



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Strategic Direction for the Use of Future EU
Funding: SEUPB Briefing

16 January 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Ms Megan Fearon
Mr Paul Girvan
Mr John McCallister
Mr David McIlveen
Mr Mitchel McLaughlin
Mr Peter Weir

Witnesses:

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

The Chairperson: I welcome Pat Colgan and Shaun Henry from the Special EU Programmes Body (SEUPB). Pat, do you want to make some opening remarks before we go to questions?

Mr Pat Colgan (Special EU Programmes Body): Thank you very much and good morning, everybody. It is a pleasure to be here as always. We circulated a paper to you, which contains the substantive information.

As you are aware, we have completed the first consultation process for new programmes. Doing the consultation was a very interesting experience for us. We organised about 20 events: 10 major public events and another 10 events for organisations and individuals. We had about 1,000 people through the door into those events and a very high level of interest and participation. We had expected a lower appetite for the consultation, but we were proven wrong. The level of interest in these programmes is enormous, and people really engaged proactively with us.

In addition to the events, we received 167 written responses, all of which were published on our website to view, if any of you feel energetic enough to work your way through them. We are certainly working our way through them, slowly coming to terms with their content and summarising them. Within three months, we will obviously publish a detailed paper on the outcome of the consultation issues.

The Chairperson: I need to stop you briefly, Pat. Members, there are two papers at tab 4 of your packs: one from the Department; and, at the back, is the one provided by SEUPB.

Mr Colgan: The latter is the one I am talking to. That was really it. I am very happy to take any questions. In addition to the consultation, we are in the middle of carrying out the ex ante evaluation of the Peace programme, the strategic environmental assessments for Peace and INTERREG, and the equality impact assessments. Those are formal studies that are regulatory requirements, and they will help us with the formation of the content and structure of the operational programme.

In addition, the Northern Ireland Statistics and Research Agency (NISRA) and the Department of Finance and Personnel (DFP) are carrying out a socio-economic analysis of the region, which, again, will inform the context and analytical part of the build-up to the paper.

It is our intention to come back with a draft operational programme, once it has been agreed with the member states, for further formal public consultation. That is the 12-week public consultation that is required. We expect that to happen during the second part of this year.

My colleague Shaun Henry leads on new programme development. Shaun, do you want to add anything?

Mr Shaun Henry (Special EU Programmes Body): Nothing other than to say that we are going through the public consultation responses that we have received with a view to drafting the two draft operational programmes for our future Peace and INTERREG programmes. The finalisation of that drafting is obviously dependent on the finalisation of the budget negotiations at the European Union level and the finalisation of the regulations, which are at draft status.

We do not envisage that the regulations will be formally signed off on probably until May or June of this year. We are also hopeful that there will be a resolution to the budget negotiations during the first half of this year. That will then give us a firm context to finalise our drafts of the operational programmes, which then will lead to further public consultation in due course.

The Chairperson: Will you outline the themes that are emerging in the INTERREG programme?

Mr Colgan: The Committee will be aware that the European Commission published a list of 11 themes in the draft regulations that should form the basis for any structural funds for EU programmes. We expect that, in the INTERREG programme, we will pick four of those themes. As part of the consultation, we asked people to suggest which themes they felt would be most appropriate. The responses covered six or even seven of the 11 themes, so there is no uniform picture emerging. There is certainly considerable interest in things like information and communication technology, and research and innovation. There is also considerable interest in environmental/climate change type themes and maritime or marine themes. There is obvious interest in areas such as enterprise. There is no specific theme provided in the published themes by the Commission for tourism, for example, but it is seen as a cross-cutting theme that could probably be picked up over a number of themes. That also emerged in the consultations.

That is the INTERREG programme. If you wish, I could say something about the Peace programme as well.

The Chairperson: Yes.

Mr Colgan: On the Peace side, there is a much clearer picture emerging. There is a very strong emphasis in the consultation responses on the need to address issues affecting young people, particularly in disadvantaged areas. There is a good deal of emphasis on the level of low attainment in education, particularly in Protestant working-class areas. So there is a significant theme emerging from the strong emphasis on young people and perhaps on dealing with the formal and informal education side of things.

Generally, in the consultation for the Peace programme, the importance of continuing the kind of work that we are doing with local authority clusters in the current Peace programme is something that is emerging. There is also an appetite for increased additional activity under the topic of creating shared public spaces, which was the capital build element of the current Peace III programme, looking particularly at interface areas, regeneration and reclaiming and creating shared space. Those are the broad themes that are emerging for the Peace programme.

The Chairperson: I was going to ask the departmental official about the ongoing negotiations and, in particular, the status of the North in terms of being transitional. Do you have any view on that, or do you have any knowledge of where that currently sits prior to the negotiations this year?

Mr Colgan: My understanding is that the Commission has moved forward on that, and I believe some flexibility has been introduced. The issue was which year you take as the basis of your statistical analysis. At a meeting in Brussels of the Barroso task force, a representative of the Commission and the cabinet of the commissioner in the Directorate General for Regional Policy (DG Regio) said that there was a movement towards perhaps looking at more flexibility in relation to that, given the economic climate. My understanding is that there may well be a decision about denominating Northern Ireland as transitional. It is not my official job to comment on that, but that is what I have understood.

Mr Cree: I am interested in the theme for young people, particularly because, as you are probably aware, the unemployment rate is so high — roughly one in four. You mentioned part of it there, Pat, but do you envisage that going into the age group of those up to 24?

Mr Colgan: I think "young people" will be defined fairly broadly. That is certainly what is coming across in the consultations, right across the range, from preschool to primary school, second level, and then young adulthood.

Mr Cree: I think that is a major problem.

Mr Colgan: Exactly. There are issues of access, participation, connecting with society, and social and economic disadvantage, and we should be looking at those.

Mr Cree: Good.

Mr Henry: I think it would be fair to say that the public consultation responses identified those issues that Pat indicated. Where the responses were much weaker was on proposing any investment packages or interventions that would make a difference. Our task over the next three to six months, in consultation with the relevant Departments and agencies, is to come forward with proposals for investment packages and interventions that can make a sustainable change.

Mr Colgan: It is important to point out that one of the questions on our consultation paper asked for suggestions for specific projects or investment opportunities that could be identified in advance and that we could earmark as potential projects for the new programme. The response to that question was rather disappointing.

Mr Cree: That is a continuing theme.

Mr Colgan: Exactly. That is a door that we will be pushing with the agencies, Departments, local authorities and generally in the voluntary community.

Mr D Bradley: Morning. Thanks very much for your presentation. You outlined the emerging themes under the INTERREG and Peace consultations. Could you describe the decision-making process that you use to move from emerging themes to solid programmes in the future?

Mr Colgan: We have a programme development steering group made up of representatives of all the relevant Departments and key agencies, representatives of social partners, including trade unions and business, and representatives of the community and voluntary sector. It is quite a wide-ranging group, and we report back to that group on the outcome of the consultation process. We will, as I said, do a summary paper that will pull together the content of the consultation. We will make it available on our website, and we will publicise it widely. We will use that as a basis for drawing up a draft outline operational programme that will contain our suggestion, based on the consultation, as to what the themes for new programmes might be. That then forms the basis for discussion with the Northern Ireland Executive and the Irish Government. A decision will be taken at that level, and it will obviously be informed by the consultation and the regulatory issues. It is also important to say that the European Commission has published its paper for the United Kingdom and Ireland on where it sees the priorities for new programmes. That should also inform our thinking. A draft paper will be available. As I said, that will also be available for further consultation, so people will have an opportunity to comment.

Mr D Bradley: Roughly, what is the timeline from now to then?

Mr Henry: The timeline, as I indicated in my earlier comments, is largely dependent on a resolution of the budget negotiations at the European level and dependent on finalisation of the regulations, which are in draft status. We envisage that those two fundamental building blocks should be finalised over the first six months of this year, but you will understand that they are not in our gift. That being the case, we hope to have two draft operational programmes ready for consultation by the middle or the autumn of this year. They would then have to go out for a full 12-week public consultation period. That is the rough time period that we are working on.

Mr Colgan: Once it is agreed with the two member states, it then goes to the European Commission for negotiation and consultation. That process can take anything from three to six months. It will be under pressure, obviously, from all the other 28 member states at that stage with all their other programmes as well. It does an inter-service consultation process.

The programme period kicks off formally on 1 January 2014. I have been in programming for a long time, and I have never seen programmes kick off on 1 January of the year in question. In the last programme period in 2007, we got a signed and approved version of the two operational programmes in December of 2007. It is likely that it will be the back end of 2014 by the time we get final agreement around those as well. That is the way things work.

The Chairperson: Pat, we have been passed correspondence from the Committee for the Office of the First Minister and deputy First Minister (OFMDFM) that refers to an independent mid-term evaluation of Peace III that has been carried out. That is to be completed by April 2013. It also says that you will carry out an evaluation study of Peace III as well. Why is there a need for two evaluations?

Mr Colgan: There are two issues. One is the mid-term evaluation of the current programme, which is basically to try to learn the lessons of what we have done well and not so well and use that to inform the preparation of new programmes. There is a mistake in the document. It mentions an ex ante evaluation of Peace III, but it should be an ex ante evaluation of Peace IV. It is just a typo. That is a process whereby external evaluators accompany us in the programme preparation process to make sure that we are adhering to all regulatory requirements and all policy and statutory requirements such as equality impact assessments, socio-economic analysis, environmental impact assessments, and so on. It is also to critique our proposals for the new programme. It provides independent, external scrutiny of the programme preparation process, and it is a regulatory requirement for programme preparation.

Ms Fearon: Before I get to my questions, I have a couple of concerns to raise that have been raised with me by different community groups. The first issue is the sheer level of bureaucracy that groups have to go through and the turnaround time for money to hit the ground. I have seen countless community groups that have basically been starved out of existence because it takes so long. That is definitely a problem.

The second issue is about transparency, because it is not really clear-cut how decisions are made once they go beyond panel level in the organisation. A number of flagship projects in my constituency have been turned down with no real feedback or reasons. Hopefully, those two things can be taken into account when you move to the next round of funding.

In the OFMDFM Committee, we deal with a lot of EU funding issues, and a number of groups have made it clear that the South is particularly effective at drawing down EU funding and is able to take full advantage of it, particularly in drawing down money for infrastructure. Do you think that the Departments in the North can learn lessons from that or should be doing more to draw down more funds?

Mr Colgan: Your first two points on bureaucracy and the decision-making process were part of our consultation and are amongst the questions that we asked. We asked people to come up with suggestions on how things could be improved. We got some suggestions, and we are in detailed discussions with the Department of Finance and Personnel in Belfast and the Department of Public Expenditure and Reform in Dublin on some of those issues. We believe that there is room for significant improvement in reducing the bureaucracy. Unfortunately, most of that bureaucracy comes from our requirement to implement national rules on procurement, verification of expenditure, audit

trails, and so on. I will also meet very shortly with the Comptroller and Auditor General in the Northern Ireland Audit Office to discuss the level of bureaucracy and look at ways of perhaps reducing that. That is all part of our programme preparation course. We are very sensitive to it and very aware of it, and we have done quite a lot in the current programme period to reduce that. For example, we increased the ceiling whereby formal procurement is required for groups to £5,000. So, with anything below £5,000, groups did not have to go through a full procurement process. That has considerably eased the burden on groups.

The decision-making structures are totally transparent in the programme, and anyone whose application is turned down has an opportunity to appeal. At the level of local authority clusters, they can appeal, and, outside the local authority projects, they can appeal directly to SEUPB. We have an independent panel that reviews all decisions. Unfortunately, it is not possible to please everybody. Projects that, on the face of it, appear to be good may simply not make the grade with what is required for them to be approved.

Your third issue was about drawdown of funds for infrastructure. Are you referring to broader European programmes rather than ours?

Ms Fearon: I meant EU funding as a whole in general. The South seems to have down to a T the processes that it needs to go through to draw down the maximum amount of funds, whereas it does not seem to happen as much here.

Mr Colgan: In fairness, that is outside my area of competence, and I probably should not really comment on it. I am aware that there have been discussions between Dublin and Belfast on learning lessons from the experiences of broader dealing, such as in framework programme 7 (FP7) and Horizon 2020 research and innovation funds. There is good co-operation between Dublin and Belfast in that area, and it is true that Dublin has been particularly successful in that regard.

The Chairperson: You outlined that annual EU expenditure targets for 2010-11 and 2011-12 have all been achieved but that future targets remain challenging. What are the future targets and how concerned are you about them?

Mr Henry: Our biggest challenge for the incoming year is within the INTERREG programme, where we have a target to spend approximately €40 million. So, when we look at our project profiles, and we profile the expenditure of all our approved projects within the programme, we see that there is a profile that indicates that we will meet that target. However, we are very aware of how challenging that is and how dependent it is on every project meeting its expenditure profile. As you know, many are quite complex projects and are being implemented across two or three jurisdictions.

The Chairperson: You are saying that you need all your ducks in a row to meet that target.

Mr Henry: Correct, and we need everything to go perfectly. So, it is very challenging. We did it last year, and it was equally difficult and we got across the line. We are confident that we can get across the line this year, but we do not underestimate the challenge involved with that.

For the Peace programme, we see the major challenges to meeting our expenditure targets probably resting in 2014-15 rather than this year. We are carrying a substantial surplus of expenditure into this year, and thus believe that we can meet our targets this year for the Peace programme quite comfortably, but we wish to exceed those targets for this year to build up a surplus because our expenditure targets for both programmes rise in 2014 and 2015. In 2015, which is the final year of the programme, we have extremely high expenditure targets, and it is important that we try to expedite expenditure in the years prior to 2015 to ensure that the programmes can be closed in an orderly fashion.

Mr Colgan: It is probably important to point out that SEUPB has never missed an N+2 target. We have never had money de-committed as a result not meeting an expenditure target. We do not intend to sully that reputation, but I have to say, to emphasise what Shaun was saying, the years 2014 and 2015 will be very difficult for us this time round.

Mr Girvan: I want to ask about the €11.2 million overcommitment and a €7.3 million overcommitment in our Peace programme. It is said that that is not particularly worrying because it will be dealt with by slippage. Does that slippage mean reducing projects and the terms that they run or does it make it

more difficult for certain projects to get their funding for the next stages. You know where I am coming from on that one.

Mr Colgan: The question of slippage is very simple. Every project has a letter of offer, which has a particular term within which the business should be delivered and a particular amount of grant that is awarded. Projects quite frequently do not manage to spend all the money that they are awarded, and that is what slippage is. It is a question of making a prudent provision to ensure that that does not end up as a de-commitment of money from the programme. That is why you have to prudently overcommit as part of programme management in order to ensure that you can absorb the money that projects are simply not able to spend. No project will be disadvantaged. A project will have the opportunity to fulfil everything it said it was going to, and the money is there for them to do everything they said that they would do. However, our experience as programme managers tells us that not all of them will spend all the money and that we should make provision now in order to make sure we do not lose money as a result.

Mr Henry: The other variable factor that we have to manage is exchange rates. You will be aware that exchange rates are currently quite volatile. The programme is budgeted for in euro, and we draw down our money from Brussels in euro, but much of the expenditure in both programmes, particularly the Peace programme, happens in sterling. Therefore, there is quite an exchange-rate risk between our sterling expenditure and our euro budgets. We are monitoring that on a monthly basis, and we adjust our figures accordingly.

It has quite an impact on the level of expenditure that we certify to Brussels. Therefore, as well as making a projection of project slippage, we have to take into account the volatile nature of the exchange rate.

Mr Mitchel McLaughlin: You are not allowed to speculate at present?

Mr Henry: Unfortunately not.

Mr Mitchel McLaughlin: Apologies to both of you for my being slightly delayed in getting to the meeting — traffic conditions. European funding is required for the top of the Glenshane.

I am particularly interested in the reference to educational underachievement. That issue is clearly moving to centre stage, and rightly so, particularly as it affects Protestant young people. Have you any indications at all of how an intervention can be structured? Do you have any guidance on how support can be provided?

Mr Colgan: We had some very interesting meetings with the Department of Education in Northern Ireland and the Department of Education and Skills in Dublin. Some ideas were certainly beginning to emerge there, but it is a little bit too early to put shape on those. However, they were certainly taking the whole thing quite seriously. They shared with us their thinking on where their whole policy priority is going. I think that, through the formal structures, we will look to see in what ways we might intervene. However, as I said before, it is difficult to describe an investment package just now, in the absence of more specific proposals and suggestions.

We have trawled a little bit wider than that, and we are talking to other key players and interest groups that have said that they will come back to us with specific suggestions for where they feel we should be able to make a difference through, as I say, formal and informal interventions. We are working on linkages between communities and educational institutions and looking at employment opportunities for people as well. The focus of the Peace programme will be on community regeneration from the point of view reconciliation, and so on. Therefore, we will not overlap with the other employment programme. It is fair to say that the sort of intervention that we are looking at will complement what is happening in the other programme. I am sorry that I cannot be more specific than that at the moment. I could start to point out one or two other things, but it is a bit early in our consultation for that.

Mr Mitchel McLaughlin: I absolutely appreciate that. I am concerned about establishing a very strong priority. The conditions for a perfect storm are shaping up. There is an international economic downturn, and the economy here is very close to foundering. Historical issues are impacting now as well, and we have a generation of young people who do not see any hope whatsoever on the horizon. That has to be considered.

Mr Colgan: The message has been coming across to us loud and clear. As far as the future Peace programme is concerned, the amount of unanimity among all the political parties and, indeed, right across society on those issues is quite extraordinary. With one voice, they seem to be saying the same thing. We are very sensitive to and aware of that in consultations with elected representatives, community groups, and so on, during the current Peace III programme.

Mr Mitchel McLaughlin: This is tangential to that point, but it might be related as well. There was a discussion on feedback to groups — perhaps those that were disappointed following the application process. Have you had any opportunity to indicate any trends, or is it too early in the process for that? Are we losing some of the social capacity that was built up over many years? Many of the successes of European interventions over the entire peace process and before were reflected in a strong capacity and an ability at that level. However, from my experience, I suspect that that is also starting to contract. I wonder whether that was reflected in the consultations and the engagement.

Mr Colgan: One of the most successful pieces of the Peace III programme is the work that we have been doing through the local authority clusters — the seven clusters plus Belfast City Council in Northern Ireland and the six local authority partnerships in Ireland. With those structures, where you are looking ahead to the introduction of RPA in 2015 where the competencies transfer and their roles are expected to expand, the Peace III programme has served to build up significant capacity and competence in those areas. I am quite happy that they have built into that space engaging with the groups in their own communities, and they have a responsibility to do that through their own action plans.

With regard to available resources, it is fair to say that Peace III is one third the size of Peace II. There is a contraction. Peace II was €990 million, while this one is €330. Therefore, we are bound to see that, and there will be pressure on resources going into any Peace IV programme as well. It is inevitable. As the Peace programmes begin to come to their logical life's end, we need to look at structures and mechanisms whereby the competent authority in the relevant area can pick up the baton and run with it.

I have not noticed any significant concern about the contraction in the consultation feedback. Most people are happy with the way in which the local authorities are working.

Mr Mitchel McLaughlin: Moving on to that professional core and administration that the local authorities can offer, which I think is a good thing, I believe that one of the impacts that I see as an indication of contraction is that umbrella organisations are starting to form among the community and voluntary sector groups. They are losing that administrative and management core, and again doing the logical thing in those circumstances, which is coming together and pooling resources. However, that might be taking a sense of power, ability and competence out of the particular community areas that we are concerned about.

Mr Colgan: If you have specific suggestions about that, I would welcome communication from you.

Mr Mitchel McLaughlin: I am doing a bit of work on it, and I will come back to you on it. My hard view is that there is no one-size-fits-all approach. There may be specific interventions that could be justified given the conditions on the ground.

Mr Cree: What are your views on the possibility of Northern Ireland being granted the status of a transition region, and what is that likely to be worth to us?

Mr Colgan: I think that I said earlier that it is not really for me to comment formally on that. However, I understand that the Commission is moving towards granting Northern Ireland transition status, but you cannot take that officially from me. I am just aware that those conversations have been going on.

Mr Cree: You have no idea —

Mr Colgan: That may be a question for DFP. It would entail differences in co-financing rates in particular EU programmes. That is the major difference.

Mr Mitchel McLaughlin: I thought that you were talking politics.

The Chairperson: Pat and Shaun, thank you very much. The Committee has the utmost confidence that you will meet your targets for this year. Good luck.