Northern Ireland Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

EU Structural Funds: Evidence from Special EU Programmes Body

22 February 2012

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Members present for all or part of the proceedings:
Mr Conor Murphy (Chairperson)
Mr Leslie Cree
Mr Paul Girvan
Mr David Hilditch
Mr William Humphrey
Mr Paul Maskey

Witnesses:

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

The Chairperson: The next evidence session, with Pat Colgan and Shaun Henry from the Special EU Programmes Body (SEUPB), is, in a sense, a continuation of the previous discussion.

Both of you were present for the previous evidence session. I saw that you were taking notes and consulting each other. We may get time to ask some of the same questions again. However, in your consideration of what is to come out of this session, will you take into account some of the questions that were asked previously, and the observations and points that were made, rather than go through those again? I ask you to make some opening remarks, and then the Committee will have an opportunity to ask questions.

Mr Pat Colgan (Special EU Programmes Body): Good morning. We are happy to see you. It is always a pleasure to come here and give account of ourselves.

By way of introduction, I will address some of the questions that were raised in the previous session. I will start with the last area, which concerned governance structures, overarching control and co-ordination. SEUPB reports directly to the two Finance Departments: the Department of Finance and Personnel (DFP) in Belfast; and the Department of Public Expenditure and Reform in Dublin. Those are our two accountable Departments, and they are the ones to which we report regularly — monthly, quarterly and annually. Through the medium of the North/South Ministerial Council (NSMC), they approve our business plans and corporate plans. We have regular meetings with the two Departments to update them. We call those tripartite meetings, and one is scheduled for 9 March. Those meetings have a long agenda, and we run down through all the issues. We prepare detailed reports on every single one of the issues. That is the basic structure.

In addition, there is the overarching programme management structure, which consists of the monitoring committees. Around 40 people sit on those monitoring committees: elected representatives; representatives of all Departments that are affected; representatives of the European Commission; representatives of community groups; and so on. It is a wide-ranging group, and it meets twice a year. The steering committees are responsible for taking specific decisions on project approvals — the allocation of funding. Those steering committees are made up of representatives of our monitoring committee and include representatives of all the Departments involved and elected representatives from member states. Those are the structures.

The Chairperson: At what level do you meet the Departments in your monthly, quarterly —

Mr Colgan: Principal officer and assistant secretary in Dublin and grade 5 and occasionally grade 3 in Belfast.

We also report directly to the North/South Ministerial Council sitting in sectoral format, Minister Sammy Wilson and, at the moment, Minister Brendan Howlin. We have had Minster Michael Noonan and accompanying Ministers at those meetings as well. I am sure that you are all very familiar with that. We give detailed written and verbal reports at those meetings. Those are our structures of accountability and governance and our reporting institutions.

In addition, SEUPB prepares detailed reports annually for the European Commission. Those reports are regulatory requirements. They must be submitted by certain dates and meet certain standards. If those standards are not met, money is withheld. Money can therefore not be drawn down. We have never had a problem with that. Furthermore, we are audited by the European Court of Auditors (ECA) quite regularly. In fact, we had an audit just a couple of months ago around the Peace programme. They are very detailed, intrusive and meticulous audits of every single aspect of programme management, programme implementation, expenditure and expenditure at project level. We are also audited by each of the directorates general from which we get funding. In our case, it is the Directorate General for Regional Policy (DG REGIO). We are also audited by our own internal audit, which is DFP internal audit; the audit authority of the programme; the Northern Ireland Audit Office (NIAO); and the Comptroller and Auditor General (C&AG). It will be difficult to say, therefore, that there is not enough governance and oversight of SEUPB.

I think that the problem that you are getting at, Chairman, is the question of the various accountable departments that are in place, the money flowing through those accountable departments and the difference in the amount of time that it takes to get projects approved, depending on which accountable department they are going through. Those are issues that I have been raising with this Committee, the Committee for Enterprise, Trade and Investment and the Committee for the Office of the First Minister and deputy First Minister since 2008 concerning the current programme period. If you check Hansard, you will note that I have always brought that up as an issue.

We are talking about INTERREG. We do not have a significant problem with the Peace programme, although I think that some of the problems that you were talking about, Paul, concerned Peace projects. I am very happy to deal with those and talk to you about them. Within INTERREG, we do not have a problem in the areas of energy, telecommunications, rural development and the environment. In fact, we do not have a problem in the vast majority of the areas of the programme. Where we have a difficulty is in the area of enterprise and tourism. I have great sympathy with the points that William made earlier about the problems that that creates for groups on the ground.

I will give you some insight into the issues. INTERREG is managed in Northern Ireland in a way that is completely different from the 60-odd other INTERREG programmes across Europe. At the beginning of the current programming period, the Commission wanted and promoted the creation of independent, centralised joint technical secretariats (JTSs) for the management of INTERREG programmes, under the aegis of the managing authority. Those JTSs have been created in all INTERREG programmes throughout Europe. There is an army of people working on this. The approval time in other programmes is generally around about 20 weeks, which, as Leslie said, is an ideal time. Why is that? The JTS and the managing authority are empowered to take decisions, because it is they that can make the call, make the approvals, handle the assessments and allocate the money. They have to give a full account of that. In Northern Ireland, we have a dual system of assessment and a dual system of approvals. In addition to the JTS assessment process and the steering committee assessment process, all projects go through the inner workings of each accountable Department for approval. That is where the delays are; it is doubling the whole assessment and approval process. You can check that through the INTERACT programme, which is responsible for technical assistance for all INTERREG programmes throughout Europe. It will verify for you the differences in the way in which the programmes are managed.

SEUPB's hands are tied. We cannot make decisions without going through all those issues. Despite that, the Peace programme exceeded its N+2 target in 2011 by €32 million. The Peace programme is a very good example of our being able to manage the system. As I said already, if you look at the various themes and parts within INTERREG, you will see that the problem lies in enterprise and tourism.

I am happy to take questions and follow-ups from committee members.

The Chairperson: You have given a clear statement of where you see the problems lying. You said that Peace is a success, and Paul made points about groups. I, and, I am sure, William, Leslie and others who are represented here, have experience of groups involved with the Peace programme. Peace may be considered a success from your perspective, but it is not considered in that way from the perspective of those groups as they struggle to keep their doors open while waiting on approvals and moneys coming through. They face decisions not to be allowed to spend and are not allowed to dip into any reserves. I am sure that some members will raise that with you.

Changing to a similar structure seems to make sense, despite our political arrangements here. Is SEUPB able simply to move to that structure with the level of audit and accountability that it has already, or would that require a change to your accountability structures? If SEUPB were given sole decision-making authority on the spend, would you be sufficiently audited and accountable to the Administrations in the North and the South and to Europe, or would a new, overarching structure, albeit a streamlined one and one that gives you the authority to take decisions in a more acceptable time frame, be required?

Mr Colgan: The structures that are in place are similar to those that are in place for every other INTERREG programme in Europe. From my description of them, you can see that they are very extensive and detailed. I would say that we are audited more than any other body on this island, so, without any doubt, I am quite satisfied that the accountability structures and governance measures that are in place are, without doubt, perfectly adequate.

I hasten to add that SEUPB has an excellent track record with its audit certificates, its performance with the ECA and on spending EU moneys. Peace II was close on €1 billion, and not one penny was de-committed. INTERREG III involved €256 million, and that was also fully spent. We are €32 million ahead of our target for Peace III. Despite the difficulties and problems that we have with INTERREG, we are €5 million ahead of our target. In the eight years that I have been in this post, we have never dropped a penny, and I do not intend to start now. SEUPB has never lost money or de-committed money.

The organisation's reputation with the European Commission was mentioned. At our most recent monitoring committee meeting, the EU representative came to me and said that the European Commission has no problems whatsoever with the programmes. The representative said that the Commission is very happy with the way in which the programmes are being managed and that it has an excellent track record with us. I was told that there is no comparison between SEUPB and some other programmes, given their problems. SEUPB, the Peace programme and the INTERREG programme have a very high reputation with the European Commission.

Mr Girvan: It is one thing to have a high reputation with the European Commission, but, on the ground, I get the message that there is very little confidence in communities over how things are being delivered. I have read through a number of the projects, and I question the direction in which we go with some of some of our European funding, but that is a question for another day. Other areas seem to have done an awful lot better with their European money. We have ploughed it into what we believe is community-building and all that, and we have failed drastically with some of our infrastructural investment, while certain cities, towns and roads in other areas have benefited greatly.

The process does not encourage people to apply for the programmes that are being delivered, because it is so bureaucratic. The only people who seem to be making a lot of money out of the projects are consultants, who, as far as I can see, have set up an industry that has been designed to milk money from the process. They are doing that legitimately and accountably by ticking boxes, and that is all that they are doing. There is €239 million of committed projects here, some of which have been accepted and some of which have started to deliver. How much of that money is spent by SEUPB in its administration of the projects and by consultants used by the groups to submit their applications? That is the administration of those processes. All that I can see is an industry that has been set up to milk money and not necessarily deliver. There have been a few high-profile cases, which, in the overall scheme of things, involved very small amounts of money. Those cases have been highlighted as examples of abuse of the process. That is because some have focused on one or two groups. There may be others there. You run into difficulties when you are dealing with large numbers of individuals, as opposed to taking forward strategic projects, focusing, making big spend and adding value to the overall economy. Those are the couple of areas that I would like to see some focus on.

Mr Colgan: The first point that you raised is an interesting one: you are not happy with the areas of expenditure. We fully understand your views on that. Those views have been made to us before. SEUPB has no discretion over where the money is spent: it spends money in accordance with a predefined programme called the operational programme. That programme is developed through a consultation process and a policy formulation process and is agreed by the two member states — the Northern Ireland Executive and the Dublin Government — and the European Commission. The programme sets out a seven-year framework for where the money will be spent. Therefore, a decision was taken by the Northern Ireland Executive and the Irish Government on where the money will be spent, and we spend it in those areas. It is our job to make sure that the money goes where it is supposed to go.

You mentioned costs. I have raised many times before at this Committee and at other Committees the costs of administration of previous programmes. INTERREG III had an average administration cost in excess of 10% of the total value of the programme. The average cost of implementing the Peace II programme approached 22% of its total value, and in some cases it was much more than that. It was a very expensive programme to implement. We had 56 implementing bodies on Peace III, a lot of which were Departments, and we had 22 implementing bodies on INTERREG. That is from where the costs came.

With the regulation at the beginning of this programme — I mentioned earlier the creation of the JTS — a ceiling of 6% was put on the cost of programme administration and programme management. We have reduced that from 6% to around 4%. The cost of implementing and managing the programmes has been reduced drastically.

You mentioned the cost of consultants. SEUPB has a requirement to use independent consultants for economic appraisals. We have cut the cost of those economic appraisals by around 50%. We are constantly negotiating tighter pricing. That is a difficulty, because the quality of consultant can be questioned.

I accept that there are also costs on the project applicant's side. Some of those costs are eligible to be met by the project, while some of them are not. Generally, as I said, the total cost of programme implementation is between 4% and 6%. It was 6%, and we have it down to around 4%.

You mentioned abuse. You are absolutely right, and I was glad to hear you say it, that it applies to a very small number of high-profile issues and cases. The error rate in those programmes is well below the accepted standard of 2%; it is less than 1%. I am talking about money that is ineligible and cannot be claimed back.

Finally, you mentioned strategic projects. Peace III and INTERREG IV, particularly INTERREG IV, set out to finance more strategic projects. By that, I mean larger projects with a bigger impact. For example, Project Kelvin and the €30 million Co-operation and Working Together (CAWT) project in the health service. There is a raft of them. The vast majority of our projects are much bigger than they were before. We had 440 projects under INTERREG III. How many is INTERREG IV likely to have?

Mr Shaun Henry (Special EU Programmes Body): It is more like 80.

Mr Colgan: It is 80 projects in total. They are much more strategic, much larger and have a bigger impact. Under Peace II, we had 7,500 projects, and with Peace III, there is likely to be in the order of —

Mr Henry: Maybe about 180 or so.

Mr Colgan: That will give you a sense of how the programmes have changed. Some of the difficulties for the groups on the ground have to do with the bureaucracy associated with the verification of expenditure. That is very difficult for groups, particularly the smaller ones with the fewest resources and the least in-house capacity to manage that. I have no sympathy for the larger organisations, such as the Departments, agencies and people who are well-equipped to do this.

We are guided by a set of rules set down by the member state on the verification of eligibility of expenditure, the use of procurement procedures and rules and on the way in which we say, "Yes, that can be paid". We are also governed by the rules set down by the European Commission, although a major part of those procedures and processes come out of national rules rather than EU rules. However, the European Court of Auditors audits our compliance with those rules meticulously, and we have no choice but to implement them.

We are constantly looking for more and more simplification. For example, we have introduced a flat rate 20% overhead charge for organisations. Instead of having to verify every single element of overhead, they can charge a 20% rate into the project as an overhead cost. That is a complete simplification of the whole overhead expenditure, verification and approval process. So, we are constantly looking for ways to simplify things. For this one, we had to get the agreement of the European Commission and member states, and we had to put forward a formula on the basis on which it would be calculated, and so on. So, we are working on this all the time. EU money is difficult money; it is not easy money.

There was talk about an appetite to engage. In the most recent call for applications, which closed last Friday, we received 91 applications from a range of different organisations, small and large. A total of €211 million is being bid for, and that is seven times what we think will be available. There is no evidence of any lack of appetite to engage there; none.

Mr P Maskey: I want to ask about the cost of consultants and the way in which that is being dealt with. Consultants do not come together in one day to look at proposals. The proposals are given to one consultant and are then passed on to somebody else and are maybe looked a week or two weeks later.

They are then passed on to someone else who will take a specific period of time as well. That draws out the period in which a business case can be approved. Why is that?

Mr Colgan: I will go back to what I said about the way in which the approval processes are handled in Northern Ireland. There is a distinct difference in how the INTERREG IVa programme is handled in Northern Ireland, Ireland and Scotland and how it is done for other INTERREG programmes. We require the approval of the accountable Department, and the independent economist who does the economic appraisal has to engage with the economist in the accountable Department. That iteration can cause a lot of delays. Martin Tyrrell is right: we have tried to implement a parallel process whereby people look at proposals together. We have not been able to do it to date, but we hope to do be able to do it from here on in. However, it has not been possible to make it work to date with DSD or DETI, but we are hopeful that we will do that going forward.

Mr P Maskey: Have you made proposals on how to speed up that process?

Mr Henry: We work constantly with the accountable Departments to try to expedite the process of looking at economic appraisals, and we are getting economists from the accountable Departments around the table with us and the independent consultants at a much earlier stage to try to get all the issues on the table at one time and to try to address them as quickly as possible.

Mr P Maskey: Do you recognise that there is an issue regarding the length of time that it can take?

Mr Henry: Yes.

Mr Colgan: As I said earlier, I believe that we should be looking at 20 weeks, not 40 weeks or 60 weeks, and I believe that we need to put structures in place to enable that to happen and to facilitate it.

Mr P Maskey: The question I am asking is, as you recognise that this is an issue, have you put forward any proposals or ideas to speed up the process?

Mr Colgan: I have mentioned that, since 2008, I have spoken to this Committee and all other Committees about the problems associated with it. In our tripartite meetings, with the two Departments of Finance and Personnel, we constantly discuss it.

Mr P Maskey: What proposals have you put forward? That is my question.

Mr Henry: The way in which we are structuring the current call for the INTERREG programme demonstrates how we have listened and learned from the way we have done business in the past. We made a call that closed on 17 February. We asked applicants to fill in an application form of five or six pages —

Mr P Maskey: What about the consultants? Proposals are being passed from one to another, and time is going by.

Mr Henry: If you give me a moment, I will come to that. How we are trying to prevent the numerous iterations of the economic appraisals is a critical point. We are committed to making decisions on the stage 1 applications by 14 March; that is, four weeks after the closing date. Then, we will have a shortlist of applications that will go to stage 2. We are committed to working with those applicants on a one-to-one basis, to assist them to complete detailed business plans for their applications. We believe that a lot of the iterations that you are referring to are due to the lack of the required detailed information that is needed to complete the economic appraisal. So, we want to work with applicants to help them to complete detailed business plans, so that we are getting the information on the table much earlier in the process. We are confident that that will make a major contribution towards stopping those numerous iterations of economic appraisals, as economists ask for more and more supporting information.

Mr P Maskey: I need to labour the point before I move on.

Are there rules and regulations stating that consultants cannot come together on one day to approve or refuse applications? Why is an application being sent to one consultant and then another, who will take time before they look at it before passing it on to the next stage?

Mr Colgan: Maybe we should run through the assessment and approval process.

Mr P Maskey: Will you forward it to us in writing? It would be useful for the Committee to have that.

Before I move on; last time, I asked about the cost of some of the consultants. We have not received that information. It would be useful to have. I am not asking you to tell us today; perhaps you will forward it to us? The cost was reduced from 6% to 4%: is that 4% of the £200-odd million?

Mr Colgan: Yes.

Mr P Maskey: That is a lot of money. It was 6% of £1 billion at one stage.

Mr Colgan: It used to be 22%, and 25%.

Mr P Maskey: So, it could have been up to a quarter of a billion pounds? It would be nice to have some of those figures before us, because I think —

Mr Colgan: That is why the changes that we introduced at the beginning of this programme period —

Mr P Maskey: I appreciate that we are down to 4%. However, 4% of £230-odd million is still a crazy amount of money to be giving out to consultants.

Mr Colgan: I am sorry: that money is not going to consultants.

Mr P Maskey: Well, it is being put out until the cost of hire —

Mr Colgan: No. It includes all of the SEUPB's costs: our staff costs, the whole process of managing the programmes, publicity and so on.

Mr P Maskey: I thought that the point you were making to Paul is that that was the cost of consultants. He was labouring that.

Mr Colgan: No. Absolutely not.

Mr P Maskey: However, it would still be useful to see those figures.

We had a conversation with DFP earlier about the projects. Without rehearsing all the arguments, maybe you would give us some —

Mr Colgan: I think you are referring to Peace projects?

Mr P Maskey: — Peace projects and stuff as well.

Mr Colgan: Yes. There have been submissions in relation to some of the project applications that were approved in November. Some of them are with the consortium of the Community Relations Council (CRC) and Pobal, which manages that part of the programme with us. That is something on which we are working with them. As far as I know, all those small groups — and they are largely small groups, with CRC and Pobal — have already received letters of intent. They know that they will be getting the money and that there are technical issues outstanding around the finalisation of the letters of offer. As far as I know, they are already been dealt with.

Mr P Maskey: They have already been dealt with? So, you are saying —

Mr Colgan: Yes. Letters of offer will be going out very shortly. They have already received the letters of intent.

Mr Henry: Paul may be referring to another cohort of projects that have been approved by the steering committee last autumn. We are required to get the approval of the relevant accountable Department, that is, in some cases the Office of the First Minister and deputy First Minister, and in others, the DSD.

I do not think that DFP is involved with any of those projects. We are going through the process of getting the required approvals from the relevant Departments before we can issue letters of offer.

Mr P Maskey: OK. I have asked DFP to have a look at that, and, hopefully, it will get back to me. I said earlier that some groups have not had any funding since December 2011 and that there may be reserves or underspends. Do you have any issues with the Coiste na NIarchimi project that we spoke about? How will that be agreed on and moved forward?

Mr Colgan: My understanding is that 96% of the total expenditure for the Coiste na NIarchimi project has been paid out already.

Mr P Maskey: Is there 4% remaining?

Mr Colgan: Yes. Four per cent remains to be paid. The new project, as Shaun says, is going through the process of departmental approval. That is a very good illustration of the point that I made earlier about the role of the SEUPB and the systems and structures within which we have to work.

Mr P Maskey: Again, it is my understanding that civil servants may have been arguing about that with you; they may have had a conversation with you about that 4%. Why can that money not be released?

Mr Colgan: You are talking about the phase 1 project. The project also received significant advances from us at the beginning of its lifetime to enable it to get going.

Mr P Maskey: Is that unusual?

Mr Colgan: No. All projects get it where there is a definite need. However, at some point, we need to start clawing it back. Sometimes, we need to make sure that advances are going to be recoverable, because they are not for expenditure incurred. It is only as expenditure is incurred that we need to know whether that money can be covered by actual, verified and vouched expenditure. If there is any risk of ineligible expenditure in a project, we have to be very careful that we do not release too much funding that will endanger the advance that we have already provided. The advance is given at the beginning, and over the life cycle of the project it is gradually taken back in, based on claims for expenditure incurred, one being offset against the other.

Mr P Maskey: I have one final point to make. You are telling me that the group has received 96% of its funding and that there is 4% outstanding. You said that advances were paid; but surely the group is still owed 4%, because that would make up the 100% of its funding, which you had guaranteed.

Mr Colgan: The difficulty is that we do not have — well, I do know —

Mr P Maskey: The difficulty is that some of the people in the group are going without wages due to project costs.

Mr Colgan: I have full sympathy with that. I have met CFNI and the groups and they know exactly where we are. If the SEUPB releases 100% of all the funding without it having been vouched and verified, there will be a risk of ineligible expenditure that will not be recoverable. I am aware, having been informed by the lead partner that, in the case of the project that you are talking about, there is about €80,000 of potential ineligible expenditure. It would be imprudent and irresponsible of me not to make an allowance for that to ensure that it is recoverable.

The Chairperson: OK. We are in danger of straying into individual projects, which can be talked about at some other meeting.

Mr Humphrey: Pat and Shaun, you are very welcome, and thank you for your presentation. As the Chairperson said, you heard the discussion that we had with DFP officials earlier about INTERREG. One of the things that I took from what you said, Shaun, was that in Peace II there were 7,500 projects, but that that number will be reduced to 180 in Peace III. In his evidence to the Committee, Mr Tyrrell talked about lead projects and no hand-holding. I am concerned about the meaning of a lead project. Although there are groups in the community that have the capacity, how will new groups prove that they have the capacity? Pat, you talked about procurement, rules, process and procedures. I make the point to you that I made to the previous witnesses, namely, that the aims and delivery of projects are being undermined by the length of time the process takes. You know the projects I am talking about in which there have been delays. Is that an issue of resources or what is it?

Pat, you talked about the INTERREG programme. You said that your hands are tied, particularly when it comes to enterprise and tourism. Is there an issue with officials in particular Departments, because you mentioned problems with Departments? Which Departments are giving you problems with those issues? If there are problems, and if the SEUPB or INTERREG are not the problem, and it is officials in Departments, the Committee needs to tackle that.

Finally, can you give us confidence that the spend across the community is equitable?

Mr Colgan: I will take your first point about capacity, particularly for smaller groups. At the beginning of the Peace programme, in which mostly community groups are involved, we put in place a system of what we call lead partners. A key element of that was under pillar 1 of the Peace programme, which is the building of positive relationships at local level. That envisaged a specific lead role for local authorities and clusters of local authorities. We have seven clusters of local authorities in Northern Ireland as well as Belfast City Council, and six local authorities in the border areas.

Those clusters are working very well and have a system of what we call small grants within their project applications, which were intended to facilitate access to peace moneys by small groups. That has not been without its difficulties but it was an attempt to lift from the groups the large and onerous burden of bureaucracy and the verification and vouching of expenditure that peace programmes and INTERREG programmes necessarily entail.

So, we audit the claims of expenditure from the local authority cluster group, which in turn audits the expenditure of the small groups. That was an attempt we made to deal with the issues of competence and capacity. It has not worked 100% but it was a genuine effort to remove from the small groups that very onerous burden of bureaucracy that we recognise is there.

We probably need to explore more ways to do that and learn lessons from the past. Overall, the cluster groups and peace programme have worked extremely well, with one or two exceptions. There were difficulties in one or two of them, but, overall, they have worked extremely well, and the clusters have been very helpful in problem solving and dealing with a lot of the issues on the ground.

Mr Henry: It is worth referencing Martin Tyrrell's comments earlier about hand-holding. I do not think that was made in reference to the peace programme, where we have an enviable record of assisting hard-to-reach groups and communities in applying for money. We have invested considerable time and effort in helping groups through those application processes.

In the current call for INTERREG, time will not allow for intensive hand-holding. In any case, applicants for the INTERREG programme are, by and large, public sector institutions, which should have the necessary capacity to submit and manage a project.

Mr Colgan: The second point you raised was that the length of time involved undermines the objectives of a project. I think you are thinking of some projects in the Peace programme, if I am right, some that have been on the table for quite a while, approved at steering committee and now going through what Shaun referred to as the accountable Department approval process. What happens in that case is that the economists in the accountable Department raise questions, seek further information, ask for further surveys to be carried out and ask for additional assurances to be given. It is generally that process that delays things. This is not something over which the SEUPB has any control. We engage with it, we respond to its requests for information and we engage with the project to try and ensure that information is brought forward, but it is not something over which we have any control, apart from that. Our staff engage proactively with all of the projects in trying to address problems.

I understand the frustration that people feel and the difficulties that are there. This has not generally been an issue with the Peace programme. It has only become an issue over the past 12 months or so and with a fairly small number of projects that we feel are particularly important and sensitive. I fully sympathise with the frustrations felt by the people dealing with projects, and my staff are engaging proactively in trying to address those issues through the accountable Department approval mechanism.

As to your question about whether there are problem Departments, I would never say that there are problem Departments. There are not. The Departments are doing what they should do, if they are given a particular role.

Mr Humphrey: Are they doing it efficiently, effectively and on time?

Mr Colgan: In fairness to the officials in the Departments, they engage with us in excellent good spirit. The economists see themselves as doing an extremely important job in verifying value for money and rate of return.

Mr Humphrey: I will take not take the point any further, but we cannot always go by what economists think about delivering projects on the ground. Economists are like lawyers; you will get a different opinion on a given issue from each economist just as you would from each lawyer.

Mr Colgan: The SEUPB is working within a particular regulatory environment at national level in what we must do to get approval. I have pointed out the differences between the INTERREG programme as it is run here, the Peace programme and how it is run here and the way programmes are managed elsewhere. We engage enthusiastically and proactively with that system, but we are working within its constraints. Every Minister, secretary general, permanent secretary and senior official involved says that they are acting completely within their rights to ensure that public expenditure is spent properly. We will engage with them to make sure that that happens.

As to whether it could be improved, I believe there is probably a better way to do it.

Mr Humphrey: You should be a politician.

Mr Colgan: You raised the question of equity. You know, and I think most of you around this table know, the lengths to which the SEUPB has gone in order to reach out, and we have been very successful at that. I think that there are people engaging with the Peace programme who would never have engaged before. Groups are engaging with us and there are conversations, meetings and rapport happening that would never have been possible a number of years ago. Every effort is being made to ensure that the door is completely open and that everyone has access. You know also that we put a lot of development time into those groups. For example, in some of the more sensitive areas, it took four or five years from our first contact with the groups for them to build up the confidence and trust and gradually to think that they will put in an application now because they are at that stage.

Mr Humphrey: I am not suggesting that you have not reached out and made efforts. I commend those efforts. What I asked was whether there was equity across the community.

Mr Colgan: Equity, I suppose, is equity to access, and I am sure there is equity of access —

Mr Humphrey: Delivery?

Mr Colgan: Delivery; in what sense?

Mr Humphrey: Equity of delivery.

Mr Colgan: Do you mean approvals?

Mr Humphrey: Yes.

Mr Colgan: Approvals of projects? I am quite certain that there is no distinction in the approval process on the basis of community division. Every project is treated exactly the same.

Mr Humphrey: You have given me a couple of statements, but the answer I want is not there, Pat. Is there equity across the community, across those that are applying?

Mr Colgan: My answer is yes; I believe there is.

Mr Humphrey: OK. In talking about speeding up the process, I mentioned resources. There are problems with Departments and with economists in Departments, but do you believe you have the resources in the organisation? If resources are an issue, that is something that will need to be addressed as well.

Mr Colgan: We are living in a period of very serious pressure on public expenditure North and South and everywhere. Like all public servants, we are being asked to look for efficiencies, savings and cutbacks. A detailed review of our staffing was carried out in 2010 by the two Departments of Finance. A report was produced, which made recommendations in relation to staffing levels. There are now proposals for a further review of our staffing complement to be conducted during 2012 and there is an expectation by the Minister for Finance that our numbers should reduce again in 2013 and again after 2014.

I have to work with the resources that I am given. I do not have a choice. We make our case for what we believe we need to do our job. I am satisfied that the current resources that we have been allocated are sufficient for our needs at the moment. Could I use more? Yes. Could I use a different skill mix? Yes. Could we use more economists and do more of the work in-house? Yes, we could. I am in the position, like every public servant, of having to negotiate for resources. People think that, because we have access to technical assistance, we somehow have a magic chequebook that we can use. We do not. We have to get approval for every single thing we do and that goes through a very rigorous — and rightly so — business case approval process.

Mr Cree: It has been a long journey over the years. Sometimes during that journey I have felt that I was John the Baptist. I am glad to hear Mr Colgan say that the structure has meant that we have been held back from achieving the 20 weeks that every other part of the union has managed for the decision-making process. I still hope that perhaps we can get to 20 weeks, because it would certainly have made life an awful lot easier for all of us.

We have taken evidence from departmental officials, who spoke about the jurisdictional split, which is now 77:23. I take it that that is now 77 for the UK.

Mr Henry: Yes.

Mr Cree: How does that sit with the paragraph in your report that states:

"the shares were originally agreed at 72.4% UK (Northern Ireland and Scotland) and 27.6% Ireland. However, the level of UK commitment to most approved projects had been lower than the envisaged 72.4% while Ireland's contribution has averaged significantly above 27.6%."

So, it was reviewed and we ended up with a better split in favour of the UK, which is slower: is that right? I just cannot get my head around that.

Mr Colgan: If you think of it in cash terms, the total value of the programme is €256 million. The Irish Government have committed to just short of €72 million of expenditure and, to date, the rate of expenditure of that €72 million has been quicker than the expenditure of the remainder. In order to retain the balance, the Irish Government will not commit anything more than the €72 million, as they have not got it. Therefore, we need to increase the rate of expenditure on the Northern side, and that is why.

Mr Cree: But it is all inside the INTERREG budget.

Mr Colgan: Yes.

Mr Cree: We recently had a warning from the Finance Minister. In fact, it is the first time it has happened. He warned that the SEUPB may not be able to meet the targets for the INTERREG IVa programme, which caused a lot of us some concern. However, the paper we have today looks like it is telling us, as far as can be ascertained, that everything is pretty well on target to be achieved. I would like you to confirm that, if you would. The Minister also said in January that the SEUPB could do more through its internal organisation, because it has the staff and the resources. Will you confirm that that remains the case?

Mr Colgan: In relation to the expenditure and our ability to spend; as I said before, we have a track record of spending and we do not intend to sully that. We will spend the money.

Mr Cree: But, you are aware of that point?

Mr Colgan: It is my duty as chief executive and as accounting officer to flag up risks when they arise.

Mr Cree: Is that the first risk then?

Mr Colgan: As I said earlier, since 2008 I have been flagging up the risk that there was a danger that the delay in the approval process could actually result in a threat to N+2.

Mr Cree: Have you flagged it up this year?

Mr Colgan: I have said it at this Committee, at the Committee for Enterprise, Trade and Investment, at the OFMDFM Committee, at NSMC meetings, at tripartite meetings, in writing and everywhere.
I have been warning of that all along. As the risk gets closer and closer, it goes from green to amber to red, and certain parts of the programme are flagged as red. That does not mean that we will fail. It just means that we have to mitigate the risk by putting certain measures in place.

Mr Cree: There are not so many reds in this.

Mr Henry: In the middle of last year, we indicated that there was a potential risk to expenditure. We have been working very closely with the Finance Departments over the past six to eight months to mitigate those risks. For example, we have reached a resolution on the jurisdictional split issue, to which you referred. We have also reached a resolution on the financial flows to projects in Scotland that were causing problems. We have reached a resolution with the Finance Departments, which are now giving us a delegated limit for projects seeking up to £1 million of public expenditure, which was referred to previously. We have initiated budget transfers in the programme to facilitate the more speedy approval of projects for cross-border groups. We have also introduced the parallel assessment of economic appraisals with economists. Therefore, we have taken a lot of actions over the past six to eight months. With those actions, our risk assessment of N+2 is a lot lower and is significantly lower for 2012-13. We are, therefore, confident that we will meet our expenditure targets. To me, that is good risk management in practice. We identify risks and take mitigating actions against those risks. We are confident that we will meet our expenditure targets.

Mr Colgan: By the way, it is not the first time that we have done this for project management, . During previous programmes, such as INTERREG IIIa, I remember writing to the permanent secretaries of Departments to warn them about the risk of N+2 expenditure at a time when they themselves were responsible for making sure that that happened. Therefore, this is part and parcel of programme management.

Mr Cree: Of course it is.

Mr Colgan: And it is part and parcel of risk management.

Mr Cree: Is it ongoing?

Mr Colgan: We manage it.

The Chairperson: Following on from Leslie's question, you are saying that developments over the past six months have significantly reduced your expectation of risk. However, I received an answer from the Finance Minister, dated 7 February, which was only two weeks ago, stating:

"SEUPB have advised that it will fail to meet its EU spending targets in 2013 or 2014… if the current pace of commitment and spend continues."

You advised that as much as £35 million might be at risk. That was two weeks ago.

Mr Colgan: That is true. If we do not do something about it, that is what will happen.

The Chairperson: However, you have just told us about six months of activity that has reduced the risk.

Mr Henry: May I go over those figures again for clarification? We are confident that we will meet our expenditure targets in 2012 and 2013. There is a residual risk for 2014 and 2015, which is dependent on our ability to allocate the remaining programme moneys.

The Chairperson: This answer, which I presume you cleared, identifies 2013.

Mr Henry: We keep it under constant assessment. We have a portfolio of 67 projects in the INTERREG programme. They have their expenditure profiled quarterly, and we monitor that monthly. They vary their forecasts as the practical issues of implementation emerge on the ground. Some projects spend quicker than anticipated, and some encounter problems, so their profile of expenditure is slower than anticipated. We are constantly amending and changing the forecast figures in the light of the circumstances of all projects on the ground.

Mr Cree: Your best information must surely be on 2013, so why do we have this contradiction?

Mr Henry: Our best information is on the current year, 2012. That is our best —

Mr Cree: I am talking about 2013.

Mr Henry: The project profiles show that we will meet N+2 expenditure in 2013. However, projects often revise down their annual forecast in the autumn and generally anticipate a level of expenditure for following years based on that forecast. We, therefore, take a prudent approach and give them the opportunity in the autumn to reflect on those figures, and they are very often revised down. It is an ongoing management process. It is an assessment of the risk at any one point in time and a constantly moving profile of expenditure.

Mr Cree: Will you comment on the last point, which was that SEUPB could do more? I am pleased to hear about the parallel process work, because there is a lot of logic in that. I know that you have DFP economists on secondment to you. Could the body do more?

Mr Colgan: SEUPB is constantly pushing itself, reviewing its systems and looking at ways in which to improve things. We learn as we go, as every organisation has to. It is a dynamic process. Could we be more committed or make more effort? No, we could not. We are doing every single thing that we possibly can.

Mr Cree: Do you have enough resources?

Mr Colgan: My staff are totally committed, and they work very hard. For example, they were in over the weekend processing the applications that arrived on Friday afternoon. In the run-up to the end of last year, my staff worked very long hours of overtime to try to ensure that expenditure was put in and achieved so that we met all our targets. We have exceeded our Peace targets by €32 million and our INTERREG targets by €5 million. That is the way that we work.

Have we enough resources? I answered William earlier. Could I do with more resources? Yes, I could. As every public sector manager does, I manage with the resources that I am given. I make a business case. If that business case is accepted, well and good. If it is not, I get on with it.

The Chairperson: But you disagree with DFP's assessment that you could do more in the current circumstances.

Mr Colgan: I am absolutely certain that we could not do more.

The Chairperson: In a nutshell, your contention is that all the issues that we have talked about are really tinkering at the edges and incrementally improving performance.

Mr Colgan: It is a design issue.

The Chairperson: As far as you are concerned, the game changer is essentially for the responsible Departments to delegate authority for approving finances to you.

Mr Colgan: Going into the next programme period, we really need to look very hard at that. The system of accountable Departments is onerous, lengthy and different from the way in which it is done elsewhere in Europe, where the managing authority and the JTS have the delegated authority to get on with it and are audited and policed to ensure that they do it. It is probably something that we need to look at.

If we are coming towards a conclusion, I will address an issue that was raised in the earlier session; namely, whether there is any threat to SEUPB, Northern Ireland or Ireland going to the Commission looking for more money for the next round of programmes. Quite the opposite. We are seen as the best performing programmes in both INTERREG and Peace throughout Europe. There is no other peace programme like Peace, but it is managed as if it were an INTERREG programme.

There is a huge appetite in Brussels. I talk with the commissioner, members of his cabinet and people in directorates general. SEUPB, Northern Ireland and Ireland have an excellent reputation in the management of EU moneys. We have never de-committed or missed an N+2 target. There is a lot of confidence in the way in which we do things here. We make things difficult for ourselves because of the way in which we ask ourselves to go about doing things.

Mr Cree: We do.

Mr Colgan: I mean that we in Northern Ireland and Ireland make things difficult for ourselves. I have no discretion or choice in that. I work within the system that is given to me.

Mr Cree: Yes. "We" is collective.

Mr Humphrey: Pat, you mentioned the number of audits you undergo and the number of organisations that audit you. I am all for audit, and we discussed the audit of arm's-length bodies, and so on, in Committee a number of weeks ago. However, it seems to me that SEUPB may be over-audited. I am not asking you to confirm or deny that. If you are over-audited, is that part of the process that ties your hands and delays projects being progressed to delivery on the ground?

Mr Colgan: Some of the audit is part and parcel of what it takes to manage EU programmes. The institutions in Europe audit you, and you have no choice about that. Therefore, you build into your systems and structures the resources, competence and capacity to be able to work within that. At national level, the audits of non-departmental public bodies (NDPBs) and agencies in the UK and government agencies in the South are pretty standard. I do not see them as being unusual or different. There is a lot of audit. We also have additional audit requirements in our own programme structures. Does it absorb resource? Yes, but it is a dedicated resource. It is a resource that has an awful lot of experience of dealing with those things. It has done that over many years, and I believe that it deals with it very efficiently.

Would I like less audit? I think that every public manager would like less audit. However, am I resentful of the audit that is there? No, quite the opposite. In fact, I welcome it. There is complete transparency in everything that we do. Our books and our activities — everything that we do — are completely open.

Mr Humphrey: Does that slow the process?

Mr Colgan: As I said, there is a dedicated resource to manage it, William.

Mr Humphrey: But it could slow the process.

Mr Colgan: I do not think that it is slowing the process of project approval and assessments, which is a separate issue. Audit comes afterwards and is there to make sure that you have spent the money properly and have proper systems, controls and mechanisms in place. The approval and assessment process is more to do with the issues that we were discussing earlier. The audit is not getting in the way there.

Mr Girvan: Is there a percentage spend that has to be made in the Republic of Ireland? After looking through some of the figures in the tables and doing a very quick calculation, of the €239 million in the Peace programme, roughly €90 million, which works out at 37% or 38%, of the overall spend goes directly to the Republic. That is a very quick calculation based on the figures that we have.

Mr Henry: The operational programme lays out the contributions from the two members states, the UK and Ireland, and from the European Regional Development Fund (ERDF). Those are fixed allocations at a programme level. There is no specific requirement to meet any particular spend targets at a jurisdictional level on a year-to-year basis. The N+2 figures that we are talking about are ERDF figures and are not based on a jurisdictional split.

Mr Girvan: We very much look at it that way. You mentioned 77%. Was that for INTERREG?

Mr Henry: Yes.

Mr Girvan: Is the total budget drawn down from the Whitehall end? Is the drawdown €239 million or is it a proportion based on a joint North/South breakdown?

Mr Colgan: You are asking about the cash flow in the programme. At the beginning of the programme period, we get a cash advance from the European Commission, and that goes into our back account and then back to the accountable Departments, depending on the various sectors. We have cash flow available to us so that we can pay. Expenditure happens, claims for expenditure come in, and we pay out on them based on drawdowns from the various Departments. Therefore, for a project in the energy sector, we would draw down the cash to pay for it from the relevant Department, which would have included it in its budget for the year. We then reimburse the Department after we get the money back from the Commission.

The Chairperson: Thank you. A lot of questions have arisen from our discussion, and we will want to study the Hansard report of the meeting.

Mr Colgan: I want to make a final comment. Our communications manager, John McCandless, asked me to bring it to your attention that there are an awful lot of very positive stories about all our programmes that unfortunately get missed when we are discussing these types of issues. He has brought with him a snapshot of the positive publicity that has been generated for INTERREG and Peace projects over January and February. He will leave a copy of that for members of the Committee to have a look at.

The Chairperson: That is fine. Thank you very much.