



**Northern Ireland
Assembly**

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

EU Structural Fund Issues

14 September 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

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

Witnesses:

Mr Brian McClure) Department of Finance and Personnel
Ms Maura Young)

The Chairperson:

I welcome Brian McClure, head of the European division of the Department of Finance and Personnel (DFP), and his colleague Maura Young from the central finance group. I will ask the officials to make some opening remarks, and I will then allow Committee members to ask questions.

Mr Brian McClure (Department of Finance and Personnel):

Good morning, everyone. Chair, thank you for the opportunity to brief the Committee on EU structural fund issues. I have circulated a paper which I hope Committee members will find informative.

One point to note is a change in the scope of the information provided to the Committee. When the Committee last discussed EU issues, the emphasis was on DFP's role in relation to the Special EU Programmes Body (SEUPB) and the management of its Peace and INTERREG programmes. However, I thought that Committee members might find it useful if I provided an update on a range of other issues that the European division is involved in, particularly on new funding, and where we are with that.

There are other areas of EU structural funds in which DFP plays an important role, such as the closure of the 2000-06 programmes. Some Committee members may recall a briefing that was provided in 2009-2010 about the closure of the 1994-99 programmes and the issues and delays — not always of our making — that elongated that process. Many lessons have been learned from the earlier process by us and European Commission officials, and we have been at pains to ensure that such problems do not reoccur. There are still some issues with the closure of the programmes, but better planning and clearer guidance resulted in EU regulatory deadlines being met. Although some queries needed to be worked through on both sides, the process has been much speedier this time around, with one of the smaller programmes having already been closed, and closure proposals beginning to appear for the larger programmes.

Details of our role as member state authority for the regional competitiveness and employment programme are also provided in our briefing paper. We do not manage the day-to-day activities that are associated with those programmes. However, we have an important scrutiny role over the Department of Enterprise, Trade and Investment (DETI) and the Department for Employment and Learning (DEL) to ensure that programme targets and objectives and all the regulatory requirements are met and that all the structural fund income that is allocated for the 2007-2013 period is drawn down. As part of that role, we also chair the competitiveness and employment programme monitoring committee, which meets twice a year to review progress. That meeting is also attended by European Commission officials and representatives of other outside organisations.

As you will be aware, two cross-border EU-funded programmes are currently in operation: Peace III and INTERREG IVa. Peace III has a budget of £300 million and INTERREG IVa has a budget of around £230 million, and those programmes are managed by the Special EU Programmes Body, representatives of which will provide you with updates on those programmes shortly. By way of overview, to date, 144 projects worth approximately £225 million have been

approved under Peace III, and some three quarters of its budget has, therefore, been allocated. To date, projects approved under Peace have spent around £70 million.

At the end of May, INTERREG had committed £147 million, 60% of its budget, and spent £43 million. All EU programmes have to meet an annual spending target, known as the N+2 target, set by the European Commission. If a programme does not meet its target, the shortfall is deducted from its total budget. All past Peace and INTERREG programmes have met all their EU spending targets. The current Peace III and INTERREG IVa programmes have met their targets so far and are likely to meet them for this year and next year. However, SEUPB has advised that there is a risk to the INTERREG targets for 2013 and 2014 if things remain as they are.

The reasons for that risk are that the INTERREG programme has taken longer than expected to commit funding and that the projects that it has funded have been slow to spend. As of the end of May, INTERREG has committed £147 million — 60% of its budget — and it has spent £43 million. INTERREG has specialised in relatively large, high-value projects often involving capital spend. However, it takes time to secure the necessary statutory approvals, and so on, for such projects, and they often involve planning and procurement issues that can take a lot of time to sort out. We are working closely with SEUPB and colleagues from the accountable Departments, North and South, to address the situation.

Our priority is to deliver the full INTERREG programme that was agreed in 2007. To that end, we are going to see whether there are ways in which INTERREG assessment and approval processes can be made more efficient and whether proposals can be helped or encouraged to spend faster. We have the time to do that, but time is of the essence if we want to increase the pace of the programme's delivery. We are aware of the situation, and although we have a full three years to take corrective action on the programme, we need to attend to that now.

I want to speak next about the role of local groups in the INTERREG programme. The programme was developed through a process of consultation and research. The final agreed programme aims to assist regional and local programmes. From the start, it was agreed that local projects should be led by the five local-authority-based groups. The groups had been a noted success of the previous INTERREG IIIa programme, and we felt it important that they had a role in the current programme. For planning purposes, we estimated that the group would secure

around at least £55 million of the programme funds. To date, they have not performed as well as expected, but to be fair, little in INTERREG has performed as well as expected. To date, the groups have secured £22 million of their notional share of £55 million.

We are advised by SEUPB that the batch of local projects currently under assessment is much stronger than it was earlier in the programme. The body currently envisages recommending around £30 million for approval. If SEUPB ends up recommending that amount for approval and those projects eventually get approved, the groups will catch up significantly to their notional share of £55 million; they might even achieve it. We expect to see the projects in question reach the final stages of the assessment quite shortly over the coming months. We are committed to the groups and the local projects. The fact that we have committed to pay the local groups' administrative costs up front is indicative of our confidence in them to deliver quality projects.

I turn now to the emerging issue of future funding from 2014 onwards. The Commission has issued a series of consultation documents, such as the one on the future of cohesion policy, and the budget for that period. The paper provided gives you an overview of those documents. Allocations for structural fund programmes come from the cohesion fund and budget proposals. The Minister of Finance and Personnel has responsibility for overseeing the implementation of structural fund programmes in Northern Ireland. DFP takes the lead in Northern Ireland on the scrutiny of the draft regulations and proposed budget allocations, and it contributes a Northern Ireland perspective to the UK negotiating team. The paper outlines some of the activity expected in the coming weeks and months, including securing further Peace and INTERREG funding. That will include appropriate public consultation on the content of the draft programmes, probably in 2012 and 2013. However, the details of that have yet to be agreed at UK and local level.

To deal specifically with the issue of a future Peace programme and INTERREG funding, we are hopeful of securing an INTERREG programme and are keen to press the case for Peace IV. The discussions on Peace IV are ongoing on an almost weekly basis, and have been over the summer. The whole situation has changed from six months ago, and we are much more optimistic for a Peace programme. The European Commission is also supportive, as are the key UK Departments — the Department of Business, Innovation and Skills and, importantly, the Treasury. Historically, because Peace funding is special funding, decisions on a Peace programme tend to be taken relatively late in the debate on future structural funds, but we are

very keen, given everything else that is going on in Europe at the moment, for the UK Government to make the case early this time. We are hopeful that there will be ministerial correspondence on that shortly. Any future Peace and INTERREG programme would be developed through consultation and research, as with all the programmes.

We are advised that 5 October is now fixed as the day for the Commission to make public its position on structural and cohesion fund packages for the 2014-2020 period, following a lengthy consultation process throughout Europe to which the Northern Ireland Executive contributed in January 2011. That will comprise a number of draft regulations; general provisions for the European Regional Development Fund (ERDF), the European Social Fund and the cohesion fund; separate draft regulations on three elements of cohesion policy; the European Regional Development Fund; the European Social Fund; a proposal regarding the future of the European solidarity fund; and various other regulations concerning future programming. That will signal the start of intensive scrutiny of documents by Northern Ireland officials in order to best serve Northern Ireland's interests in the UK negotiating framework. That is a framework whereby the UK Government, as a wealthier state, is wishing to contribute less to Europe. Their position is not always Northern Ireland's position, and we are very conscious of that and continue to press for Northern Ireland's interests to be protected in relation to future funding.

That is a quick overview of where we are. There is a lot more detail in the paper, but I am sure that you will have questions. Of course, throughout the coming months, as things start to crank up in relation to new funding, I will be more than happy to come back and update the Committee.

The Chairperson:

Thank you very much. To pick up on your final point, there obviously seems to be a bit more confidence around the future of INTERREG than the potential Peace IV. The Irish Government have already declared their formal support for Peace IV — a further tranche of Peace money. What engagement are you having with the Treasury, or whatever branch of the British Government that needs to declare support? As you say, they wish to make less of a contribution; therefore, it seems a little bit of an anomaly that they might argue for a greater return for here with regard to another tranche of Peace funding. What progress are we making, and how early are we likely to see any declaration from the British Government, hopefully in a positive way?

Mr McClure:

Justine Greening, the Treasury Minister, is already on record as saying that she supports a further Peace programme, and the officials in the Department of Business, Innovation and Skills have also been very supportive. The UK Government are very supportive of a new Peace programme. However, I think that they want to play it later in the negotiations. Our view is that, because the Commission is very favourably disposed toward it, we would like to make the special case for Peace at an early stage, and it is important to do that. That is where we are in the process. There is no question that all the main parties are supportive of a Peace programme. It is an issue of tactics and an issue of approach. The approach we favour is to make the early case and almost get it written into the regulations if we can possibly get that done.

It is an issue of timing. It is also an issue of whether Peace is truly extra funding or whether it comes within the envelope of existing structural funds. Again, we are very anxious that it should be considered quite distinct and separate from other structural funds, and we are making a case for that.

We hope that, in the next few days, there will be correspondence on the issue between Ministers here and Ministers in Whitehall. I was in London on Friday, discussing the issue with Treasury officials, and I have been discussing it on an almost weekly basis with officials in the Department for Business, Innovation and Skills, who take the policy lead on structural funds.

The Chairperson:

The Committee will be interested in hearing any responses that come from Treasury in relation to that.

Mr D Bradley:

I want to ask you about INTERREG IVa. Do the governance arrangements for it lie with DETI or DFP?

Mr McClure:

It depends. DETI is accountable for part of the programme, and DFP is responsible for part of the collaboration theme within the programme. Various Departments are accountable for elements of the INTERREG programme. It depends what theme you are talking about.

Mr D Bradley:

Are governance arrangements being moved from DETI to DFP?

Mr McClure:

Proposals are at a very advanced stage for moving the local group activity into the collaboration theme within the programme, and our Minister is happy for that to happen. However, we still have to get certain clearances. We have to clear it with the Minister for Enterprise, Trade and Investment and with the steering committee and the monitoring committee.

Mr D Bradley:

Is that delay causing any problems from the point of view of getting funding out to projects on the ground?

Mr McClure:

It is intended as a solution to some of the problems that have occurred in terms of pace and getting funds committed. Therefore, hopefully, it will be a helpful move. It has not been cleared yet, but we think that all the hard work has been done.

Mr D Bradley:

How much longer will it take in your estimation?

Mr McClure:

I attended a meeting of local groups in Newry yesterday and advised them that it will take about four weeks.

Mr D Bradley:

In relation to INTERREG IVa and the priority 1 theme, which is the enterprise priority, the local delivery agents are expressing concern about the timescales for assessing applications and proposals. Is there any way in which that can be streamlined and speeded up?

Mr McClure:

I agree entirely. The timescales are unacceptable. There are bottlenecks, there is duplication, and there are issues with referrals to statutory agencies, and so on. That is prolonging the time that it takes to get the projects approved. We are having a series of meetings over the next couple of

weeks to try to resolve that situation, and we will work closely with SEUPB to try to re-engineer the process in some way to ensure that funds are committed faster.

Mr D Bradley:

Is there a danger that the delays will ultimately put funding at risk if they are not eradicated?

Mr McClure:

There is a risk if things keep going the way that they are going, but we all accept that there has to be change. We have to very carefully manage the programme and be much more rigorous in getting funds committed and money spent within the remaining three years of the programme.

Mr D Bradley:

Are you telling us that work is ongoing to ensure that that happens?

Mr McClure:

Yes. The Minister is on record as saying in the Assembly that that is going to happen.

Mr D Bradley:

In relation to the previous question, is there a delay in DETI that is holding up the process?

Mr McClure:

I cannot really speak for DETI, but there are issues around continual referrals to statutory agencies, such as InterTradeIreland and Invest NI. SEUPB might be better qualified to answer that question because it is the managing authority, and it deals with those issues on a daily basis. However, we are aware that there is duplication and there are bottlenecks, and we have to sort them out.

The Chairperson:

Given the Minister's statement yesterday, and given your evidence, the answer to the first part of the question is that there is an acceptance that problems and delays are putting at risk the full programme spend for 2013-14. The Departments also have a responsibility, and there are problems in Departments as well as in statutory agencies, local authorities and everyone else involved.

Mr McClure:

The Commission has rules on European funding, and we have to adhere to that. There are also public expenditure rules, but there is an issue of proportionality that has to be addressed by ensuring that the projects are approved in a reasonable timescale. I do not think anybody is pretending that the current pace of commitment is within a reasonable timescale. A lot of Government bodies are associated with that, and problems exist because of bottlenecks that result from duplication.

Mr Humphrey:

Thank you for your presentation. In a question to the Minister in the House on Monday, I raised the issue of the feeling out there that Peace III and INTERREG funding tends to favour organisations or institutions that have the capacity, the competence and the experience to fill in forms and comply with all the regulations that Brian mentioned. Groups that I speak to have that feeling, and colleagues may well have had similar experiences. That means that a huge number of organisations and communities are not being reached. That needs to be addressed so that we can reach a position where the regulations and stipulations handed down from Europe are complied with, while the money is delivered to the community on a fair and equitable basis. What is your view on that?

Mr McClure:

My view is that the SEUPB has gone to exceptional lengths to try to improve the capacity of hard-to-reach groups. I think it would be better if it answered that particular question and gave you some examples, but it can go to some extraordinary lengths to try to encourage people to make quality applications. That is part of its function, and I think it does it well. We are confident that it is, but I agree that that remains an issue, and it is not something to be complacent about.

Mr Humphrey:

I will put that point to the SEUPB. Page 5 of your paper mentions INTERREG, Northern Ireland and the Republic of Ireland, and that there is now a Scottish dimension. Bearing in mind the cultural and historical linkages between Ulster and Scotland, lots of groups would be keen to work on an east-west basis as well as a North/South basis, and there are probably many who would be keen to work on a tripartite basis. Can you expand on what you mean by the Scottish dimension, and tell us whether this would provide for that sort of work to happen on a greater

basis?

Mr McClure:

The Scots were new to the INTERREG programme, and it seems that that part of the programme is taking off and working well. There are plenty of examples of good projects involving Scotland, the Republic and Northern Ireland.

Mr Humphrey:

So, just to clarify, do these projects have to involve Scotland, the Republic and Northern Ireland?

Mr McClure:

Yes; the Republic has to be party to any Scottish project, otherwise it would not be inter-regional. It would not qualify under the programme unless there was involvement with the Republic. It has to involve two member states.

Mr Humphrey:

I agree with Dominic's point on improving the processes. I know that SEUPB has been working on and improving this, but still there are concerns. You said that you are looking at ways of quickening the INTERREG processes so that they are speeded up and spend gets into the community more quickly. That is hugely important. I too have concerns and fears that we may reach the point where some projects awaiting decisions will not be able to deliver to the maximum because those decisions have not been made. That would mean that the effect and tangible benefit to the community would not be realised because of delay in decision-making, and it would prevent the money from getting into the community and making a difference.

Mr McClure:

I share those concerns, as does everybody involved in the process. We have to make a difference in changing the approval process and making it proportionate, as I said.

Mr McLaughlin:

I will pick up on that point, Brian. Thank you for the presentation. I would like to say that I am reassured that we are bearing down on this issue. It is not a new difficulty and, in fact, some would say that it is characteristic of the way in which we are doing business, even across Executive spending programmes. Can you either give us an assurance or come back with some

detailed analysis of the communication problems?

Clearly, we have to adhere to the governance requirements from Europe, but what specifically will be changed to address this issue? I have a view, which I have expressed in this Committee before, about work at an earlier stage of the Peace III discussions and the current INTERREG application process. It is not just about spend profile at the end of the term. That profile is closely monitored and reported on throughout the term, and, at times, it looks as if we cannot spend the money that Europe is giving us. That cannot help us when we are trying to develop our case for further funding.

We really need to know that people have analysed it, come to conclusions and developed an action programme that will result in the type of change and decision-making efficiency that will impress Europe and show that we not only require the money but know how to apply it when it is made available.

Mr McClure:

I agree with most of what you say. We have to find an appropriate and proportionate balance. There are too many stages in the approval process and too many referrals, back and forward, to the statutory agencies. We would like to get to a position where questions are asked once, got right the first time, and the process moves forward. There are certain steps that we cannot remove. We have to go through certain processes, but there are too many stages in those processes. We have to look very critically at that. We will do that work with colleagues in the accountable Departments and the SEUPB over the coming weeks, because we have to sort out this situation now.

Mr McLaughlin:

The SEUPB is telling this Committee that there remain complex and lengthy approval processes in Departments that have not been modified and that will continue to cause delays to the assessment of projects. If the SEUPB is telling this Committee that, it is also telling the people to whom it is responsible in Europe and in government. You acknowledge it, and I accept that you are only one link in the chain. However, we need to know what the response will be and what will change as a result.

I am sure that you will agree that this situation did not develop yesterday or last week. You

have been wrestling with and challenging this slowness and apparent lethargy in the process. People get whatever period of time in which to respond and seem to believe that they have to play it out right to the last minute. Do we need to do a virtual performance and efficiency delivery unit job on our decision-making process? The consultees cannot be bypassed, but can we bring them together and do it at the one time? Is there anything that we can do to speed up the process?

Mr McClure:

We want and our Minister has committed us to get the accountable Departments together with the SEUPB and us and devise a proportionate way of dealing with project approvals so that funds are committed much faster than currently. I will come back and give the Committee an assurance that that will be given absolute priority by the European division. We are confident that the SEUPB will also give this the priority that it deserves. We will come back and describe to the Committee how we have changed things. As I have said, there are certain steps that we cannot escape, but the current model is clearly not working. We have to find a better way of doing it, and I will come back to the Committee on that.

Mr McLaughlin:

I am sure that those in the system would argue that it is working, but it takes far too long.

Mr McClure:

I absolutely agree that it takes far too long. It is unacceptable that it takes over a year and a half for some projects to get approved.

Mr McLaughlin:

It seems to me that this is the same point basically, but the connection might not be as obvious. We have a situation in which there is a slight disjoint in the approach of both sponsoring Governments to the new programmes, for instance. There is a difference with regard to tactical approach, and, for all I know, there may be a difference in respect of priority. If we are getting reports back that some of the difficulty in releasing funds is due to difficulty in getting resources, does that indicate that the Departments' budget difficulties, which they are all wrestling with, are now impacting on the spend of European money? Or, is there something we can do that would draw the British Government's attention to the fact that they should be moving very early in the process to be delivering on their stated commitment to following through? It seems that coming in behind the big decisions runs the risk of the North's priority position being relegated. That

kind of process might be understandable over the period that has passed; we have had the peace process, and we have had support for it from Europe, which was absolutely vital. However, they could be encouraged to believe that it is time to switch their attention.

Mr McClure:

I agree that if we fail to deliver the programmes that we currently have, the case for future programmes will be weakened. That makes it all the more important that we deal with this. I do not think that it is an issue of resources; I think that it is an issue of the proper priority being given to this and the proper process. There are too many stages in the process, and I am not convinced that it has got the absolute priority of everybody who is involved in the process. We need to ensure that that happens. We need to cut out some stages, and we need to make sure that it gets the priority it must have, not only because of the delivery of current programmes, but because it weakens our case for future funding.

Mr McLaughlin:

I move now to a different topic. Page 21 of your paper refers to the work that is being done to encourage Departments to explore the wider range of European funding opportunities, such as joint European support for sustainable investment in city areas (JESSICA) and joint European resources for micro to medium enterprises (JEREMIE). What does “encourage” mean? Are they being directed to take a look at this? Are we expecting them to come back? Are there timescales involved?

Mr McClure:

The Commission is encouraging more innovative funding mechanisms, and JESSICA and JEREMIE are amongst those. They are good examples.

Mr McLaughlin:

Is this through the task force?

Mr McClure:

The Barroso task force will be engaging on that issue. The programmes have not been designed yet, and the delivery mechanisms and vehicles for providing funding have not been decided yet, but the Commission is giving a much higher priority to the recycling of European money through loans and various other mechanisms. That is bound to be a feature of the programmes. We will

be considering those once we get down to designing the programmes.

Mr McLaughlin:

What would a detailed update tell us, if we were to get one? What is being done, other than people flagging this up?

Mr McClure:

They are not a feature of the current programmes.

Mr McLaughlin:

Is the Budget review group looking at it? Has DFP put it on that agenda?

Mr McClure:

The stage to consider this is when the programmes are being designed. I agree with you that it is an important consideration, but we are at too early a stage to decide where it can be used, because we do not yet know what the priorities are. However, we will know shortly.

Mr McLaughlin:

Can you tell us when we will know? Are we talking about a month, two months or a year?

Ms Maura Young (Department of Finance and Personnel):

We are all hearing stories that there are large pockets of money available from Europe, and they are outside the structural funds envelope for which we in DFP are responsible. Through our European steering group meetings, we have shared opportunities with senior officials from the other accountable Departments. For example, we have discussed opportunities that we have been developing with SEUPB and the directorates-general from which money is available and the sort of things they have to do to access that. However, it is the role of each accountable Department to consider its own priorities.

It is still very early for details of future structural funding to emerge, and we do not really see a great deal happening until well into 2012. We have to get through a number of draft regulations and the EU Budget and to start to develop the partnership contracts that the UK will have with the Commission, and we will fall out of that one. I do not think that we are going to see very much on future structural funding in the next month. Until we know, all that we can really do is to

encourage Departments to look at areas of funding in Europe to see whether they could access them. It is not for DFP to tell Departments that they must do that. We can only put the opportunities on their desks and encourage them to take them.

Mr McClure:

We fully expect that to be a feature of future programmes. Those programmes will be designed on a 2012-13 timescale, and the policy Departments will take the lead in formulating what they look like.

Mr McLaughlin:

Both those programmes are delivering resources into other economic regions. However, they are not being used here, because, for whatever reason, we did not address them in the past. I do not get the impression that, despite the intense pressure that all our departmental budgets are under, anybody is doing anything to identify new sources of revenue and resources that will help us to sustain the range of programme spend that we need and which is reflected in the Programme for Government. I am dismayed that no one is out chasing after those sources of funding. Some of those funds are being spent in London, which had a hugely wealthy economy to start with, yet no one thought that it was important enough to do anything about it here. What is being done about it now?

Mr McClure:

The current structural funds programmes that we are responsible for co-ordinating are pre-allocated. The Department for Social Development (DSD) did some work on making the funding go further by using JESSICA, but it decided not to use it in the current round of programmes. It employed PricewaterhouseCoopers to compile quite a detailed report on the use of JESSICA and its potential. JESSICA has its attractions, and I think that it will be a feature of future programmes. However, it is worth noting that the Welsh Assembly Government set up a JESSICA fund at a cost of £1 million — it is not inexpensive to set up — but they have not yet used any of that funding.

There are issues of scale and the associated administrative costs of using such instruments that will have to be considered for the next round of programmes. They are not a feature in the current round of programmes, but Northern Ireland has not lost out in its allocation of structural funds because of that. I agree with you, and those instruments will be looked at for the next

round of programmes. All the Commission's documentation is also leaning towards their use.

Mr McLaughlin:

It is additional to the structural fund support, because it can be supplied specifically. This region can strongly argue its case for the need for regional economic development, but it seems that the energy and leadership are not there. There is no point in saying that people are looking at it; I want to hear more than that. Can we get a detailed report on who is looking at it, what they have looked at and what they hope to do with it?

Mr McClure:

I will come back to the Committee with details of what consideration has been given to the likes of JESSICA and JEREMIE. It is a matter for DSD and DETI, but I will seek that information and advise the Committee.

Mr McLaughlin:

In giving us that report, will you confirm whether the Budget review group has looked at the additional European programmes or if it intends to do so?

Mr McClure:

Yes.

Mr McQuillan:

You said that you had learned a lot of lessons from the closure process that was used with the last round of programmes but that there are still a few issues. The last closure process was unreal; indeed, it was almost ridiculous. What lessons have you learned? What are you doing so that we do not run into the same problems again?

Ms Young:

“Fraught” would be a good word to use to describe the 1994-99 closure process.

Mr McQuillan:

I could use plenty of other words.

Ms Young:

Yes — they probably could not be minuted. It was difficult across the piece.

The Commission and we ourselves acknowledged that lessons could be learned, first, because there was not really an awful lot of clear guidance across the system about what the Commission actually wanted and about what it expected to see from us. There was guidance at a high level in regulations, but there was no lower level guidance to explain to the practitioners on the ground what the Commission really wanted. It was quite a fragmented process. A lot of accountable Departments were involved, and everybody did it slightly differently. So, we have learnt that guidance needs to be in place much earlier in the process.

Certainly, for the 2000-06 programmes, we started building up guidance around 2005. We had the accountable Departments in, and we built up templates. We agreed what processes people would be involved in, what the documents would look like and who would be signing off on what, because the regulatory documents had to be put forward within a certain time frame. We also followed up on the Commission's queries and got it to feed back its answers to us much more quickly.

You may remember that we closed the programmes for 1994-99 in around 2001. However, I think that the first real discussion or any sort of correspondence between us and the Commission did not start until about 2004. That was totally unacceptable. When you look back, you wonder how that was ever allowed to happen; it was very strange. It meant that a lot of corporate knowledge was lost, because people had moved on and records were not kept as well as we would have liked. The Commission acknowledged that it had left it too late to come back to us with any queries or audits.

This time round, however, it has been much quicker. We began closing our programmes in 2009 with the ERDF element of the building sustainable prosperity programme. We have already had a closure proposal from the Commission on that, and its queries have been answered. It suggested a correction that we did not agree with, so we got back to it very quickly — within a couple of months — and argued our case. We are now expecting a revised closure proposal from the Commission with some additional information that we think it had forgotten to take into account and that would actually increase the amount of money it would be paying us. I know that there has been an ongoing iterative process to deal with the Peace and INTERREG programmes

since those closed last year.

We think that things will probably come to a head in 2012, which is much closer to the original closure deadlines that we all had to meet. People who were involved in the process are still around and have real-time information about answering questions. So, we think that the process —

Mr McQuillan:

That was a big problem the last time.

Ms Young:

It was a big problem — people had moved on. It happened not just in Northern Ireland but across the UK and a lot of the Commission's other member states. Everyone found that it had come back with questions much too late and that corporate knowledge had been lost. If your documents were not quite up to the standard that they should have been, you were not able to give the answers that the Commission wanted. I am not saying that the Commission is not raising questions that we need to answer this time round. However, I am saying that it is much easier now, because our records are much better and we have a much better developed database, so we are able to give the Commission the assurances that it needs.

Mr McQuillan:

That is very good. I am sure that you are looking forward to it being a bit easier.

Ms Young:

We will certainly update you as it moves on.

Mr Girvan:

Thank you for the presentation, Brian. The process for spending the money from INTERREG seems to be fraught with all sorts of bureaucracy. My question is quite simple: is that bureaucracy coming from Whitehall, SEUPB or Europe? I want to know whether other member states, such as Poland, are having the same difficulty with the process for spending their European money as we are in Northern Ireland.

I have a difficulty with the lag in dispensing some of the INTERREG money through the

Department of Agriculture and Rural Development and with the bureaucracy being introduced at a second tier by that Department. So, you have the SEUPB, which is probably the overriding body, and then you have the Agriculture Department adding in bureaucracy at another level. How will we streamline the process to ensure that the money is spent? The Minister indicated to the House on Monday that there is concern about the total spend in 2013-14. Is that down to the bureaucracy that has been introduced at our level or at Whitehall level?

William is right: this money is coming down to the people on the ground to make effective change. They are giving me a message. Some of them are shying away from applying for European money simply because of the bureaucracy involved in the process. It is not that they do not need the money; the fact is that the bureaucracy is putting them off applying. We need to find out whether we are introducing and going overboard on all of those issues and ticking boxes to supply some bureaucrat who is drawing down European money and using it to administer that and never delivering anything. I know that that may be a rant, but it is a question, and I want to know the answer.

Mr McQuillan:

It is a rant.

Mr McLaughlin:

But it is a good rant.

Mr McClure:

You want to know who is at fault. It is not really a question of fault. Europe determines what we have to do to ensure that the right projects are approved and everything is in order. One of the issues is the accountable Departments. We have a lot of accountable Departments in Northern Ireland, and we have a lot of statutory agencies involved in European funding. There are too many stages in this. There is a lot of going back over issues. Individual projects will go in; they will get a policy view; it will come back; and they will go out for another policy view. There are too many stages, and there is too much going back over issues, either old issues or issues that should have materialised earlier. That problem needs to be sorted out.

I agree entirely: we need to find a proportionate way of doing this. At the moment, it is just unwieldy, and it takes far too long. It is not acceptable if projects are taking over a year and a

half to get approved. We intend to intervene in and deal with that and, along with colleagues in SEUPB and the accountable Departments, to find a better way of doing it. However, we still have to adhere to the European rules on making sure that everything is done properly.

Mr Girvan:

On that point: if we are dealing with European rules, how come other member states can make 100% of their spend — not 98% or 99% — for the date?

Mr McClure:

The answer is that they have less complex government structures. We have a lot of accountable Departments and statutory agencies involved in Northern Ireland. Because of that, and because of different priorities and whatever, the process becomes quite complicated.

Mr Girvan:

It needs to be radically overhauled.

Mr McQuillan:

There are rules from the European fund. Then there is the rural development programme, which is administered by the Department of Agriculture and Rural Development, and the Department puts in rules as well. However, nobody really knows what those rules are until the application is made. It then goes back and forward two or three times, and the goalposts keep moving. There needs to be one set of clear guidelines at the start of the process, and we need to stick to those guidelines, but that is not happening.

Mr McClure:

There needs to be consistency between Departments. It is all public expenditure. We are dealing with public expenditure, whether it comes from Europe or otherwise, and we need to be consistent and proportionate in the approach.

Mr Girvan:

Does Whitehall put the conditions on us? Who is putting on these additional conditions? It sends down certain things, and, obviously, we take them hook, line and sinker. We swallow them and say that we will gold-plate it and ensure that everything is right. Is Whitehall sending us that, or

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Mr McClure:

We are all subject to European regulation.

Ms Young:

The difficulty with the EU programmes is trying to match EU rules with the rules that we have in place for the governance of our own public money —

Mr McClure:

For our own public expenditure.

Ms Young:

Our public expenditure of EU funding has to meet the rules that are set down for public expenditure and then to look at EU rules on top of that. Perhaps we need to think about seeing how you put those together to find shortcuts between the processes but still manage to meet the requirements of both sets of processes. Sometimes that is where projects run foul, because they meet the EU rules and, as you say, you suddenly find that there is an internal Northern Ireland rule governing our public expenditure that has to be put in place by the accountable Department. Perhaps we need to map that much quicker and earlier in the process so that that is not seen to be holding projects up.

Mr McLaughlin:

Has anybody done a comparative analysis with other regions and isolated or identified bottlenecks that are unique to us and that we can do something about?

Mr Girvan:

The French.

Mr McLaughlin:

Have we looked at how they are doing it elsewhere and whether we are matching that? This is all governed by the same set of requirements from Europe, and issues that are particular to this region may be identified. Maybe you would argue that they will almost certainly be identified as the reason why our process is more cumbersome. If so, we will know what to bear down on.

Mr McClure:

No, we have not. However, we do have different government structures. SEUPB will no doubt tell you that it has to deal with 13 or 14 accountable Departments. That is a very complex process to get your head around, never mind to manage. So, that is a serious issue.

As I said, there are too many stages. There is too much going back over old ground in dealing with individual project approvals, and we need to find a slicker way of doing it to make sure that funds are committed sooner, that money is spent faster and that people on the ground get the benefit.

Mr McLaughlin:

We know that we have to do that, but what will you do about it?

Mr McClure:

We will talk to accountable Departments and SEUPB over the next few weeks to find a way through this.

Mr P Maskey:

Thank you, Brian and Maura. Brian, you said that we need to find a slicker way of doing this. That goes without saying when it takes some projects a year and a half to get approval or refusal — I take it that it could be either. I am not sure whether people are knocked out at a very early stage. It is beyond me how it takes one and a half years. When an application is put in, it must be kicked about all over the place. So, how much does that cost government and the organisations that are taking that forward? It must cost an absolutely crazy fortune, and the fact that it takes a year and a half cannot provide value for money. It is obviously being lost somewhere in the middle. I cannot understand how it can take a year and a half, yet we say now that it must be slicker. How was that not seen earlier? How long has it been going on for?

Mr McClure:

The N+2 issue has just grown and has not really materialised until now. We are just over midway through the programme, and we realise now that, if we continue to do things the way we have been, we will have an N+2 problem. So, we have to change. I will attend to this over the next few weeks to make sure that those processes are improved. Why have we not done anything sooner? I am not sure of the answer to that.

Mr Humphrey:

I am very concerned about your last comment. It is very telling and is really the hub of the whole thing. We need to look at the budgetary constraints and the economic situation that prevails in this country at the moment. Clearly, where money cannot come from the national Exchequer or from the Minister of Finance and Personnel, if our coffers can be in some way enhanced by money from Europe, we should do that and maximise the money coming in, the spend and delivery on the ground.

Brian said that, because of the way in which the bureaucracy has weighed down the whole process and slowed it up, our case is potentially weakened. I think that it is undoubtedly weakened. I have real concerns about that. Paul made the point about money being spent in other regions. Frankly, other countries show much more disregard, if you want to put it that way, for European bureaucracy and just get on with it. I am not suggesting that we should not apply the rules, but it seems that we are applying the rules, putting knobs on them, battening them down and making sure they are watertight even though that is causing real frustration. I feel particularly sorry for SEUPB staff if they have to work across 14 Departments. That is horrendous.

In the Committee for the Office of the First Minister and deputy First Minister, I have pushed for some time the fact that there needs to be a greater joined-up approach in this Administration when it comes to Europe. That led to the event that was held upstairs. The European Commission Office in Belfast, the MEPs, the SEUPB, those who represent this region as part of the UK in various organisations in Europe, Belfast City Council's European unit, the city council in Londonderry, and so on, have to take a joined-up approach. We have to be able to show the outputs, outcomes, results and tangible benefits and to be able to say what has been done on the ground and what change has been made. That is what will decide whether there is going to be a Peace IV fund. If we are not able to do that, it will weaken the case for those who are working hard.

I know that you said that progress is being made on Peace IV. I come back to Adrian's point about the closure process. We need to make sure that people know as early as possible if there is not going to be Peace IV. Equally, we need to know if there is going to be Peace IV, and let us hope that there is. People need to have the knowledge that it is going to be available and that they

can apply for it. If there is not a Peace IV fund, there will be a huge disbenefit to Northern Ireland, and questions will have to be asked as to why that was the case.

Mr McClure:

I am confident that there will be a further Peace programme, because the UK Government, the southern Government and the Commission support it. Obviously, the member states have to vote on it at some point. There is not an issue with the delivery of the current Peace programme. We are three years from the end of that programme, and, if things continue as they are, there will be the risk of decommitment. However, there will not be any decommitment, because DFP, our counterparts in the South and, importantly, SEUPB will ensure that that does not happen. We are saying that, on our current trajectory and unless we change the way things are done, we run the risk of decommitment, but we will put all our efforts into ensuring that that does not happen.

The Chairperson:

We have dwelt quite a bit on the various stages of bureaucracy that applications have to go through, but you made a reference to the priorities of the Departments. Is part of the difficulty a mindset in Departments — North and South — that EU funding such as INTERREG or Peace money supplements their priorities? Perhaps they do not approach it with a mindset that looks at what they can do together but at how they can skew some of the money into priorities that they already have.

I have experience of that in some projects. Perhaps one Department on one side of the border could see something as part of its priorities that was not on the radar of the other. Opportunities to draw down EU funding were, therefore, lost, because Departments were approaching it with a mindset in which they had a set of priorities that they had decided on, external to any consideration of EU money, INTERREG projects or Peace funding. They thought that it would be great if the likes of Peace or INTERREG funding could be used to supplement their priorities, but they were not interested if it could not. So, is there a mindset problem, as well as a bureaucracy problem?

Mr McClure:

There may well be a misalignment between programme objectives and the objectives of individual Departments. I accept that and the fact that it does not help.

Mr Girvan:

Is that Regional Development speak?

The Chairperson:

I am not naming any projects. It is not specific to any Department; it is not specific to either North or South. I think that there is a mindset. You find that Government Departments see this as additional money, which, like the low apples on a tree, might be plucked to suit the priorities they had decided on some time back, rather than them genuinely trying to work together to maximise whatever may come in the priorities of the programmes.

Mr McClure:

I would not disagree with that.

The Chairperson:

I hope that that will be part of the issues that you tackle. From my experience, it is part of the problem. It may not rank as highly as some of the bureaucratic obstacles to approvals for projects, but Departments need to approach the job of agreeing on the projects that are worth pursuing with a different mindset.

Mr McClure:

I fully accept that, and I fully accept what Mr Humphrey said about the need for a more collective approach to the whole issue of European funding.

The Chairperson:

Thank you very much for your evidence. You need to come back to us on some issues that we raised with you and to let us know what steps are to be taken. We look forward to hearing from you in due course.

Mr McClure:

I would like to come back to the Committee to report on the important issue of how funds can be committed under INTERREG at a faster pace, and I will do so in due course.

The Chairperson:

OK. Thank you very much.