



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

Progress on EU Programmes

6 January 2010

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)
Mr Peter Weir (Deputy Chairperson)
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Mr Mitchel McLaughlin
Mr Declan O'Loan
Ms Dawn Purvis

Witnesses:

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

The Chairperson (Ms J McCann):

The Committee will now hear from the Special EU Programmes Body (SEUPB) officials.

They are Pat Colgan, the chief executive of the SEUPB; Shaun Henry, director, managing authority; and Howard Keery, director, joint technical secretariat.

I again ask members of the Committee and the public to turn off their mobile phones because the session is being recorded. I am very conscious that we are 45 minutes behind schedule. Therefore, I will ask Pat Colgan to comment on some of the issues that he heard in the previous witness briefing on which he wants to comment and then go straight to members' questions, because they have the papers submitted by the SEUPB before today's meeting.

Mr Pat Colgan (Special EU Programmes Body):

Thank you. Good morning; I am happy to be here. I was taking some consolation from the fact that Bill Pauley got all the hard questions upfront, but I do not kid myself; the Committee has plenty more where those came from. I am happy to take them and to provide clarification on any of the issues that members raise.

Generally, in relation to the INTERREG programme it is important to state that it is progressing very well. Close on half the amount of money has been committed, and quite a significant amount of it is already out there in letters of offer under the various themes of enterprise, tourism, infrastructure and collaboration. Quite a lot of very interesting, very substantial and very strategic projects are being funded.

I note that the Committee is particularly interested in the element of the programme that deals with the cross-border groups. If the Committee wishes, I am happy to address those issues upfront, or would members like me to talk about the broader issues?

The Chairperson:

I think that we should go to questions. Members are happy enough with that.

Mr Weir:

I will be brief and I will leave the cross-border element to others. On the issue of the profile spend; there has been public concern about how some cluster groups are more advanced than others. Some have been relatively slow off the mark for a range of reasons, and there are some concerns in the community about whether all the targets for full spend will be met for the geographical areas. Will you give the Committee reassurance or insight? Are you confident that those targets will be met and can be met without funds being taken out of the clusters and used on a regional basis?

Mr Colgan:

I can report that, in relation to the Peace programme, 2009 was a very difficult year for the clusters because they were only just getting set up, which, in its own way, was a minor miracle if one considers the political, legal and administrative complexities involved in that and in setting up joint committees across council boundaries. However, thanks to their co-operation and the support that has been achieved, a significant amount of spend has taken place in 2009. I am happy that a solid base is in place on which to proceed and that the clusters' groups will meet their targets.

Bill Pauley questioned whether we had been in touch with the clusters about the potential or likely reconfiguration under RPA. The answer is yes. In the first instance, we have engaged with the officials in the Department of the Environment who are responsible for that process; with SOLACE, particularly its executive committee, in relation to its perspective and views on such a reconfiguration; and we are now in the process of beginning a series of meetings with the various joint committees to look at their issues.

We envisage that the letter of offer to the individual clusters will probably be extended to May 2010 to give them an additional period of spend. Within that period of spend, we are

very confident that they will meet their targets and we will look with them at future RPA issues.

Mr Weir:

To follow up briefly on that, you mentioned that you met SOLACE representatives: have you also met any representatives of our Local Government Association? I am conscious that you have met the officer side, but elected members will play a key role and are not represented through SOLACE. Will you outline what you have done with them?

Mr Colgan:

We have ongoing, good working relationships with NILGA and I intend to approach it very early this year with a view to speaking to its members and I plan to talk to the chairman and the vice-presidents.

Mr Weir:

Will you firmly assure the Committee that you believe that all the money will be spent in the clusters and that there will be no need for regional projects?

Mr Colgan:

I am not saying that individual clusters will not face difficulties in achieving their spend targets. However, based on the information that I have and the conversations that we have had with specific clusters, I am confident that we will make good progress.

Mr Howard Keery (Special EU Programmes Body):

I think that that is a fair comment. At this stage, there is certainly no intention to move money from local to regional projects.

Mr O'Loan:

Thank you for coming before the Committee.

What is the broad policy objective of INTERREG, and how do you think that that will be realised in the current implementation phase?

Mr Colgan:

The policy objective of INTERREG IVA is to promote cross-border co-operation between Ireland and Northern Ireland and to engage with partners in Scotland in order to improve the economic well-being of communities in that eligible area and to address difficulties or problems that might be presented by the existence of the border in preventing that kind of co-operation from taking place.

Mr O'Loan:

What is the added benefit of cross-border co-operation with respect to economic improvement: what is seen as the real gain or essential essence?

Mr Colgan:

It is broader than economic; it is also social. Consider the Health Service. INTERREG is funding a large project for the two Health Services, which is called Cooperation and Working Together (CAWT). The two Departments of Health are working together to improve the delivery of services along the border by taking advantage of facilities, resources and issues on both sides of the border; for example, the use of GP out-of-hours services, access to specific services and various care areas, and the development of primary care services.

Consider the telecommunications sector, which is completely different, and the Kelvin project. The Kelvin project has clear economic and social benefits for everyone who lives in the eligible area and indeed for people who live far beyond it. Those are two simple but strategic examples of where INTERREG IVA adds significant benefit.

Broader still is the area of tourism. It is clear that both sides of the border have a joint interest in taking advantage of the fact that people are coming here and developing the resource to create a more attractive tourism environment. Cross-border co-operation facilitates that. The same also applies to the area of enterprise.

Mr O'Loan:

Some of us believe that there are gains to be made from co-operation between the Health Services. Are there signals that those pilot exercises have provided significant learning as well as an alteration of mindsets and the opening up of thoughts to significantly improve the island's Health Services?

Mr Colgan:

Health is like transport and a whole load of other issues that are cross-border in nature because of their impact. The CAWT project, which is funded under INTERREG IVA, is being put forward as an example of best practice throughout Europe because of the way in which we are doing that. Throughout Europe, there has been a good precedent of co-operation for building hospitals that are owned across borders. The potential exists for further development, but we have come a long way from the fairly simplistic approaches that we took at the beginning. I think that the Departments recognise that we have built on INTERREG III and that INTERREG IVA is a much more strategic project as well as a solid platform for future developments. I agree that there is a lot of potential there.

Mr O'Loan:

That is a welcome answer. In some ways the SEUPB's report on INTERREG IVA is very positive, but there are some negatives, and I wish to clarify where we are at. The paper says that spend is going well, but that the process of application and assessment is taking longer than hoped. The paper comments critically on the quality of the applications submitted and the quality of some appraisal work. It says that some applications and appraisals had to be returned, reworked and resubmitted because they provided too little detail for meaningful

assessment to take place.

Will you marry those two issues? Overall, SEUPB is happy with respect to getting money out; however, things have been slower than you would have wanted, and there are serious question marks over the quality of the bids. Taken as a whole, will there be good outcomes from this programme?

Mr Colgan:

It is important to remember that we set out to do things differently in INTERREG IVA than we did in INTERREG IIIA. We said that the programme should be more strategic in nature, by which we meant that it would involve considerable more consideration of the longer term impact but also, probably, that projects would look at a larger scale of intervention. As part of INTERREG IIIA, we funded over 300 projects, and, in INTERREG IVA, we are likely to fund around one third of that. By its nature, that set the bar much higher with respect to the quality of applications that we were looking for and the rigour of the assessment and evaluation process that was applied to them.

There were new lessons to be learned for every one of us who are engaged in the process, and there was a new way of doing things. In particular, the cross-border groups were being asked to do something that they had never been asked to do before, which was to develop an overall strategic plan for specific regions, put particular project ideas underneath that strategic plan, cost it, argue for it, and so on.

In INTERREG IIIA, the cross-border bodies had been asked to act merely as implementing agents. In other words, they were intermediaries. They put advertisements in the paper and elsewhere and invited applications, principally, for fairly small projects, and they went through a process of assessment of those projects with fairly clearly defined criteria and procedures and they dispersed the money. However, they were never responsible for the overall content or the issues of what was happening in those projects. They had a developmental function, and they encouraged people in certain sectors, but they never took full ownership of the process. New questions are being asked of them this time, and that is difficult.

The accountable Departments have a new role in the programme in the sense that the size and the scale of the projects require them to apply rigorous standards with respect to value for

money and assessment. They are much more closely engaged with us in the assessment process, and that has also been a learning process for all of us.

Those are the issues. Fundamentally, they come from the nature of the programme, the way that we have designed and developed it, the way that we are implementing it and the questions that it asks of the key actors.

Mr O'Loan:

You said that three of the five groups have made most progress. One of those, the North East Partnership, relates to the area that I represent. Will all the groups come up to the mark, and do they have the capacity to deliver?

Mr Colgan:

It might be worth outlining where we went with the MAPs from the first day. In 2007, we held many meetings with those groups as part of the process of preparing the programme and in the run up to it. In 2008, they worked on their multi-annual plans, and, in mid-2008, the steering committee looked at those and gave general approval to them. It said that the

strategic plans made sense and that the types of things that the groups wanted to do met the programme's criteria and objectives and were more or less in the order of what we would expect them to be. I say that with some hesitation.

For example, some of the plans were looking for much more money than we could possibly ever have given. One looked for €180 million, and the total value of the programme was €256 million. That raises questions about the strategic nature of that sort of plan. A difficult process of negotiating with those groups took place that pared down the original plans and got them to the steering committee in a way that made some sort of structured sense.

In mid-2008, the multi-annual plans were approved by the steering committee. From 2008 until the end of that period, we were in negotiations with the accountable Departments about the implications of getting them approved and issuing letters of offer. The accountable Department had to underwrite our letters of offer, and it set certain requirements for us on the conditions that we would apply on the letters of offer. Those requirements are perfectly sensible and valid.

In December 2008 and January 2009, framework letters of offer were issued, and the fact that they were framework letters of offer was made clear. The letter said that, overall, the plan met the requirements of the programme, that there were elements of the programme that would need subsequent detailed analysis and approval but that, generally, the amount of money that had been asked for was correct and appropriate. We then started the process of looking at the individual component parts.

It was January or February 2009 when we looked at the bits and got them approved by the individual Government Departments and back to the steering group. It was then that we began to have difficulty with the quality and content of the specifics that were being put in, and with the standard and rigour that the accountable Departments applied to the assessments.

In May 2009, Bill Pauley and I realised that we needed to have much more clarity around what was required. In June 2009, I brought the groups together again and said that we would set out very clearly, in A, B, C and D-type terms, exactly what will be required to get the projects over the line, and told them that we would work with them to do that. That process

finished in September 2009, but that does not mean that the assessment process was not ongoing in the meantime: it was. We kept on looking at the projects, negotiating and toing and froing with Departments.

That, fundamentally, sets out the timeline that we are talking about and some of the issues with which we dealt. There are 63 projects in the five multi-annual plans. So far, I think that we have issued nine letters of offer in total. There are an additional 25 or so where, at this stage, we have done an outline business case, which basically summarises the plan, informs the accountable Department what is being asked for and seeks its formal view. Based on those outline business cases, we then prepare a full business case, which is submitted to the accountable Department and the steering committee for final approval. Nine of the 63 letters of offer have been approved and 25 have outline business cases, some of which are quite advanced in relation to the way that they are being considered. About 19 or so are back with the groups from us. We have informed the groups that we do not have sufficient detail, and they must come up with a lot more information. That is basically the bulk of where we are.

A number of projects will go for final approval very shortly, so more letters of offer should be sent out. In the meantime, we have addressed the issue of their administration costs and

made sure that funding was made available to them to enable them to continue and to fund the procedures and processes in which they were involved. That outlines the broad picture and timeline. I am very happy to take questions about any of that.

The Chairperson:

It almost seems that the whole impetus to drive forward those projects did not come until June 2009, but the applications were being submitted from 2007 and the approval for the multi-annual plans was given in 2008. Why, all of a sudden, did people decide that they needed to revise the economic appraisals? Why did that happen at that stage rather than earlier?

Mr Colgan:

The groups received their framework letters of offer for their multi-annual plans in December 2008 and January 2009. The first letters of offer for those plans went out in December 2008, and they were all out by January. The real assessment of the individual component parts only really started in January and February 2008.

From February 2008 to May 2008, there was significant toing and froing by my staff from

cross-border groups to accountable Departments to consultants through economic appraisals, and putting together the bits and pieces that were required —

Mr McLaughlin:

You explained the process of negotiation, but what was the deadline for the submission of MAPs? ICBAN argues that its multi-annual plan was in for a full year before it received a response. It was submitted in November 2007 and it received a letter in December 2008.

Mr Colgan:

December 2008 was when its multi-annual plan was approved.

Mr McLaughlin:

That is a year.

Mr Colgan:

There was an awful lot of negotiation with ICBAN in the intervening period. Incidentally, it

submitted a bid of €180 million.

Mr McLaughlin:

OK, so there were five —

Mr Colgan:

And a significant amount of paring down had to be done, because that was not realistic.

Mr McLaughlin:

Yes, but by what date were all the MAPs submitted?

Mr Colgan:

It varied, Mitchel. They came in at various times.

Mr McLaughlin:

When was the last one submitted?

Mr Colgan:

The steering committee issued all the approvals in June 2008, so the plans must have come in between November 2007, when the programme was signed off and finally started, and January or February 2008. We would have required up to May 2008 to prepare the applications.

Mr McLaughlin:

It is in everybody's interests that we untangle the confusion, which has perhaps come about as a result of bad communication. At this stage, I am not certain who is responsible, but something of a blame game seems to be emerging. Some individual applicants may have over-interpreted the process of submitting MAPs and then of getting responses and letters of outline approval. However, although at this stage I am not in a position to be definitive about the problem, the possibility exists that part of the blame lies at your end, either in processing the applications or in the quality of the assessments that you were applying. Do you accept that it is a reasonable proposition that the fault was not all with the applicant groups? Did you overreach? When we came into this place, we discovered that the Departments were in the habit of overcommitting and underspending.

Mr Colgan:

I am genuinely not interested in being overly defensive about this matter. As I said, the INTERREG IV programme tries to do something that we have never tried to do before, and it is very different from INTERREG IIIa. We were all learning as we were going along.

I can, however, comment on my staff's commitment and the amount of effort and time that they put in with the applicant groups, first, to put the multi-annual plans together and, secondly, when the plans came in, to reduce them from 180 to a number that could actually work, and then to put them into some sort of reasonable, acceptable and realistic shape. My staff helped to shape the projects that came out of the applications, and I cannot fault them in any way.

After that, there was a question about how to assess what we had and how to get that approved. Furthermore, we came up against the requirements of the accountable Departments and our own standards for what was needed. Then, as Bill Pauley said earlier, there were big questions to be asked about the quality of the economic appraisals that were produced by

independent consultants.

I understand that I may be coming across as someone who is trying to shift blame. I am not interested in doing that. I am just trying to paint a realistic picture of what actually happened. We are where we are, and there are specific bars and standards that need to be reached, including value-for-money assessments and economic appraisals, and that is now happening.

You mentioned disentangling. I am confident that disentanglement has happened and that everybody now knows exactly what is expected of them. We have a timetable for when the MAPs will be approved and be out there and for when the money will be spent. I am confident that the programme will meet its targets.

The Chairperson:

Can we get a copy of that timetable?

Mr Colgan:

I am happy to do that.

Ms Purvis:

You said that there had to be some negotiation with the accountable Departments in order to underwrite the letters of offer.

Mr Colgan:

Yes.

Ms Purvis:

Were all Departments consistent about the level of information that they required, or did departmental inconsistencies cause delays?

Mr Colgan:

There are differences in culture, procedures and practices between Northern Ireland and Ireland. In Northern Ireland, unfortunately, the major burden of approval fell on DETI, which, because it covers enterprise and tourism, is the accountable Department for well over half of the programme and is responsible for the vast bulk of the money that will be given to cross-border groups.

DFP is accountable for the other element, which is collaboration. However, DETI is the major player on enterprise and tourism. Therefore, we had to look specifically at its standards for those groups. We had to get to know those standards, clarify them and ensure that DETI was happy that our actions met its accountability standards. I am not placing any blame. That is how business is done — it differs slightly from one place to another.

Ms Purvis:

If I remember correctly, issues about the quality of economic appraisals and the use of consultants arose during Peace III. Have you assessed the use of consultants and the quality of those economic appraisals? Different groups have told me about the constraints that are placed on them when they receive questions and are asked for a quick return on information. Were any lessons learned from the use of consultants in Peace III? Were any recommendations put into practice? Are you looking at reviewing the use of consultants?

Mr Colgan:

Yes; a number of things are driving us in that regard, one of which is the quality of the

economic appraisals that we are getting. That was the main reason why we asked DFP for additional economic resource. That is why we have the additional resource that Bill Pauley referred to earlier. She is performing an excellent job in critically appraising the work of external consultants.

We learnt a lot from Peace III, and we sat down and looked at what we need to do. We have spoken to the Central Procurement Directorate about how we source the economic appraisals externally and how we evaluate what they are doing and the terms of reference that we have put in place. We have put in place new procedures and processes to ensure that we can tender properly and meet all the rules and regulations on procurement while, at the same time, imposing standards on who can do what and when.

However, there is another important factor for economic appraisals. It is particularly relevant from Dublin's perspective. Dublin is considering critically any money that is spent externally on consultants. It is equally important up here, but Dublin has put a major emphasis on that. Our programmes spend a lot of money on external consultants, and we have been asked to look critically at the whole question of how and why we spend that money. We are looking at options or alternative approaches that we might adopt, and we are in

discussions with the two Finance Departments about the resource implications. We have learnt a lot of lessons, which we have taken to heart and tried to put in place.

Mr McLaughlin:

This is a dynamic situation. Is it possible that we could schedule additional briefings on an ongoing basis? That would be helpful.

Mr Colgan:

It was helpful during the preparation and initial implementation of the programmes. We developed a good understanding.

Mr McLaughlin:

I do not want to complicate life any further. The pressure will, perhaps, build up. Maybe we could get updates from you twice a year.

Mr Colgan:

I am happy to do that as frequently as you like.

The Chairperson:

In the last session, members asked whether the N+2 targets for 2010-11 will be met. DFP said that it is confident that they will be met. Are you confident that those targets are on track?

Mr Colgan:

Yes. As Bill Pauley pointed out earlier, our target for 2010 is smaller than it would have been under the current situation. We were confident that we would meet the original target. We will still push for that target, and we are confident that we will meet any new targets that emerge as a result of the abatement.

The Chairperson:

You said that you had set out a timetable to examine the delay in the strategy and measures and to get the projects running. Will you come back in six months' time to update us on how the measures have been rolled out? Are you confident that the strategy and measures that are in place will unblock whatever is causing the delays?

Mr Colgan:

I am quite confident. The system is being unblocked as we speak.

The Chairperson:

My last question is about childcare. You sought to set out guidelines, and the Department of Health provided guidance on the payment of non-registered childminders. I am talking about women's organisations that work with the Special EU Programmes Body. There is a dearth of childminders North and South, and a lot of registered childminders do not like to cover training sessions or once-a-week classes; they like a weekly basis or a more permanent basis. Registered childminding services do not operate in the same way in the South as in the North, and there is a big concern about the effect on women in the border counties. Where does that work sit now? Have those matters been sorted out?

Mr Colgan:

We have had discussions with the Department of Health, Social Services and Public Safety about what standards we should apply. We have taken its advice to adopt a child-centred approach and do what is in the best interests of children, because that is the major issue.

However, we recognise, and have stated to the Department, that there are also related women's issues such as ability to attend training and the supply of training. We are looking at drafting new guidelines, and we are in a process of consultation.

Mr Shaun Henry (Special EU Programmes Body):

We are looking at our guidance on childcare. We have had discussions with the Department of Health to see how the Children (Northern Ireland) Order 1995 impacts on childcare arrangements. We have also been in consultation with the Department for Employment and Learning (DEL) to look at its arrangements for funding childcare for parents who attend various training. Over the next number of weeks, we hope to publish revised guidance in accordance with the 1995 Order and the practices that DEL implements through its training programmes.

The Chairperson:

In previous ESF funding streams, people were able to pay family members for minding children. Do you foresee that you will issue similar guidance?

Mr Henry:

Our understanding is that the use of family members for childcare is compatible with the 1995 Order. It is DEL's practice to fund family members, and we do not see ourselves doing anything different.

The Chairperson:

Thanks very much for coming along. If it is OK, we may ask you for an update on the INTERREG projects in six months' time. Mitchel mentioned the possibility of the Committee having more regular evidence sessions with you.

Mr Colgan:

We are very comfortable with that idea, because we find such sessions useful for the purposes of clarification. It cuts down on political correspondence.