



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

Special EU Programmes Body

14 September 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Conor Murphy (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mr Paul Girvan
Mr David Hilditch
Mr William Humphrey
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Paul Maskey

Witnesses:

Mr Pat Colgan) Special EU Programmes Body
Mr Shaun Henry)

The Chairperson:

Pat Colgan, the chief executive of the Special EU Programmes Body (SEUPB), and Shaun Henry, its director, will have a strong flavour of some of the issues exercising Committee members from listening to the last session, but we will be able to further explore those and the work that the SEUPB has undertaken. I invite you to make some initial comments, and we will then allow discussion with and questions from members.

Mr Pat Colgan (Special EU Programmes Body):

Thank you, Chair. It is a pleasure to be here, as always, to give account of our work. What has been a very interesting discussion around the table has brought a lot of difficult issues to the

surface.

By way of introduction, I will say that I think it is important to get the balance right. First, the spend of the Peace programme is under absolutely no threat. It is on target. There is no danger of its not spending the money. Yes, there are problems and difficulties associated with spending it, but they are not abnormal or difficult problems. We deal with them day in and day out. There are challenges within the Peace programme, not least ensuring that groups who should participate do so. However, many of you around the table will be familiar with the kind of work that we are doing to try to ensure that that happens. I am happy to discuss that further with you, but I just want to make it clear for the overall discussion that there is no danger or threat to any expenditure in respect of the Peace III programme.

Secondly, there are difficulties with the INTERREG IV programme, but these are challenges and difficulties that are a normal part of programme management. I have been involved in EU programme management for longer than I care to remember. I have been in this job for seven years and spent a lot longer before that working on programmes throughout Europe in other contexts and circumstances, and what we are experiencing here is not unusual. Northern Ireland has its own idiosyncrasies. Yes, there are serious threats to expenditure under the INTERREG programme, but they are manageable. We will expend all the money on INTERREG IV; we will make sure that we do. You have my commitment on that.

I have been in front of this Committee many times before, and the Committee for Enterprise, Trade and Investment and the Committee for the Office of the First Minister and deputy First Minister, and I have always been frank and open in sharing the difficulties and risks that we experience in programmes. We always do that, but highlighting risks, difficulties and complexities does not mean that they will not be dealt with. We are putting active measures in place to mitigate those risks and ensure that we are dealing with them. That is by way of a broad statement.

The other thing that I would like to add is that Northern Ireland, Ireland and the SEUPB have an excellent reputation with the European Commission on ability to spend. We have an excellent reputation with the Commission for ability to achieve programme objectives. Any audits or evaluations that have been conducted externally by anybody outside this part of the world — and I include the European Court of Auditors, directorates-general within the Commission, and

independent external evaluations after programmes have been completed — commend the work of the bodies involved in Northern Ireland on their programme implementation.

Please remember that not one penny has been decommitted in Northern Ireland through INTERREG and Peace. We have never missed an N+2 target, and we do not intend to start now. So our reputation and our ability to credibly go back to the Commission and argue for new and additional funding is first class. You do not have to take my word for that. Go and talk to people in the Commission; we have an excellent reputation, due to the work that has been done over the years by many officials, my predecessors, my colleagues and people in all Government Departments. I think that everybody should be aware of that. That is an important point in the context of the discussion that we have had to date.

I wish to put on record my sincere appreciation for the co-operation that I have received from colleagues in the Department of Finance and Personnel (DFP) in addressing the complex issues that we are facing in the current programme period.

By way of overall comment, we are doing things differently in this INTERREG programme than in the past. INTERREG III was a different animal. It was worked through a system of implementing agents, and we gave global grants to those implementing agents, and they went away and implemented it. Did it work well? No. It was extremely difficult, and we had major threats to N+2 back then that had to be managed, and there were serious crises over a number of years. However, more importantly, it was an extremely expensive undertaking. In Peace II, the overall administrative costs of implementing the programme were between 9% and 25% of the total budget, depending on what part of the programme you look at. At the lowest, the costs were 9%, but for some of the logistic service providers it was 24% or 25%. Therefore, the costs were huge.

The overall cost for the implementation structure that we had in place for INTERREG III was 9%, and the cost for the implementation of INTERREG IVa and Peace III is 6%. However, we have introduced efficiencies to get those costs down to 5%, which means that there is much more money available in the programme budget to get to the projects. It also means that the implementation costs are much lower. It is very important to remember that.

In the current programme period, an additional £14 million has been put on the table and made

available for projects. That money would not have been made available if we had continued doing things in the old way.

Are things working well? No, but we are learning an awful lot. The main new thing for us in the current programme period of INTERREG is a system of accountable Departments. Mitchel McLaughlin earlier asked whether anybody had done any analysis of how things are done elsewhere throughout Europe. For my sins, I used to work in an organisation called INTERACT, which is a European technical assistance programme based in Bratislava, Vienna, and Viborg in Denmark, and it provides technical support and assistance to all the cross-border INTERREG family of programmes. However, it also does a lot of analysis and looks at the differences between all the programmes. We are in constant communication with INTERACT to find out their views on the way that we do things and the way that things are done elsewhere.

For example, Romania is having major problems committing its moneys, and Poland is also having difficulties. Those are huge objective 1-type endeavours, but if you look at the cross-border stuff, there is a huge problem everywhere, particularly given the current economic climate, with access to available money, particularly match funding, and so on. Therefore, the problem is not unique to us.

However, we do things differently here compared to any other cross-border programme. In other cross-border programmes, the managing authority is set up by the member states involved, and the managing authority has control over the European Regional Development Fund (ERDF) element of programme finance. The managing authority manages it and is accountable for it. Here, that accountability is spread over 16 Departments, North/South, not 11 or 14. Therefore, the accounting officers in each of those 16 Departments have their own issues of accountability in relation to the expenditure of ERDF. Is that a good way to do things? No, not really, but we have learned that in the current programming period. Will we do it like that going into the next programming period? Well, there are important elements of public expenditure accountability to take into account, and we cannot throw out the baby with the bathwater, but we need to change things, and we need to look at doing things differently in the next round of the programme.

It is very important that we understand what is going on, what the precedent is, how we got to where we are, and what we are trying to do. I do not believe that anybody is trying to obstruct expenditure. It is just that we have a lot of people who feel that they have to protect their

accounting officers in one way or another, and that leads to duplication. Accountable Departments are represented on our monitoring committee and on our steering committee. We deal with them on a day-to-day basis on the initial assessment of whether a project is suitable for assessment and in a much more detailed assessment later. It is when we get into that and the work across all the various Government Departments that we get into that long drawn-out process. It would be wrong to blame European regulations for that. The issue is ours. It is in Northern Ireland and Ireland — the fact is that accountability is spread out over all of those Departments.

I want to put on the record that Brian McClure and his colleagues in DFP have worked very closely with us to try to address those issues. I brought that up for the first time at this Committee in 2008. I brought it up again in each subsequent year that those were challenges for us. I believe that we are beginning to grasp it now, with three years left before the end of the programme period, and a further two years, incidentally, in which to spend the money. Therefore, we really have five years of expenditure ahead of us, but three years within which to ensure that the money is fully committed. We will probably begin to make some changes now that will set us up well for the next programme period. I say that by way of a general introduction. Thank you very much.

The Chairperson:

Thank you for that. In his statement on Monday, the Minister of Finance referred to a phased reduction in your staff complement from a number in the 60s to a number in the 40s over the coming period. Will that impact on what you have stated, quite confidently, that you intend to achieve, which is better streamlining of the system that you operate, with lessons having been learned and ensuring full allocation of the money that is available to you? What impact will staffing levels have on that?

Mr Colgan:

SEUPB deals in the same way with 16 different Departments. We are involved in the initial development of project applications, accepting them, assessing them, submitting them, ensuring that they are assessed properly, getting them through economic appraisal, getting them through the steering committee, and getting them back over to the monitoring committee. When that is done, we draft letters of offer, putting all of the conditions in place and ensuring that all of those letters of offer meet the requirements of each of the 16 Departments, the EU side, procurement

and so on. It is extremely complex, but that is the job that we do. It is what programme managers do. Resources are critical to our ability to do that.

When we issue a letter of offer, the job does not stop there. We have to monitor the project and ensure that expenditure happens properly. We have to vouch for and verify every single penny of expenditure that happens on the ground. Our work continues throughout the life cycle of a project. Availability of resources is crucial to our ability to deliver on that.

We had a staffing review carried out during 2010. It reported in November 2010. In July 2011, we had a recent North/South Ministerial Council sectoral meeting at which the staffing review was considered and agreed by the four Ministers who were present. Our current staff complement is 65, which we believe is adequate for us to be able to do what we need to do. There is a requirement that a further staffing review should be carried out in 2012. We will, obviously, co-operate fully with that. The question that is being asked is what we will need to go forward. The Ministers' expectation is that the number should drop below 60 at the end of 2012 and going into 2013. Then, in 2014, the expectation is that the number should drop below 50 into the 40s. All that I can say is that a staffing review will be carried out in 2012. I do not know what its outcome will be.

The Chairperson:

I have concerns. It is not just a matter of some bureaucratic office that is sitting somewhere that might be able to do with fewer staff. It may well be the case that you can find efficiencies. Every Department and public sector body is challenged to try to find efficiencies.

Mr Colgan:

We buy into that fully.

The Chairperson:

I do not doubt that. My concern is that the output from your office will be critical in securing a Peace III and an INTERREG V — if that is what it becomes. Therefore, the output from your current complement of staff will be key in developing that. Although I accept that all offices have to find efficiencies and do things better, and we are all challenged, I am concerned that if there is a threat of a reduction in the level of staff, that will increase the difficulty in trying to put things right. The implications of not putting things right are critical for future funding

programmes for both Governments.

Mr Colgan:

The Department of Finance in Dublin and the Department of Finance and Personnel in Belfast know my views on that issue. I have articulated my views clearly to them. I will continue to do so. We will monitor the resources versus workload situation very closely. If we are required to reduce our numbers further, we will obviously have to make changes some other way.

The Chairperson:

I take it from that response that you are concerned at the prospect of a substantial reduction. The target, as outlined in the statement, is to lose practically a third of your staffing complement.

Mr Colgan:

I fully accept the outcome of the current staffing review. We are totally committed to implementing the provisions of that review. I am very happy and content to have another staffing review carried out at the end of 2012. It should ask hard questions, and they should be asked independently by people outside our organisation who come in, look over our shoulders and see what we are doing. However, the outcome of that staffing review remains to be seen, and we should not prejudge that. I know the Minister's expectations and views, but we need to wait and see what comes out of that review and deal with the problem, if there is one, at that stage.

The Chairperson:

Fair enough.

Mr McLaughlin:

Thank you for the report, Pat, and for the assurance that you have sought to give the Committee. Obviously, our job, to a considerable extent, appreciating the project management function that you deliver, is to reflect the concerns of all the parties here and ensure that the target communities and groups get the support that we think they are entitled to. So we have to be concerned when, for instance, in your report to the Ministerial Council and this Committee, you indicate that there are increased risks, particularly post 2012, to INTERREG and Peace, particularly INTERREG.

You have flagged up increased risks, although the language changes from one report to another. For example, there is mention of increased risks or potential risks. I assume that you are

speaking with a considerable background of experience when you state confidently that you will deliver these programmes. That is backed up by reciprocal assurances from the our side of the fence and from our partners across the border to take the necessary steps to ensure that programmes are delivered and decisions are made, and that we identify the problems and solve them. Is there such a list of reforms or remedial measures in existence so that people know what to do to make these risks go away?

Mr Colgan:

A lot of steps have been taken. Brian McClure earlier mentioned the cross-border groups and addressing issues of accountability, and DFP taking a more active role in that. More broadly speaking, throughout the programme we have identified the elements of the programme that are at risk and identified a time or a date by which a decision will have to be taken on whether the money can continue to sit where it is currently within programme structures or whether alternative measures need to be brought in.

We are looking at plan B and plan C scenarios to ensure that no money is lost to Northern Ireland or the border counties and to ensure that the money is spent in accordance with programme objectives and criteria, and is spent to achieve those objectives. As programme manager, it is my job to do that scenario analysis and look at what will happen in various circumstances.

Mr McLaughlin:

Of course, this is not about apportioning blame or creating difficulties in working relationships. The Departments, North and South, have to be able to work harmoniously with each other and with yourselves. If there are problems, they have to be able to agree on the actions to be taken. I am trying to get a sense that that analysis and diagnostic process has produced a prescription that will solve the problems that have necessitated your issuing a health warning. I am not just thinking about the current programmes, and I am not even just thinking about the closure process of the preceding programme; I am also thinking about Peace IV and INTERREG V.

You stated confidently today that the programmes will be delivered. That is different from what the Minister told us in his statement on Monday. He reported that the North/South Ministerial Council was told that there was a significant risk in respect of the INTERREG programme, and potential risks to the Peace programme.

We have to get people closer together. They are working together but, nevertheless, we are seeing difficulties. We are getting reports back from the providers and people on the ground that the process is difficult, cumbersome and a bit impenetrable at times. They will always justify their own performances, but it is inconceivable that improvements could not be made. However, as regards government and your role to project-manage programmes through to delivery, you need to cut through it all. There is a need to consult, not just in respect of Europe but the fairly unique political circumstances that we are managing in relation to the impacts on the community. When you talk about the shortage of resources during the latter part of 2010, does that mean personnel, finance or both?

Mr Colgan:

When I talk about resources, I am talking about people. Our business is a people-intensive process.

Mr McLaughlin:

Has that been resolved? If so, how? Did you get more people? Are we then talking about a process in which we cut back again next year?

Mr Colgan:

I will answer that last element first. In the context of the staffing review that was carried out last year, which, incidentally, was commissioned by the two Finance Departments and was carried out by consultants that were external to SEUPB — we had no involvement in it — the terms of reference were drawn up, and the two Departments received the report. Obviously, we commented on it and got engaged in the whole thing, but it was their report. They put on the table a report that recommended a complement of 65. We are now in a position to get ourselves back up to 65, so we are recruiting at the moment.

Mr McLaughlin:

That is optimum staffing; it is not firefighting.

Mr Colgan:

It is not optimum staffing; it is what the consultants consider to be what we require based on their assessment of the processes and complexities that we deal with. We did not agree with

everything that they said, but we committed ourselves 100% and wholeheartedly, and said that if we were given the resources, we would manage the programme properly.

Mr McLaughlin:

The problems were apparent last year; we had that conversation. There were problems with getting the projects going on the ground.

Mr Colgan:

Yes.

Mr McLaughlin:

We are being told as of this week that there is a potential threat or significant increase in the threat of decommitting post 2012. If the resource problem was an element in that — perhaps it was a significant element — was that addressed in a firefighting response, or did people recognise that they needed to apply more resources throughout the remainder of the programme? I am trying to see where the staffing review fits in. Surely that should have been concluded, agreed and resourced so that you have your people and you know that you are going to be working with them for the next four years.

Mr Colgan:

A staffing review was carried out at the beginning of the programme period in the lead up to 2007. At that stage, there was an undertaking that a further staffing review would be carried out in 2009, which was conducted internally by DFP and us. It was then agreed that a further and more formal review would be carried out in 2010. That formal review took place. So it is not firefighting; it is part of a process that we agree on an ongoing basis to monitor the resources that are used in programme implementation. The report was finished and put on the desk in November 2010. It was agreed in July 2011, so there is an issue because of the amount of time that it took to agree. However, that is life, and we will get on with it in the meantime.

I manage a risk register in SEUPB. The register goes from green to amber to red, and we have a lot of risks on it. I bring the risk register to my audit and risk management committee. Two Departments of Finance are represented on that committee. We have two independent directors on that audit and risk management committee, and we provide regular updates on our risk status. We also have regular formal and informal points of contact with the two Finance Departments,

which are our key reporting authorities. That contact is maintained through a system of informal and formal bilateral or tripartite meetings and the Departments are kept regularly informed by us. I also write regularly to the Departments, and I am sure that officials would tell you that they receive more correspondence from me than they would like. Therefore, officials are constantly informed of our position on programme implementation and any risks that are associated with it.

I would put that in the context of what I said earlier about the system that we are trying to manage. It is an accountable-department system that has certain weaknesses — it has some strengths, and we need to say that there are some good things about it — but it is complex. It is within that complexity that we manage the programmes.

We have a very good working relationship with the two Finance Departments. However, we are dealing with very complicated matters due to the number of people and accounting officers involved.

Mr McLaughlin:

Should we be concerned if you have a —

Mr Colgan:

I believe that we are managing them, Mitchel, and that we are making progress. In the current programme period, I must move a risk up to red when I think that it is moving to red. However, that does not mean that I am not putting in place provisions to manage or deal with that risk.

Mr McLaughlin:

Pat, I am trying to be constructive and helpful. I am looking at a report from the Minister of Finance and Personnel to the Assembly, which details that your body will continue with its current staffing complement of 65 in 2011-12, but that that it will fall to 50 the following year and it will be down to 40 by 2014.

Mr Colgan:

I think that he talked of a reduction to somewhere in the 50s in 2013, not to 50.

Mr McLaughlin:

The report suggests the complement should be somewhere in the 50s in 2013 and somewhere in

the 40s the following year. A further staffing review will then be completed by the end of 2012, which coincides with your health warning about possible threats of decommitment post 2012. That does not logically square with me. If you need the 2012 staff complement now and you are reporting difficulties in delivery, how will that improve when your complement reduces?

Mr Colgan:

I am covered until the end of 2012, and I will have a staff complement of 65 until then. A review will then be carried out during and towards the end of 2012 on what we need, going forward. The Ministers have expressed their own expectations, and in the general context of efficiencies and reductions in numbers, they see things happening in a certain way. However, the review has yet to be carried out.

Mr McLaughlin:

My final question relates to future programmes such as the proposed Peace IV and INTERREG V. Crucial to those programmes will be the evaluation reports from your body. If there is any reduction in your resources, will that impact on those evaluations being produced? We need those evaluations to be presented to Europe as part of the Government's negotiating support for those programmes. DFP has told Europe that it will support an additional Peace programme, but it is awaiting your evaluation. What will be the impact on the timeline of that fairly critical process?

Mr Colgan:

We will conduct a formal evaluation of the Peace programme in 2012. Shaun, do you want to say a word about that?

Mr Shaun Henry (Special EU Programmes Body):

We are planning to conduct an evaluation of the Peace and INTERREG programmes. We should commence the Peace programme evaluation in the autumn of this year, probably around October or November following the procurement of independent consultants. The INTERREG evaluation will commence in the first half of 2012. Those evaluations are on target with what we had originally planned, and issues around staffing will have no direct impact on that timing. It would not have been meaningful to carry out evaluations on the programmes prior to that time, as we need a quantum of expenditure and projects to be implemented before we can carry out meaningful evaluative work. Those evaluations are on schedule and in line with what we had

always envisaged would happen.

Mr Colgan:

On the future programmes, Mitchel, you will know that the cohesion policy document is on the table for discussion as the policy framework. We also have a multi-annual monitoring framework proposal from the Commission on budgets. At the end of September, we will have draft regulations for that new programme period. The three key components will be in place for future programmes: what they are going to look like, how much money will be available and how the regulations will shape up. Negotiations are ongoing in relation to that, and the final shape will emerge sometime towards the middle end of next year.

According to the legislation, SEUPB will, at a certain point, be asked by the two member states to advise them on the formation of new programmes in accordance with those procedures. Our role will then kick in on the new programmes, and we will start the process of preparation and advice on that. Although the evaluations will feed into that process, I do not think that they will be critical in determining the actual amount that will be available for cross-border co-operation, be that through Peace or INTERREG. That negotiation will happen as part of the overall process.

I go back to the point that, in this part of the world, the programmes that we, the SEUPB in Northern Ireland and the border counties, manage have an excellent reputation with the Commission. We have always delivered; there is no question about that. We are seen as one of the best performers throughout Europe, and I think that we should all remember that.

Mr McLaughlin:

Thank you.

Mr Humphrey:

Pat and Shaun, thank you very much for the presentation. You are very welcome to the Committee.

In the statement that he made to the House the other day, the Minister talked about how the distribution of moneys had improved. As a party, we very much welcome that. Fairness and equity of distribution is hugely important if everyone out there is to have confidence in Peace

money and INTERREG. The Minister very much stressed how the Peace figures are improving. As someone who has been critical of that in the past, I am now giving credit where it is due. Obviously, your staff have been working hard to reach out and drill down to try to maximise the number of people. Before I ask the few questions that I have, I want to say that I think it important that that process continues — there are lots of hard-to-reach communities out there, which you will be aware of — and that you continue to strive to improve the programmes' reach and to maximise participation in them. I welcome that.

In reply to a question that I asked him, the Minister said that he was very keen to ensure that there was a reduction in the jargon and professional, almost unique, language used for such applications, which lots of people are not conversant in and do not understand and, therefore, cannot communicate in. Is that something that you have sympathy with?

Mr Colgan:

I think that jargon and bureaucracy generally are the bane of any programme manager's life. From day one, at the beginning of every programme period, we all commit to trying to simplify things and to do it a little bit better. Unfortunately, we frequently end up complicating it even more when people start doing things. SEUPB regularly reviews its application forms. We genuinely make an effort to try to simplify them; they are a requirement that we have. I think that that is something that we will be revisiting in respect of new programmes. I accept that that is a challenge.

I have often said, at this Committee and others, that I do not believe EU funding to be easy money. It is very important not to give the impression that it is. It is difficult money, and it is hard work. It has huge accountability requirements and so on. We need to find a way of getting funding to where it belongs and should go. One way in which we have tried to do that in the current programme is to identify the principle of lead partners, whereby we try to work with organisations that have the competence and capacity to deal with that kind of bureaucracy and they then pass the money on further down. That has worked extremely well. For example, it worked very, very well in priority 1 of the programme, in which we are working through clusters of local authorities. With very few exceptions, that is working extremely well. We have already rolled out close to €50 million in expenditure through that, with another €50 million on the table to be rolled out over the next three or four years.

We do constantly try to revisit that issue. I am sure that it is one that will come up again and again as part of our consultation for new programmes.

Shaun, do you want to add anything to that? As the managing authority, you would be sensitive to that.

Mr Henry:

I think that we are sensitive to the complexity of the application forms. Can we do more to simplify it? Yes. But we are also aware of the rigorous assessment process that such applications must undergo. That goes back to the previous discussion. The accountable Departments are, quite rightly, looking for detailed information to justify the expenditure, as, indeed, we are. We have to ensure that the application form contains sufficient information to withstand the rigorous assessment that it must undergo.

We are also aware that the financial management and audit requirements attached to EU funds are extremely rigorous. Undoubtedly, an organisation needs a certain capacity to be able to manage the moneys. We do not do organisations that lack that capacity a favour by giving them EU money only for them to fall foul of the detailed financial control measures that we have to put in place. That does not mean that we cannot do it better. It is incumbent on us to look and relook at how we can do it better, but I am mindful of what Pat said about the key role that lead partners can play in increasing the accessibility of such funding for hard-to-reach groups. That has worked extremely well with local authorities' participation in the clusters.

Mr Humphrey:

I do not suggest that there should not be probity. Obviously, organisations should have robust systems and the capacity to manage, otherwise it will lead to a negative experience that will be potentially damaging to that community or organisation and, therefore, completely counterproductive. So, I agree with all that you said. I do not suggest that it should be easy money, but it should be easier. The concept of lead partners that you introduced is something which, I think, has led to the improved figures that we witness now. But I stress again the importance of improving reach and maximising participation.

We have heard Brian's view from the Department's perspective that there will be a Peace IV programme. What is the SEUPB's view? Are you confident that a Peace IV programme is

coming that will benefit Northern Ireland and the border counties in the Republic?

Mr Colgan:

It is important to state, and important that you all understand, that our legislative remit is to implement rather than formulate policy, so it is not for us to say that. However, we have an important role in advising member states in relation to Peace funding. We have worked closely with the Finance Departments on both sides and with the Department of Foreign Affairs, the Office of the First Minister and deputy First Minister (OFMDFM) and the Department of the Taoiseach in discussing the pros and cons and possibilities of whether there should be a Peace IV. We fed into that process, but it is a member state issue. From everything, including what Brian said, I am fairly confident that there will be a Peace IV.

For example, I recently took the opportunity to make a presentation to the European Parliament's Committee on Regional Affairs. We must remember that, following the Lisbon Treaty, the European Parliament has a co-decision right along with the European Council and the Commission, so they are important in that regard. I also engaged with Commissioner Hahn's cabinet directly to make sure that he was aware of all the issues on the ground here.

Commissioner Hahn is the main commissioner in relation to European regional development funding. He was here recently to launch the Peace Bridge in Derry/Londonderry, and he was very impressed. We introduced him to some projects on the ground and gave him an opportunity to meet people who are availing themselves of Peace III. They also talked about the problems that remain to be addressed. He felt that there was strong value in continuing the work that we are doing; that this work is not finished. So, without SEUPB having any formal opinion on Peace IV — we cannot because that is not our job — we are part of the process and contribute when asked to do so.

Mr Humphrey:

OK. Finally, do you believe that Northern Ireland's Administration and governance is sufficiently joined-up on all matters related to Europe? Is there room for improvement?

Mr Colgan:

From my perspective of managing programmes, there is no question that we need much more joined-upness. The structures are in place to do it. We need to learn the lessons from the current

programme period. We have taken some very brave steps in this programme period to change things and to do things differently, but we need to address the weaknesses that exist. We have an opportunity to do that in the run-up to the new programme period and to put in place structures that are more efficient and reflect best practice around Europe. We need to be careful about that, however, because not everything that is done outside these islands is better. I have had a lot of experience of that. We are doing a lot of things very well here. There are many opportunities to change things, and I take on board the points that you made earlier to Brian.

Mr D Bradley:

In your paper, under the heading “Capacity, resource availability and timelines” you state:

“Due to the high level of applications received in the calls that were opened towards the end of 2010, some concerns have been raised about the resources available to process applications within the recommended timeframes.”

You say that that is a significant risk to the INTERREG IV programme. You go on to say:

“The INTERREG IVA budget within the SEUPB Business Plan 2011, has been reduced by approximately €10M ... This is due to the resource constraints within SEUPB to case manage the projects to ensure that expenditure is incurred within the original agreed timescales.”

You conclude that paragraph by saying:

“The reduction is also due to the longer than anticipated time taken to approve projects through the complex assessment processes within Government Departments.”

Are you saying that those delays have cost you €10 million?

Mr Colgan:

It is very important to distinguish between business plan targets and programme expenditure targets. N+2 is one thing; business plan targets are another. As an organisation, we do our regular business plan and corporate plan over three years. We had a particular vision of what we might spend during 2011, given the issues that have been raised in the paper. We had to revise that down by €10 million, but that does not threaten our N+2 programme expenditure targets. It merely means that that money will be shifted into future years for expenditure. Obviously, that increases the risk profile of that expenditure in future years. I go back to what I was saying earlier about managing a risk register and the ability to forecast risk and to put measures in place to ensure that it is dealt with.

Mr D Bradley:

Are you saying that your reconsideration of that sum within the business plan is the result of the slow process of dealing with the applications?

Mr Colgan:

There are two issues: the slow progress of applications through the approval process in accountable departmental systems and so on; and the pressure on resources that meant that we did not get as much through the system as we had hoped.

Mr D Bradley:

That, once again, underlines the need for simplification and streamlining of the application process.

Mr Colgan:

Exactly.

Mr D Bradley:

I want to go back to the earlier section in the paper on irregularities and investigations. You mention three groups that have, let us say, fallen foul of the regulations. Do you have figures against each of those groups — FAIR, SAVER/NAVER and Forward Learning? Do you know how much money you should recover from each of those groups?

Mr Colgan:

The question of recovery is a separate matter.

Mr Henry:

We know the amounts involved in relation to SAVER/NAVER and FAIR, because we have revoked the letters of offer. We are aware of the full level of expenditure that had been paid out in those cases. The investigation into the case of Forward Learning is ongoing. We have not reached a final figure of the amount of money at risk.

Mr D Bradley:

Can you tell us the figures for FAIR and SAVER/NAVER?

Mr Henry:

I can make the figures available to the Committee; sorry, I do not have them with me.

Mr D Bradley:

I would appreciate that.

Mr Colgan:

For clarity's sake: there were three projects involved in FAIR. The total value of the three projects was over €830,000. The actual expenditure incurred would have been around €300,000. I cannot be sure about the actual figure, but we will update you on that. The issue of money at risk is about the amount of money that has actually been spent.

Let us remember that that is not a risk to the programme; it is a risk to the ability to claim that money back from the Commission. We simply would not try to claim that money back from the Commission. Some other project would have to —

The Chairperson:

You would just absorb that.

Mr Colgan:

It would be absorbed by the accountable Department within the overall risk framework of public expenditure.

Mr D Bradley:

You mention that FAIR and SAVER/NAVER are being investigated by the PSNI. There is no reference to Forward Learning being investigated by the PSNI.

Mr Colgan:

That is because it is at an earlier stage.

Mr Henry:

We have not completed our investigations for Forward Learning. That audit investigation is still ongoing.

Mr D Bradley:

But you are considering options for the recovery of funds?

Mr Henry:

We have suspended payments to Forward Learning since early this year. With the information available to us, we do not consider it likely that we will resume payments to that organisation. However, we have not yet quantified —

Mr D Bradley:

But the organisation has gone out of existence.

Mr Henry:

The organisation is going through a process of going out of existence.

Mr D Bradley:

It has ceased trading as a company.

Mr Henry:

There are legal issues. It has ceased trading, but there is still a corporate entity in Companies House, and we have to take all necessary steps to try to protect public funds to maximise the possibility of us recovering funds that are deemed to have been spent in an irregular manner.

Mr D Bradley:

You say in the paper that you are considering options for the recovery of funds from Forward Learning, and you also say that in relation to SAVER/NAVER, but there is no reference to recovery of funds in relation to FAIR. Why is that?

Mr Colgan:

There should be.

Mr D Bradley:

There should be.

Mr Colgan:

Yes, it is the same. That is part of our procedures. When an irregularity is identified, we will investigate it completely and report and deal with the accountable Departments. If the irregularity is upheld and expenditure has occurred and been paid out, we will always pursue for

recovery.

Mr D Bradley:

Considering your experience with those three groups, what measures have you introduced to ensure that other groups do not fall foul of the regulations in the way that those groups have?

Mr Colgan:

If I may, I will put it into perspective. You are talking about three projects — or three lead partners. There would be five or six projects. However, if you look at the recent closure of Peace II, you see that we closed off 7,200 individual projects. If INTERREG is included, it is almost 7,500 projects. That is 7,500 projects — like each one of these — worth around €1 billion. Therefore, put it into that context. The overall error rate, or irregularity rate, in a programme is very low. When you get projects such as these, which have a particularly high profile and get a lot of attention in the media, it looks as if it is endemic or there is a systemic problem. There is no systemic problem here. It is all part of our normal business; it is what we do. We monitor expenditure, and, if we find that it is irregular, we have a procedure that we put in place and we pursue it.

What have we done? We constantly review and revise our policies for the management of irregularities; we have a fraud policy in place that we get advice on externally; we have a service level agreement with the special investigations unit in the Department of Agriculture and Rural Development (DARD) to advise us on the way we go about things; we have regular ongoing contact with the PSNI and the gardaí, and we take their advice on all those issues; and we constantly engage with the various Departments involved. We also train our own staff, our lead partners and people out there to ensure that they are aware of the issues and to bring home to them how serious those issues are.

Mr D Bradley:

I know that you cannot say that that type of thing will not happen again. However, can you say that the measures you have introduced will make it less likely?

Mr Colgan:

The critical question for me as accounting officer for the programme is whether there are robust systems of control in place. I am not saying that there are — my auditors are saying that there

are, and I am talking about the Northern Ireland Audit Office (NIAO), the Comptroller and Auditor General, my internal audit, the European Court of Auditors and auditors that come to us from the directorates-general. We have robust systems of control and procedures in place.

NIAO is on the record as saying, at a meeting of my audit committee yesterday, that it is very satisfied with the controls and procedures in place in SEUPB. If it was not, it would be doing a lot more sampling and investigation.

Mr Girvan:

Pat and Shaun, thank you for the paper and for coming along this morning. It has been very informative, and I take some reassurance from the fact that you hope to make all the spend under INTERREG IV as well as Peace III.

You mentioned having to work with 16 Departments on the basis of each one having its own tier of bureaucracy. Do you have a model, or have you investigated a model, to streamline that process with a view to reducing the number of Departments that you have to work with? If that were to happen, how would it impact on your staffing structure? Each Department could have its own wish list for spending EU money and for targeting it to have the best benefit. I see no difficulty with their having some input into steering in that direction. However, in the overall administration of some projects, Departments have created their own area.

I appreciate that administration costs have reduced from the high level of 25% and that a target of 5% is being worked towards. Hopefully, we will achieve a figure somewhere in that region, because that would mean more of the money making it to the ground. What processes are being put in place to streamline the bureaucracy that we are dealing with among 16 Departments in order to try to bring that into a more cohesive group? I do not suggest that another monster be created by overinflating the SEUPB. But is it possible that an overriding body could deal with all the issues at an administrative level, with the Departments having an input only in relation to the projects? Is there such a model? Have you thought of any way to take that forward and of how it would impact?

Mr Colgan:

That is a very good question, and it is appropriate, particularly given where we are at the moment in relation to the lead up to new programmes and learning lessons. Some very important

principles need to be borne in mind here — issues of public expenditure, accountability and so on. For example, if we want to spend money in the health sector, only one Department has the competence and autonomy to decide whether something is in line with policy and is the way in which money should be spent; that money should go there and be spent in that way. The same applies to, for example, tourism, enterprise, transport or agriculture.

You talked about the DARD programmes earlier. I would distinguish between the rural development programme, which is outside structural funds and has its own separate rules, and the DARD element of our INTERREG programme, which is a very small part of our programme but is a rural development initiative in terms of cross-border programmes.

Each Department has its own policy competence, and we need to respect that. The way we have applied it in the current structures is that, in addition to policy competence, we have given them accountability for the cash flow for the ERDF element of the programme. That is different from how it is done elsewhere, but it is a model that we have put in place in Northern Ireland for the current programme period. I think that we need to look at that model.

Mr Girvan:

Has it worked?

Mr Colgan:

You can see its weaknesses. There are strengths as well, and we cannot throw the baby out with the bathwater, as I said before.

Mr Girvan:

How do we get the balance between what is effective delivery —

Mr Colgan:

I think that that is an issue for us in our discussions with the member states. There are two issues here. First, how can we improve things within the current programming period? We are taking steps to do that, as Brian said earlier, and to ensure that the programme will be spent and that it will be spent in accordance with programme objectives. I am giving my commitment to saying that that is happening. The other bigger question, as we move forward, is whether this model is sustainable for future programmes. That is a debate that we need to have with the member states.

We have put our views on the table, and there are examples out there of how it is done differently.

You have two options for financing a programme: the ERDF or match funding. The way in which it is done elsewhere is that the managing authority has ownership of, and is responsible and accountable for, the ERDF component of the programme and its management, and it gives account back to whomever. In the case of match funding, which for cross-border programmes is 25%, each applicant brings that to the table themselves. The applicants merely have to demonstrate to the managing authority that they have that available, that it is eligible and so on. Whereas, what we are doing here is giving the ERDF cash and the match funding from Department finance. So, programmes are 100% financed, which makes it very easy for project applicants to access funding. It means that they do not have to worry about getting their 25%; that is available. However, it puts an increased onus on the individual Department to satisfy itself of the overall accountability.

These are not simple matters, and they definitely need to be looked at critically. In particular, lessons need to be learned about how we are doing things now. Are there other models? Yes, there are other models. Do we have views on them? Yes, we do.

Mr Girvan:

Good. How will your views impact on staffing?

Mr Colgan:

I think that that is a separate question and is something that we will need to look at in the context of new programmes. I would not like to prejudge that.

Mr Girvan:

I appreciate that. It is good to get in early, at this stage, to make those sorts of decisions. I think that we should make sure that we are planning for that. At the end of the day, we want the money to be accounted for and to go to people on the ground in the proper format. We do not want to have to go back and deal with issues such as the one that Dominic raised. It is possible — I am not saying that this happened — that something was not right with some of the funding for those projects. The fact that some issues have come to light is down only to the whistle-blowers.

The difficulty that I have experienced is in relation to the Agriculture Department. I have worked closely with that Department on many other things and have found it to be extremely bureaucratic. For example, some things are put out to tender even though there is maybe only one person who can actually supply it. We dealt with one case — I do not wish to go into too much detail about it — where there was only one supplier in Great Britain. He could not get tenders for the project, and there were all sorts of difficulties with it actually going ahead. I appreciate that that is all to do with procurement and that you have to do it right.

Mr Colgan:

Procurement is a big problem for us.

Mr Henry:

Procurement is, undoubtedly, extremely problematic. Many of our project co-ordinators have said that they have experienced real problems with procurement. We are very conscious of the level of audit and the level of importance that the European Court of Auditors places on projects to procure goods and services properly. If it sees any variance to the stated requirements at all, it will impose a penalty. So, it is really important that projects procure properly. To assist them in doing so, we recently entered into an agreement with the Central Procurement Directorate, which is a centre of excellence in dealing with the matter. It is currently providing services and support to the projects funded under Peace and INTERREG to assist them to make sure that they follow the rules correctly. Undoubtedly, the rules are extremely complex.

The Chairperson:

Thank you very much, gentlemen, for your full and frank discussion about some of the issues that you face. I know that one or two points about some of the projects need to be clarified, so we will make arrangements to get that information from you. I want to thank you both and, indeed, the departmental officials who were here before you for what has been a detailed session on the outworkings of EU funding. I think that the Committee is much better informed about some of the issues now.