mr Allister raised the whole issue of the exchange rate fluctuation. There are significant financial pressures on the Department's budget, and we are facing a high level of youth unemployment. We also have issues such as NEETs, and we have programmes that we need to establish. Therefore, if money became available as a result of changes in the exchange rate — if any money became available through that process — it would go towards those programmes.

The Acting Chairperson: Under your present procedures, is it not the case that surplus money under this heading should be redistributed within the same heading? Is that not accurate?

Mr Jack: Any money needs to be redistributed within the overall ESF programme. Eighty-six per cent of ESF funding is currently allocated.

The Acting Chairperson: Can you understand the frustration felt by groups that have got so close and are within a point or two of getting over the line? Can you understand their frustration and the meaningful outputs that they are having in their communities? Do you understand the anger and concern that is there?

Mr Jack: I do. There are 17 projects in this process that fell the wrong side of the line and were within a range of three points.

The Acting Chairperson: Genuinely, do you not think there was a duty on the Department to facilitate two or three projects with that additional money?

Mr Jack: The number of projects being funded under the second tranche of applications is 82. Under the first tranche of projects, only 76 projects were funded. Therefore, we are funding more projects under the second tranche. There were significantly more applications. Seventeen groups applied under the second tranche. We had a higher level of interest in the process, and, if you have a limited budget, you can only make it go so far. I understand that it is particularly disappointing for a group if it is one point behind the line, but 17 groups are in pretty much the same situation. We have a limited budget. Our colleagues in Scotland allocate all the budget. They basically go down the projects in rank order and allocate them everything that they asked for. If we did that, there would be 50 projects in that situation.

The Acting Chairperson: So, was it you who decided the 75% grant for it, or could you have reduced that to enable more projects to work in?

Mr Smart: That was certainly one of the scenarios that was considered, right down to awarding people 55%. We took the view that many of those projects would not be viable and would struggle. Therefore, the Minister decided to take the middle way and to maximise the number of projects that could be brought in. We were not being risk averse. We did over-allocate by well over 10% in order to bring in more projects, but there had to be a cut-off point at which we had to stop funding, otherwise we may well have been in front of the Committee to explain why we had an overspend in regard to the ESF programme. We chose the middle way in order to ensure that as many projects as possible could get ESF funding. The figure of 75% was agreed. We did look at a number of projects in relation to affordability, and quite a number of them were looking for significantly more money than they were given in the first round.

Mr Jack: In conclusion, I have gone over the papers on this. The officials who were administering that at the time were given an outcome by the selection committee. If they had done the same as last time, when every group that was above the line got what they applied for, and what colleagues in Scotland did, they would have had to draw the line at a score of 146. They went through eight different scenarios to try to work out what achieved the best outcome and how they could stretch the money so that they got the right balance between projects that were viable and could deliver and giving everybody what they wanted. I think they did a good job.

The Acting Chairperson: OK. Colin, time is not on our side. I thank you very much. There is nothing personal in any of the comments, but I have to say that I am not sure that members of the Committee are content with the responses. I think there are a number of grey areas on which members would need to have reassurance, particularly about the fluctuation of exchange rates, which Jim quizzed you about in a methodical way. I think we need to have a paper on that to see the benefits, when it occurred and whether the Department made best use of that. Thank you very much for coming along.