



Committee for Employment and Learning

# OFFICIAL REPORT (Hansard)

European Social Fund 2014-2020:  
Dr Stephen Farry MLA (Minister for  
Employment and Learning) and DEL Officials

1 July 2015

# NORTHERN IRELAND ASSEMBLY

## Committee for Employment and Learning

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### **Members present for all or part of the proceedings:**

Mr Robin Swann (Chairperson)  
Mr Thomas Buchanan (Deputy Chairperson)  
Mr Sydney Anderson  
Mr William Irwin  
Ms Anna Lo  
Mr Fra McCann  
Ms Bronwyn McGahan  
Mr Pat Ramsey  
Ms Claire Sugden

### **Witnesses:**

Dr Farry	Minister for Employment and Learning
Ms Heather Cousins	Department for Employment and Learning
Mr Colin Jack	Department for Employment and Learning
Ms Sheila McNeill	Department for Employment and Learning

**The Chairperson (Mr Swann):** I welcome Dr Stephen Farry, the Minister for Employment and Learning; Ms Heather Cousins, the deputy secretary; Mr Colin Jack, the director of strategy in the European and employment relations division; and Ms Sheila McNeill, the deputy director of strategy in the European and employment relations division. Minister, thanks for coming along — over to you.

**Dr Farry (The Minister for Employment and Learning):** Good morning. It is always a pleasure.

At the outset, I would like to note formally that Sheila has joined the European social fund (ESF) team as deputy director. She is a new addition to the team, and this is only her third day in office, so go easy on her. For the record, I am not entirely well. I am here under sufferance, but this my duty, so go easy on me as well, if you can. Heather and Colin are —

**Ms Lo:** You are passing the buck.

**Dr Farry:** Absolutely.

We will come back in September, at your invitation, to have a more rounded discussion about the way forward in the incoming term of the Assembly. How long that lasts remains to be seen, but, nonetheless, we will be back. We are working on the assumption that we have that full period ahead of us, so we can talk through the Bill and some of the other programmes that we hope to take forward over the remaining months of this mandate.

Today, I will touch on some of the current issues in relation to the European social fund and the Pathways education maintenance allowance (EMA), which, I think, the Committee wants me to touch on as well. I am conscious that Belfast Metropolitan College (BMC) is here later to talk about performing arts issues. There is some correspondence outstanding. We were on the brink of forwarding it to you, but, given that it is quite late in the process, I will verbally report on the questions that the Committee asked. You can then take those issues forward with BMC or come back to the Department directly, if you so wish, in the future.

The two particular ESF issues at this stage relate to the vouching of the outgoing programme and match funding for the incoming programme. I appreciate that we have gone through a host of other issues in previous sessions, so I do not propose to rehearse those arguments, although, if people want to ask the same questions again, that is their prerogative.

We accept that, in some respects, the implementation of the incoming round of ESF and dealing with the outgoing round of ESF have had their problems and challenges. Senior officials, officials in the respective divisions and I are putting in considerable time to ensure that we can address all of the issues. Before we go into the detail of how we are addressing those, it is worth bearing in mind the wider perspective, which is that we are delivering a major programme, and we are delivering it on time: from 1 April this year, decisions have been taken and projects awarded. Projects with a value of £112 million have been announced. That is a considerable achievement, notwithstanding the legitimate questions that the Committee and others will wish to ask. That will make a major difference in the skills landscape and in bringing people closer to the labour market, promoting social inclusion, addressing poverty etc. All of that is added value through the assistance of European funds. It allows us to do things as a society that we might not be able to do were it not for the existence of that money.

The first issue at hand is the vouching of the outgoing programme. We fully accept that there are frustrations with the speed at which this is happening. There are, potentially, about 175 claims at different phases in the system. There is a sense that things are moving more slowly than they should be. In due course, Heather and Colin will talk about the additional staff whom we have put in to address some of those issues. Left to their own devices, the timescale for working though this would be a matter of months, which, to my mind, is not acceptable. For that reason, we have, over the past week, worked out a means by which we will try to pay out a large proportion of the payments on an at-risk basis. There will be three basic categories, and, if you bear with me, I will outline them. First, we have claims submitted before April 2014. We will pay those at 80% of value and vouch later. That amounts to an accelerated payment of about £1.8 million.

The second category is claims submitted between April and December 2014. We will pay at risk 50% of the value of those and vouch later. That is a value is just over £2 million. For the final claim period, which is between January and March 2015, we will pay those after all the other claims have been made and processed. Technically, we have outstanding claims with us — we accept that there may well be others in the system that are still to reach us — in relation to the outgoing programme of a total of about £9.5 million. The accelerated payments that we are now committing to make will amount to around £4 million. That will all be processed between now and the end of July, so we can give some degree of assurance that, while we catch up with our own procedures and the increased staffing that we are putting into the formal processing of the claims, we are going to proceed on an at-risk basis to pay to that value. Hopefully, that will go some way to addressing the cash flow issues that a number of organisations will be facing. We fully understand and appreciate those concerns. We also understand that people are being patient with us in that regard.

The second point is the issue around match funding. You will appreciate that DEL provides the 25% match funding. The overall breakdown for projects is 40% European Union funding; 25% match funding, which comes from my Department; and 35% match funding that normally comes from other sources, which may include other Departments and statutory agencies, the private sector or organisations that self-fund. There may be other sources as well. Outside of the context of the disability employment service — there are some very particular reasons in that regard, which I will come to in a moment — my Department has not traditionally provided that 35% match funding. However, we are conscious that there are greater pressures falling on our Department in terms of requests that we have received for that, which, in part, reflects the pressures that organisations are feeling elsewhere in the system. The fact is that some of the more traditional sources of funding are drying up as different Departments, agencies and district councils wrestle with some of the budget cuts that we are all facing up to. We are seeing that enhanced risk coming through in increased demand.

Beyond that, there may well be a situation where we see a greater number of projects being unable to secure match funding and taking the decision that they are not in a position to accept a letter of offer or, at some subsequent stage, are not able to proceed because they are unable to identify the match funding. In relation to disability organisations that have made a request to the Department for match funding, we are proposing to fund them up to 100% of the requests that have been made to us. There are 15 organisations in that respect. Six of those are asking us for full support. Others have partial access to other sources of match funding. To be clear, we have an existing baseline budget for match funding for the disability employment sector. We have found that we have bigger projects now being funded under disability. We have more demand for match funding for disability provision. We have a commitment to working to do what we can to assist those who are most vulnerable in society. I think that we would all agree that those with disabilities are some of the most vulnerable. We are making that commitment. In doing that, we are going beyond our baseline. Against the head, to use a rugby analogy, we are committing more resource to match funding for disability organisations than we have in our budget. We are going beyond our current budget allocations for this purpose, and that means a reallocation from other areas in the Department to do that. That is the commitment that we are making.

We have also received requests as part of the application process from organisations under the NEET subcategory and the unemployed/inactive subcategory. We propose to resource them up to 70% of what has been requested. In some cases, that will be a full 70% allocation; for others that have access to smaller pockets of other match funding, it will bring them up to 70%. They will still have the option of identifying another 30% to bring them up to the full 100% allocation. That is us responding to the desire from the sector, and we are stretching ourselves. We have some baseline budget that can be allocated to support match funding, but what we propose to allocate stretches us beyond what we have in our budget. That is a commitment from us. The logic behind what we are seeking to do is to maximise the drawdown of European funds. We can have debates about moving money from one category in a budget to another category, but, with the European social fund, if we spend money in particular areas, that has the ability to leverage money from Europe that would not otherwise come to Northern Ireland.

Strictly speaking, you can make the case that it is still our right to draw down that money under the N+3 requirements in subsequent years, but, given the trajectory that our budgets are on, if we simply push that down the pipe and say that maybe we can do a further drawdown of European funding next year, we may never actually reach that point. It is more prudent that we do what we can at this stage to maximise the drawdown. However, even with that, we are not at 100% commitment to that 35% match funding, so there are restrictions on how far we can go. Hopefully, that will make a major commitment and impact on the ground in assisting organisations. Of course, organisations have until 4 July to respond formally to the letter of offer that we have made to them.

I also want to address Pathways EMA, which has been raised, and, in doing so, make reference to the logic of maximising the impact of the money that we have in our budgets for the greatest good. I am adopting the philosophy that I want as many projects as possible to get off the ground and as many marginalised, vulnerable people as possible to take advantage of the programmes that the community and voluntary sector has the ability to deliver. If the Department is to fund a Pathways EMA directly, that will come at the expense of money that we can earmark for the 35% match funding. As you will recall, if we use the money for the 35% match funding, we will then be able to draw down money from Europe, so we will be able to get a boost of almost 40% on top of the spend that we are making. The logic is overwhelming: if we have any ability to redirect resources, we should prioritise the match funding.

That said, all the projects, within the 40% indirect costs as part of the overall ESF pot, can redirect resources to pay the Pathways EMA themselves if they wish to do so. Indeed, that would be a less bureaucratic process for them than if they had to interact directly with the Department. The organisations have discretion to make those decisions, and we would encourage them to do that. For the greater good and the greatest impact, we feel that that is the most logical way to approach it. In that way, we will cover more people without necessarily losing the ability to pay a Pathways EMA.

I want to come back briefly to points made about the new SPACE facility in the South Eastern Regional College (SERC) and BMC's decisions about Tower Street and the performing arts. I confirm that we have allocated an additional £300,000 to SERC to support the new facility. That is not directly for additional students, but SERC has a maximum student number (MaSN) for higher education places — HNDs, HNCs and foundation degrees — that was not fully utilised last year. Normally, when we see places unfilled, we redistribute across the six colleges, but that has not been the case in this regard. We have agreed that those places can remain with SERC. In other words, the headroom

exists with SERC and the new facility to accommodate students who may be displaced from BMC. That is how that issue will be addressed. Discussions between the BMC and SERC on a more detailed level in relation to matters are ongoing, and no doubt you can raise those with Marie-Therese when she comes before the Committee later today.

Chair, that is the update, and I am happy to answer your questions.

**The Chairperson (Mr Swann):** Thank you very much, Minister. You have given us three main topics: ESF, EMA and BMC/SERC. Members, if we take those as three different rounds of questions, then it will leave it that bit tidier for everybody.

Minister, the ESF has been problematic, and I think that your interventions and those of your senior officials have shown the concerns there have been about the process. I know you are proceeding with the payments at risk for the last programme coming to an end. That has put an awful lot of organisations under extreme pressure, because they are trying to finalise staff who are trying to finalise programmes. Given that 50% or 80% of what is outstanding was received in July and then nothing has been received from December onwards, is there anything that the Department can do to facilitate those payments more quickly?

**Dr Farry:** I will maybe bring in Heather and Colin to directly address what we have done with the additional staff who have gone into the ESF managing authority to process all of this. We are working in almost a parallel process. We are doing what we can to accelerate the formal process, which involves vouching and quality-assuring the different claims that are being made. Realistically, we will probably have about 50 that we are on schedule to progress and finalise by the end of July. With the tail, realistically, we are talking about mid-autumn, probably October into November, before all of that will be addressed entirely. That is, in some sense, our long stop.

I accept that, for a lot of organisations, this is too long to wait; so we are trying to accelerate the payments at risk. When I use the term "at risk", the risk is to the Department rather than the organisations, so there should not be any process involved for the organisations in that. It should be us simply recognising what is in the system and allowing the money to proceed to them; and we have set the criteria around how we will make those decisions on claims.

We are leaving the final claims to the end, because how we manage the risk is that, until we actually formally vouch the last claim, we have the ability to stop. If we find that there has been an issue with the quality of the paperwork we have received where we have already paid out on the at-risk basis, we then have the ability to address and compensate and to protect ourselves. That is how we are managing, but we are happy to work within those parameters. At this stage, Heather and Colin, do you want to address the issues of at risk and the staffing increase that we have put into the managing authority?

**Ms Heather Cousins (Department for Employment and Learning):** Normally, towards the end, we anticipate that we will have a lot of claims coming in and additional pressure. We have put in 10 additional staff at a range of grades to speed up the vouching and quality assurance processes. The quality assurance process had to be augmented because of the audit issues we had, and that led to the backlog. That is why we put in the additional resource, to ensure that it happens on a speedier basis.

**The Chairperson (Mr Swann):** Heather, is the audit issue the disallowance or suspension from Europe?

**Ms Cousins:** This was in relation to our internal audit, which expressed a limited opinion over the management controls in the system. Yes, that did lead to our interruption. That led to the backlog. We are addressing it with the additional staff.

**The Chairperson (Mr Swann):** Has the interruption from Europe been lifted?

**Ms Cousins:** The interruption has not been lifted yet, but we have a plan with the Commission, and we have recently received a letter back from the Commission accepting our proposal for substituting the Training for Success allowances.

**Mr Colin Jack (Department for Employment and Learning):** Yes, it is substituting some of the expenditure we had planned to claim from the programme with expenditure on the Training for Success programme — in particular, programme-led apprenticeships. At policy level, the Commission has accepted that this is a legitimate thing to do within the criteria for the programme, but we are still completing correspondence and engagement with the Commission on the issue of the interruption and whether our action plan is satisfactory from an audit perspective.

**The Chairperson (Mr Swann):** There are the three strands, are there not? Is that strand 2 or 3?

**Dr Farry:** I will explain what it means. Basically, the money that will come from the Commission will be channelled into different programmes. They are being used to formally claim and draw down the money from the Commission that we are entitled to draw down. We are paying out the outstanding claims on ESF from departmental funds, so we are, in essence, flipping.

**The Chairperson (Mr Swann):** You are drawing down European money to pay departmental programmes —

**Dr Farry:** TFS has been part of the operational programme in the 2007-2013 programme anyway, so it is not a mainstream departmental programme. We are, in essence, shifting how we are drawing the money down into new territory, and that is different to how it was previously indicated. The Commission is content with that direction of travel. We are then, in essence, paying the outstanding claims from the community and voluntary sector programmes out of direct departmental funds. However, we are required to vouch those to the same standard as we would for the direct claims from the European Commission.

**The Chairperson (Mr Swann):** It is a messy process.

**Dr Farry:** It is messy, but it allows us to keep the money flowing. That is the primary consideration in all this.

**Ms Cousins:** We have set all this up as an improvement project, which is why Sheila has come in to lead that work. We have different strands, and part of it is about addressing community and voluntary sector expenditure. Another part is to do with putting the claims in place for Training for Success for going to the Commission. We are working on different fronts, and there has been a lot of progress over the last couple of months. I am fairly satisfied with the way things are going. The additional staff who have come from other parts of the Department have had experience of vouching on different programmes that we had before, such as the SIF programme and the family support programmes. They can hit the ground running with vouching, and that is working well.

**Mr Jack:** The extra staff who are going into the ESF managing authority represent an approximate 50% increase in the staff, so it is a very positive outcome.

**The Chairperson (Mr Swann):** How many people are involved?

**Mr Jack:** There are 10 extra people. There were just over 20 existing staff.

**The Chairperson (Mr Swann):** Minister, I have had representations from organisations that say that, come the autumn, they will not be physically or financially there; they will be bankrupt before that. Is there any way of prioritising them, or is that something that you are —

**Dr Farry:** At this stage, we hope that the accelerated payments that we are now making will address that. We fully accept that there is a situation where, hitherto, the risk was being borne by the recipients of money, as opposed to the Department. We have now, in essence, shifted the balance of risk back towards the Department. Whether that is a 50: 50 split remains to be seen, but my hope is that the payments that we are accelerating, which amount to just under £4 million, or half of a £9.5 million pressure, will go a long way to giving some assurance on the cash flow issues. We are still working to ensure that we have 100% of payments made by the middle of the end of autumn.

There are two parallel processes that will, hopefully, give some reassurance. If organisations have particular concerns, we will take a separate look at them on an individual basis, but we want to make sure that we move ahead with this. There is always a trade-off and a balance to be found, because the more we divert from the plan and put in different subsections of things that we do, the more that

delays the mainstream delivery of what we want to do. The main thing that we are doing now with the at-risk payments is not that labour-intensive; it should take us only about two or three days of staff time over the coming weeks to get that process moving. Hopefully, that will make a difference on the ground.

**Mr F McCann:** One of the major problems running through all these processes is communication. What lines of communication will be open to groups to take them through how the at-risk payments will be made, what the money is for and the difficulties that they might face in the longer term?

**Dr Farry:** Absolutely. We accept, Fra, that there is always a trade-off between communicating what we are doing and doing it. That is the problem that we have. With hindsight, I accept on behalf of the Department that we have maybe not put as much focus on the communication issues as we should have. Colin, do you want to address how we will communicate this issue to the organisations?

**Mr Jack:** We are sending a communication today to all the organisations in the current programme to tell them precisely what we are doing to accelerate the advance payments at risk and set out what we will do to address the complete backlog of payments. They will get a communication from us today.

**The Chairperson (Mr Swann):** Will you make sure every Committee member is copied in on that as well?

**Mr Jack:** Absolutely.

**Mr F McCann:** Sorry for interrupting, but this is important. When a communication goes out, even with the best will in the world, the way it is drafted sometimes causes more confusion. Would it not be better to bring the groups in as well as sending the letter out? A lot of them will have follow-up questions on how they are going to work with it. It is important that there are face-to-face meetings with the groups.

**Dr Farry:** I accept the premise of what you are saying, Fra, but, and I say this instead of the officials jumping in and saying it, that would be very labour intensive and would be done at the expense of delivering the payments. There is a balance to be found in that regard, and it is better that we respond to any particular queries that are raised rather than have a meeting with every organisation. That is what we are doing through the vouching process; we have a schedule of meetings for the next number of months.

**The Chairperson (Mr Swann):** Organisations were told, after they had received their letters of offer, that, if they were not able to receive match funding, they would receive a lesser amount and that any moneys available would start to drop out at the bottom and cascade to other organisations. Will that still happen?

**Dr Farry:** There is still some prospect of that happening, but I do not want to create unrealistic expectations. Let me be clear: whenever we talk about the match-funding requests that we are doing in relation to 35%, they are in relation to organisations that have approached us. We have sought to respond to that as best we can. Again, that is against the trend where other sources of funding are drying up. So, we are, on behalf of government, bearing a disproportionate burden in relation to trying to make as much of this happen as we can.

We will want to do all we can to get over the line those projects that we have announced to date and awarded funding. We will work with them to see what has to be done, potentially including any modifications to schemes, to allow that to happen.

That said, there may well be, and we will not know until after the summer. There are two particular points in this regard. After 4 July, we will know which organisations have not signed the letters of offer. However, there will be some organisations that have returned their letters of offer but are unable to give us evidence that they have secured the 35% match funding by our next deadline, which is 4 August. We will probably only have the full picture, at that second trigger point, of the scale of what may or may not happen in that regard.

We also have to bear it in mind that, whenever we talk about the 25% pressure for match funding, the Department is overcommitted. Also, in relation to the 35% that we announced today in relation to both the disability sector and the NEETs, unemployed and inactive sectors, we are overcommitted. So, we

are allocating money that, strictly speaking, we have not budgeted for. We are doing that on the basis that there will be a certain degree of underdelivery that will allow us to live within the budgets that we are setting.

In the event that we see, regrettably, some projects not proceeding, in the first instance we will need to address our current overcommitment. Only after going through those processes, and in the event that there are resources available, will we be able return to the lists, which will remain live.

In brief, there is technically a route by which organisations may yet receive a letter of offer from the Department. However, we have a number of checks that we need to go through first to ensure that what we have announced to date in relation to this can be delivered, not least in terms of our own budget.

**The Chairperson (Mr Swann):** I just want some clarification on this issue; I should probably know this. You mentioned organisations that are approaching you for match funding. Was there no requirement to have match funding in place in the initial application to the ESF?

**Dr Farry:** Organisations identified where they were going, but they have some discretion. Heather, do you want to elaborate on that?

**Ms Cousins:** Yes. They were required to indicate where their match funding was coming from.

**The Chairperson (Mr Swann):** So, if an organisation approaches the Department for match funding —

**Ms Cousins:** No, it is only the ones that approached us at the application stage. A number of organisations approached us; but any organisation that came subsequently was not included in the list of organisations to which we now intend to offer match funding.

**The Chairperson (Mr Swann):** What criteria allowed those organisations to apply to the Department for match funding that were not open to all the organisations?

**Ms Cousins:** Traditionally, we have provided match funding on the disability side, because it delivers services that no one else delivers. That has been custom and practice. Other organisations were involved in projects that we had previously funded under the collaboration and innovation fund, which finished on 31 March.

**The Chairperson (Mr Swann):** It is custom and practice rather than policy or —

**Dr Farry:** It is not the Department's policy to provide 35% match funding. However, organisations are invited to bid to any government source for that funding which, technically, includes this Department, notwithstanding the fact that we already give 25% match funding.

It was not as if we were soliciting bids in that regard but it was open to organisations to do so. At the same time, other organisations traditionally found match funding from different Departments or district councils. Nevertheless, we are conscious that there are pressures there, and that is where we need to see what the picture is going to be around some of the other projects over the course of the summer. We are conscious that some of those other sources have faced challenges.

**The Chairperson (Mr Swann):** A number of members have indicated that they wish to ask questions, so I would ask you to ask questions rather than make statements.

**Mr Ramsey:** You are very welcome, Minister. For some time, it has become a fractious process, because it puts community groups against community groups, and there is a lot of pain and grief for people. Would you acknowledge that the fault for the delay in payments lies solely with the Department's allocation of arrears to all those groups?

**Dr Farry:** Yes.

**Mr Ramsey:** Can you outline exactly how much money is owed through the previous ESF funding entirely to groups across Northern Ireland?

**Dr Farry:** The outstanding amount in our system of claims that have not yet been paid is — I stand to be corrected — £9.5 million. There may well be other claims to come through at this stage, but that is the current amount.

**Mr Ramsey:** I have a letter from Disability Action saying that 13 groups from the previous ESF funding are owed £12 million.

**Dr Farry:** Some of that may not yet be claimed, and the money may not be coming just from us. When we pay out to an organisation that receives 40% from the Commission, 25% is from us. When it receives the payment certificate from us, it is able to access the funds from the 35% match funder. That is why I can understand that you are quoting a figure that may well be in excess of what we are citing. That is the reason why that is the case.

**Mr Ramsey:** The Committee received the letter, which was addressed to you. It states that a meeting was held with 13 ESF groups and the ESF programme, which ended on 31 March. It says that those groups are now owed £12 million. We have all submitted questions for written answer and are getting different figures at different times. There has been a poor response in that regard.

If these figures are accurate — I can only take it for granted that they are — would you accept that all this should have been predicted in the process? For months, we have been talking about these payments being due. It seems that the process has been accelerated by the Department only in the last week or two. I welcome that, but the difficulty now — I am sorry for going on a bit of a rant — is that you said in the Chamber that you had restored integrity to the ESF process. I welcome and accept that, but a lot of the groups and individuals have lost their integrity because of the pain and suffering. We have groups and individuals telling us that HM Revenue is after them; we have been told that the Pensions Regulator is after them; we have been told that they have staff who have not been paid in months. It is an absolute sham. I have to say it, Minister: I am not directly saying that it is your responsibility, but you are leading a Department that has made a shambles of it and has caused so much suffering and distress to so many sectors that provided excellent work for us in delivering programmes for you.

**Dr Farry:** We accept that the balance of responsibility for the current situation lies with the Department. The only context in which the community and voluntary sector could ever be at fault is a context where claims are not properly submitted or there are problems with claims that cause a degree of delay. That would not be the case in many instances, because a lot of organisations are very experienced in what they do.

The issue from our point of view is not a lack of planning or not anticipating that the situation would arise; it is more the interruption and audit issues. I will bring in Heather and Colin in a moment to explain the exact context and why it is happening at this particular time and has the air of being somewhat chaotic and not properly planned for and anticipated.

The second thing is that we fully accept that there is an ongoing challenge for organisations around cash flow that has knock-on implications. Moreover, for smaller organisations, that impact is ever more proportionately harsh. That is why we are acting now on accelerated payments. From my point of view, it is not acceptable for us to take six months to channel all those payments out, as, by that stage, people may disappear. That is why we have pushed the envelope to see how far we can go in terms of at-risk payments. We have taken legal advice and have checked things out that we are on sound footing for doing that. Hopefully, those payments will make a difference. It is not 100% of what is owed, by any means, but it will make a difference. I will invite Heather and Colin to explain the context and why it is happening.

**Ms Cousins:** The main reasons for the backlog are the audit issues that we have faced and the need to put in place new processes, procedures and training for the teams. That is all progressing very well at this point. One of the key issues that we have faced up to is that we really did not have particularly good management information about what was in the system. We now have a thorough —

**Mr Ramsey:** Who?

**Ms Cousins:** In the branch that is doing the verification visits and so on. We now have comprehensive information on each organisation, what claims are in with us and how long they have been in with us. We can move forward on that basis and have it properly monitored. As I said, we have extended the teams so that we have more officers out doing the vouching visits, we have

expanded the quality assurance teams, and we have negotiated and worked very closely with audit to ensure that we have revised processes that are pragmatic. A lot of work has been done to improve that, so we will not be in that position. We just need to get the backlog cleared.

**Dr Farry:** Unless we go through this painful process of ensuring that we are now making claims fully in compliance with what the Commission expects from us, we will not get the flow in terms of the incoming programme until we have satisfied the Commission that we are doing everything in line with procedures. That is why it is an audit issue. Our procedures have been identified as not being sufficient to meet the requirements set for payments, so we have had to retrain staff in order to ensure that we are compliant. That is creating a lot of difficulty in the short term, but unless we go through the process we will not be able to deliver the incoming payments programme.

**Mr Ramsey:** Can I ask a further question? It really frustrates me when I talk to people who feel that their character, their respect and their standing outside the House for the work that they did has now been stained quite badly. They believe that they have been treated shabbily and hurtfully by you, Minister, and by the Department, even in meetings that they have had. They are still not clear. They have concerns about the previous process, which they are not happy with. I do not want to revisit that, and the Chair would probably not permit me to do so anyway. The hurt is there. They face a situation where there will be redundancies, but they have not paid staff in months and do not know where they will get the redundancy money from. How will we get reconciliation to those organisations and get them a bit of acknowledgement for the work they have done. They have not heard it, and it would be important, given that they feel so hurt, stressed and distressed.

Can you tell us exactly when all the payments will be made in respect of ESF for the period to March 2015? Give us a time frame for when that will happen.

**Dr Farry:** OK. I will take the first points first, and then Heather and Colin will give the backstop date.

First, let me say categorically that the delays in the process are no reflection on the integrity, quality and professionalism of anyone in the community and voluntary sector. Pat, while I do not accept that the Department has treated people shabbily, I accept that responsibility for the delays in the process lies entirely with the Department. There have deficiencies in our management procedures, which have been identified through the audit procedures. The system is working in the sense that the problems have been identified. Do I wish that those problems had been identified earlier? Yes, absolutely. Am I satisfied that people are fully conscious of what needs to be fixed? Yes, I am, and that is happening.

I am prepared to fully accept responsibility on behalf of the Department, apologise to the organisations affected and recognise that the problem lies with the Department and our procedures. We give the assurance that they are being fixed, and we are pouring in staff time and numbers to get that addressed.

In terms of the longstop date for full payments, it will be mid-autumn to late autumn. Is that right, Heather?

**Ms Cousins:** Yes, I would say late autumn. It is difficult to be definitive. One of the problems in the past was the documentation available; so there has always been a lot of toing and froing between our officials and the organisations concerned. But, we will do our very best to conclude this as speedily as we can.

**Mr Ramsey:** Has the Audit Office made any enquiries about the process and administration of this to date?

**Dr Farry:** It has not, and we probably would not expect it to, because this is being handled between our Department's internal audit and the Commission.

**Ms Cousins:** The Audit Office attends our audit committee meetings, so it is fully aware of what is happening and the action we are putting in place to address deficiencies.

**Mr Irwin:** To clarify, are you saying that you are allocating more staff to make advance payments on claims made up to the end of December? Why was that not done sooner? Why is it being done six months later?

**Dr Farry:** We have just explained the particular context in which this situation has arisen, William. On the surface, you can say that it looks like there has been a lack of advanced planning in staff numbers and in training staff to process the closure of a programme, but there has not been. Instead, through the audit processes, deficiencies have been identified in the managing structures around this. If unaddressed, this will threaten our ability to continue to receive money from Europe. So, we have to fix it: it is unavoidable.

The backlog is growing because we have had to put more staff in, and train them, and retrain the existing staff, to ensure that they are fully vouching and delivering in line with the standards expected of us. So, if we do not deliver to that standard, the money dries up.

**Mr Irwin:** You can understand the frustration.

**Dr Farry:** Absolutely.

**Ms McGahan:** Thank you for your presentation. I appreciate that you will not have a full picture on match funding until 4 August. How confident are you that DEL's contribution and the match funding required will be secured.

**Dr Farry:** What we are announcing today will happen. We are making those offers. There may well be situations where, for other reasons, organisations that have asked us for and subsequently been offered match funding do not draw down the money. That is not conditional. We will see in a few months' time if we have the money. As of now, we are offering that money to those organisations to allow those projects to proceed, so that is there. We have an issue around managing what is, in effect, an overcommitment in our budget. Just like the Executive as a whole or other Departments, the Department will run what we term an overcommitment; people will budget in excess of the resources available by x percentage on the assumption that there will be underspends during the year and that those two figures will balance out. That is what we are doing in relation to the commitments that we are making. Because we reckon that there will be underspends that we will find elsewhere, we will be able to bring these in on budget. There are always assumptions behind this, and we can undershoot and overshoot, but there will be other abilities elsewhere in the Department for us to rebalance if we have got those assumptions wrong. As long as we live within our control total as a Department at the end of the year, the Executive centrally will be happy and, in turn, the Treasury will be happy with the Executive. We are absorbing the risk over spending money today that we do not have.

**Ms McGahan:** In that context, Minister, can you give the Committee assurances that no money will have to be handed back to Europe? Some of these groups are not able to provide the matched funding.

**Dr Farry:** Colin can correct me if I am wrong on this, but, basically, the threat does not lie on an in-year basis in terms of the drawdown from Europe. The fund operates on what is called the N+3 principle; as long as we draw down the money available within that +3 situation, we are fine. For example, if we have projected over a three-year programme that we will draw down one third, one third and one third. In the context that, in practice, we will only need to draw 30% or 25% in year 1, we can then draw down the balance of 70% or 75% over the forthcoming two years. That is technically possible. What I was saying to the Chair earlier is that, given our budget pressures, the notion that we would maybe draw down proportionately more in years 2 and 3 may be a bit of a tall order. Theoretically, it is possible, so there is no risk to European finding directly in the incoming year if we do not fully draw down what is currently in our operational programme.

**Mr Jack:** The allocation for the 2014-2020 programme is for that full seven-year period, and, in fact, under the N+3 rule, we have until the end of 2023 to spend that money, but we start having N+3 targets three years into the programme. That is the first point at which there would be a risk if money had not been fully spent on target.

**The Chairperson (Mr Swann):** Thank you, Bronwyn. Fra, you already have been in, remember.

**Mr F McCann:** I will keep that in mind when I am asking questions, Chair. Thank you for the answers to date. It has been a fairly good discussion, and I have to say that it is the first time in a while that I have heard a Minister admitting that their Department has done some wrong on delivery. I think that a meeting took place a while ago on Pathways EMA.

**The Chairperson (Mr Swann):** Fra, we are still on ESF. We have another round for EMA.

**Mr F McCann:** I will hang back and wait.

**Mr Buchanan:** I go back to the issues that were raised by Pat on the delays in the paying out of the ESF. Obviously, as we can hear, there has been a weakness in the Department around audit and procedure issues that did not seem to be identified until recently. My problem with this is this: why was there not some trigger in the Department that there was a problem and a difficulty here that we needed to address? The other issue is that, according to this, some groups or organisations put in their claim for payment a year ago or maybe longer and put in a second or third claim or whatever number of claims were sitting in. What were the staff that those payments went into doing? There had to be staff, and those payments came forward to them. What were they doing? Did they think that the claims were in and that they would look at them and let them sit or whatever? Why was a concern not raised there? Why did the more senior staff in the Department who were looking over it not see that there was a problem? This has been running on now for 18 months. I am sure that some of the claims have been in for 18 months and have still not been paid out on. I welcome what you are doing to pay out 80% and so forth, but there has been a real failure on the part of senior staff that they did not see that there was a problem.

**Dr Farry:** Your questions are fairly obvious ones to ask, Tom, as to why things happened in that regard. We accept that there have been system and management failures in the delivery of the projects. You asked why this was not caught earlier: again, that is a perfectly legitimate question. I want to make it clear that the failures of the processes were caught by the Department's internal audit process. There is a little bit of frustration about that because the way in which an internal audit process works means that it will move between different aspects of an organisation's performance and, over six months or a year, it will not carry out a 100% audit of everything. You end up with the situation where, perhaps, in one year, it will focus on one aspect of an organisation and, in the second year, it will focus on a different one. Even if it were looking at one aspect, such as the ESF managing authority, it might look at one particular issue but not at another at any particular moment in time. However, in due course, the internal audit processes caught the problems in the system that were deficient. It is in that context, then, that things have flowed to the point where we have had to change systems and procedures, put additional staff in and engage in training. Do you want to elaborate any further on that, Heather?

**Ms Cousins:** What you said is correct. A number of audit reports have shown problems, and follow-up reports said that measures had been put in place. However, subsequent reports then said that there had been a deterioration back to where things were. This has been a long, drawn-out process of thinking that things had been dealt with and then discovering afterwards that there were still other problems in the system. We now have a comprehensive view of absolutely everything that is wrong in the system and that is what is being fixed through this improvement project that Sheila is heading up.

**Mr Jack:** There were also efforts to adopt strategies that would have mitigated the impact of, for example, the shortcomings in management verifications. There was an attempt to adopt a simplified cost methodology and have that agreed with the Commission under the previous programme, but that proved not to be possible. That is one of the factors behind the large backlog of claims. A process was also put in place to make sure that all the claims were checked at a certain level. There was an issue about the new programme and the competition for that coming in at the same time, which added to the delays.

**Mr Buchanan:** I hear what you are saying and I welcome the fact that, at least, somebody caught it and got it moving. I would have thought that something such as this should have been picked up by some senior people in the Department who were dealing with it. Obviously, that did not happen. How can we be sure that all other programmes that are being delivered by the Department are not going to fall into the same scenario?

**Dr Farry:** First, the layers of compliance in relation to ESF, around European money, are of an entirely different order. Secondly, the concept of an interruption applies only in relation to European money. If, for instance, we found that an internal audit flagged up issues elsewhere in the Department, we would not be prevented from doing certain things until we changed procedures; we could do those things in parallel. We have always had almost a perfect storm, where the problems we identified are in the area that is prone to interruption. That is the case where these things reinforce each other and create this particular logjam.

Tom, there is no absolute guarantee — as is the case in any Department — that there will not be other areas of underperformance or management failure. However, the reason why we have internal and external audits is to flag those up. Any internal audit process will operate a degree of risk management and will identify different areas to examine in an audit plan. It will identify the areas that are most risky and prioritise them, and it will move around different sections of the work of an organisation over different periods of time. There can, at times, be a lag in terms of when issues will be checked and come to the fore.

**Ms Cousins:** There is a comprehensive internal audit programme. One of the pieces of documentation that we had to provide to the Commission in relation to trying to get the interruption lifted was assurances over the Training for Success programme. Those assurances were given through internal audit and so on. The overall level of assurance given to us by internal audit is satisfactory. The Department's programmes are looked at comprehensively, and issues are picked up and dealt with as they arise. This has been an area of complexity and difficulty over a period of time, and I hope that we are moving towards the end of that period of complexity and difficulty.

**The Chairperson (Mr Swann):** I want to follow on from something from the Deputy Chair. Colin, you talked about everything being put in place. Are you not the civil servant responsible for the programme?

**Mr Jack:** The programme is part of my division. I have a division that also covers employment law, policy on —

**The Chairperson (Mr Swann):** But some of the phrases that have been used here today, Minister, show that the Department is at fault. Management failures and audit report failings have been highlighted. I think that Heather said that you thought that it had been dealt with, but that, when you went back, it had not been. Is any civil servant in your Department being held responsible for allowing this to happen?

**Dr Farry:** We are focusing on getting the situation resolved at this stage, rather than pointing fingers. Let me put it this way: if I was not satisfied that people were serious about getting this problem fixed or they were complacent about getting it fixed, I would be extremely annoyed, frustrated and angry with people. We have a situation where mistakes have been made. I fully accept that. On behalf of the Department, I am giving an apology to all those who have been affected. In due course, we will look to see whether there is any individual underperformance, but that is a staffing matter that is probably best addressed internally in a Department.

**The Chairperson (Mr Swann):** You will give us that reassurance —

**Dr Farry:** Ultimately, I am here to speak and answer on behalf of the Department. I am accountable to the Assembly and the Committee. I am more than happy to bear that responsibility. We are giving full and comprehensive answers to all your questions. I give the assurance that we are committed to addressing the problems fully. Once they have been identified and brought to my attention, we move heaven and earth to get them resolved.

**Ms Sugden:** Thanks, Minister. I am sorry that you are feeling unwell; I do not think that I am going to make you feel any better. This process is really ridiculous. I have had people speaking with me this morning saying that they are hoping that money is going to be on the ground by September. Now we are hearing mid-autumn and then late autumn. Those groups are still going to face months of uncertainty in that respect.

To be honest, I am not really buying any of it, either. When was the light-bulb moment when we realised that we were in such a mess? I feel a wee bit cheated that we are nearly at the last day of school and we are hearing this. It is not good enough. In response to something William said, you said that money is drying up from the EU. Is it the case that we have now finally realised that, if this money is not paid out, we are going to lose other money that we can draw down? Is it a bigger repercussion for your Department if we cannot fully utilise the money that we are getting from Europe? Is it going to come back on you that we are not using the money at our disposal?

**Dr Farry:** I will first take the issue you raised about money on the ground. I am not sure that you quite picked up what we are saying about the at-risk point. We are working on the basis of a longstop date for the full outworkings of all the claims by mid- to late autumn. The point of the at-risk payments is

that those will be processed by the end of July. When we talk about the payment at 80% and 50%, depending on the time frame in which the claims were made, those payments will be made by the end of July. That amounts to just over £4 million out of outstanding claims with the Department of £9.5 million. Just over 40% will be out by the end of July. We fully accept and recognise that that is not the full amount. The second point is in relation to the threat to European money. What we are doing at this stage with the outgoing programme is essentially shifting what we are claiming from Europe. We already have Training for Success as part of our operational programme, so we are trying to use it to physically get the money from Europe. We have a plan that is well advanced in that regard, so hopefully we will get that formally confirmed within the next number of weeks.

The money that we are paying out to community and voluntary groups on the ground is our own direct resource, but, nonetheless, we are required to vouch that to the same standards as for the Commission, so we have, in effect, what is an interruption from the Commission. Subject to approval being given to Training for Success, there is no threat to the money from the Commission for the outgoing 2007-2013 period. If we do not change our procedures and now deliver the vouching to the required standards, we will struggle to access the European Commission money for the incoming 2014-2020 period. We are satisfied that what we have now put in place will meet those requirements, so, again, there should not be a threat to those resources.

As for coming here, this is a full meeting of the Committee. If people want to have other meetings over the coming weeks in that regard, we are more than happy to facilitate that. We are here giving a full account of what has happened. We have not refused to answer any questions or turned down any invitations to come to the Committee in that regard. I think that this is probably my third or fourth appearance over the past number of months, which, you could argue, is a reflection of the complexity of the multifaceted problems that we have had with ESF, but it is also a reflection of how seriously we as a Department are treating the situation that we find ourselves in.

**Ms Sugden:** I think that what I am trying to ask is this: if you had not come here, apologised and put more staff in place to get the vouching under way and get the last programme tied up, would there have been a threat to European money in the next round?

**Dr Farry:** If we had not put more staff in, the processes would have taken longer, but changing our procedures, retraining existing staff, and delivering to that new level are absolutely intrinsic to our getting access to the new rounds. As we go, we are addressing the issues that come up. The things that we are announcing today are not because we have come to the Committee; they are things that we have discussed over the past number of weeks as to how we will address all those issues. Staff have been reallocated over the past two or three weeks now. The issue of retraining of staff has literally only occurred from the beginning of June onwards, so we are talking about very raw contemporary issues. We are not reporting events that happened two or three months ago; we are giving a real-time account of where things stand.

**Ms Sugden:** What I am trying to ascertain, and others have asked, is what has triggered it. Why are we now getting an apology? I feel that the Department has realised that future moneys are at risk if we do not tie it up now.

**Dr Farry:** OK. Can I be very categorical? The reason that I have given an apology today is for one very discrete area of poor performance by the Department in relation to the payment of claims that are coming in. I am not giving an apology in relation to a risk to the next round of European funding, because that funding, subject to us changing our procedures, is secure. There is no risk, subject to us delivering what we say we will do, to that package of European funding.

There have been other issues with the programme in terms of the incoming issue, where we have intervened to clear up certain ambiguities. In that regard — I do not know if members feel differently — I believe that the staff acted with complete integrity in how they handled issues, but there was an ambiguity around how things were interpreted. However, when we come to the payment of the outstanding claims, the fault lies with the Department that that money is not flowing, because, as identified by the audit procedures, we have not been delivering those in line with the commitments that we have to follow. That is being addressed. In so far as organisations are producing claims that are appropriate, proper and, when we verify them, accurate, the responsibility for the delay lies with the Department. We accept that that is a reality, and, in that context, I am passing on an apology to the organisations and reflecting, as Pat outlined, that in no way, shape or form are the delays that organisations are now experiencing a reflection on them or on the quality of the staff who operate those programmes and organisations.

**Ms Lo:** A lot of questions have been asked, and I want to ask about vouching and match funding. Minister, we certainly welcome the extra measures and the extra staff that are being put in. You said that the problem really lay with the audit processes in the Department, so was any money lost from Europe, maybe through the disqualification of claims?

**Dr Farry:** Anna, the issue is not that there is a problem with the audit. The audit highlighted the fact that there was a problem with our processes and their management, but we have not lost money. We have simply reorientated how we will pay the money. There are delays in the payment of resources. Colin, do you want to add anything to that?

**Ms Lo:** There was only a delay, not a loss of money.

**Mr Jack:** The problem was with the process of vouching the payments, and officers who go out to visit organisations have to go through a checklist to verify that all the incurred expenditure was legitimate. There were inadequacies in the way that that process was carried out. An improved process was introduced in response to a previous audit report, and an initial follow-up audit report suggested that the improvement had been made and outlined how that was carried out. However, a subsequent report found that the practice had slipped back, and that was really the problem. When there was an attempt to improve the process, which had been in place since the outset of the programme in 2007, that improvement did not happen in the way that it was supposed to happen. The systems in place for managers to satisfy themselves did not work fully either.

**Ms Lo:** For 10 years, I was the director of an organisation that got Peace money, and I know that the whole system is really bureaucratic. It is very disappointing that your efforts to try to negotiate with the EU to simplify the vouching system did not succeed.

**Mr Jack:** We have brought in a simplified process for the new programme.

**Ms Lo:** Minister, you said that you are putting in 10 extra staff. Will the delay and work on the backlog, which is welcome, delay the next payment for the new round?

**Dr Farry:** Perhaps a little, but it should not really in practice because we are expecting to have that many claims coming in from April. Some organisations may have been proceeding at risk, based on the announcement that we made at the end of March/beginning of April. Others will kick off when they formalise their letter of offer, so more and more organisations will be ramping up progressively in terms of delivery. Realistically, we expect the first claims to come in probably in the late summer and autumn. By that stage, hopefully, we should be through this process. There may be a small impact on the margins.

**Mr Jack:** This is a very dynamic process, and we will reallocate staff to meet the highest pressure at the time. At the moment, the priority is to address the backlog of payments. We also have a priority to make sure that we can claim the money for Training for Success from the Commission, because we have an absolute deadline of the end of the year to do that. The priority will then be to pay the organisations that are successful under the new programme.

**Ms Lo:** There is always a time limit for claiming under previous programmes that have finished.

Minister, DEL will not be able to cover match funding for everybody. You have committed the 25%, and you are now trying to cover the 35% that other Departments or councils will not be able to meet. Is it a problem with the process that, when organisations are being assessed, maybe we should be a bit more realistic?

**Dr Farry:** We have to take what people say at face value. We are entitled to identify where the match funding is coming from, and sometimes it may not always materialise. Some organisations will self-fund the 35%, and, at times, people may even shift the balance of self-funding, depending on what happens. That has never really been an issue in the past because we have always operated in the context of a steady state or growing budgets. My Department has not been the source for the 35% outside the disability sector in the main. We are now in a situation in which we know that there are problems out there. We are doing what we can to pick up the pieces and, in doing that, we know that we are not going to be able to cover all the bases. It is a problem not just for us but for the wider Executive and for Northern Ireland as a whole. Unless we have the ability to match-fund collectively, we will limit our ability to take advantage of a wonderful opportunity to get European money.

Where we are at today flags up issues. It is worth saying for clarity that what we are announcing today on our match funding can really be for only the current financial year. That is not to say that we will not repeat it in years 2 and 3 of the current phase of the programme, but, given that we budget from one year to another, we cannot give a cast-iron guarantee for other years. Organisations can move on the basis of getting one year's match funding from one source and from a different source in subsequent years, but we are all very conscious of the trajectory of public spending in Northern Ireland at present.

**Mr Anderson:** You have come here today and apologised to a certain extent. You are telling us that lessons have been learnt throughout this process. However, when I listen to Colin and Heather, I do not think that lessons were learned about the internal audit checks. Checks were done, and they showed that there were failings in the systems and with management. Not only that but, where improvements were not made, it appears from what you are telling us today that things went back to being as bad as they were, if not worse — I do not know. Surely there is someone there who failed, and who subsequently failed the groups and organisations because that failure was not acted on. In your position, Colin, can you tell us why that was not acted on? Why was an internal audit check that identified something not acted on? Furthermore, where would we be today had the audit not highlighted the issue? Staff in internal audit are there to do a job. They did that job and highlighted something, but it was not acted on. Can you explain why?

**Mr Jack:** The internal audit report that was carried out in 2012 initially — there was a follow-up report in 2013 — resulted in a new management verification checklist being introduced. The staff were trained in completing that checklist, and the initial follow-up audit report found that the sample of checklists that was looked at were completed satisfactorily. It seems, however, that that practice was not sustained. It does not mean that things had gone back to being worse than before. They simply had not been sustained at the initial level.

**Mr Anderson:** You told us earlier that it went backwards.

**Mr Jack:** It went back from where it had got to after the improvement. We had other processes in place to give management an assurance about the programme. We have an annual control report that is submitted to the Commission by the audit authority, which is independent of the managing authority. We had annual control reports that stated that we had a very low error rate on the programme and gave a satisfactory assurance overall. In the case of the annual control report that was completed at the end of 2014, the Commission did not take the same view of the rating given, and that is what triggered the whole issue, although there were some issues as well from the inability to —

**The Chairperson (Mr Swann):** Are you looking to get in, Sheila?

**Ms Sheila McNeill (Department for Employment and Learning):** As the Minister said, I am only in. This is day 3 for me. There has been an awful lot of very good work in, probably, the last two to three months to address and identify the issues and put in place a plan that I will take forward. I give you my personal assurance that it will be taken forward to its full extent. As far as the payments are concerned, I will ensure that they are paid. There is a plan. Obviously, there is due process that they have to go through, but they will go through it as quickly as possible. If I can find any other way of speeding them up, I will do so. I give you my personal assurance that this will be taken forward through the improvement plan, which, I think, coming in quite new, is very good; it is very comprehensive. It takes time to see what the issues are and plan for that and get the staff, training and procedures in place. We are very well advanced in that. You should see that the payment processes and the vouching will move much smoother and quicker now.

**Mr Anderson:** I welcome that assurance, but it still does not get away from the point that I was making. Are we now saying that those audit checks were acted on, or were they not? Did we make improvements to the audit checks or not? Earlier, Colin, you said that, basically, things did not get any better. You might not have said it in those words, but that is what I took out of it.

**Mr Jack:** We did make improvements. The initial audit report suggested that those improvements had been made satisfactorily. A subsequent audit report found that that practice was not uniform. As soon as we were aware —

**Mr Anderson:** Why did that happen?

**Mr Jack:** Well —

**Mr Anderson:** If something was highlighted and acted on, why did we then go back to a situation where it was not acted on? Why did it happen? Is there some failing still there that has not, to this day, been acted on? What are we doing wrong here?

**Mr Jack:** Since the issue really came to a head over the last three or four months, we have had a comprehensive review of our processes in the ESF managing authority, which has gone much deeper than a normal internal audit report would go. We have identified what improvements we need to make to our systems for the closing down of the current programme and the introduction of the new programme to make sure that we have a much more robust process in place for the future.

There were some aspects of the process where, back at the outset of the programme in 2007, the Department had almost created a system that would have been virtually impossible to properly complete. There was a 100% vouching regime, which is extremely resource-intensive and very intolerant of any failure. That process has not fully worked. However, we have moved on from that. We have adopted a different process for the new programme. We have not adopted a 100% vouching process; we have adopted a simplified costings methodology that has been specified by the Commission and which we will adopt. It reduces the scope for it not to be agreed with the Commission and reduces the scope, hopefully, for there to be audit issues with the new programme. We —

**Mr Anderson:** What we are hearing here today is that there were issues. It is quite obvious to me and, I am sure, to others that something went wrong and it was not acted on. I just hope that that issue has been sorted and that guarantees and assurances will be given.

Are the 10 additional staff now fully trained up? Is there a possibility of other staff being brought in, or are you sitting at 10 staff?

**Ms Cousins:** There were two training days for all staff in June. Those are to be followed up with an accredited training programme that all staff will be required to go through. It has been put on for just this operational area so that they will get consistent messages. There will be absolutely no doubt about what standards are required. If anyone in future does not meet those standards, they will move to a different area of work.

**Mr Anderson:** Will any additional staff need to be brought in and trained up, or do you think that the 10 that you have will be sufficient?

**Ms Cousins:** We have done a comprehensive review of the staffing requirements for the new programme. We would have been putting additional staff in as a result of that, anyway. Once we have the payments process sorted out, we can look again at what we need. We are increasing the supervisory levels as well because some of the checks for the new programme are different from the checks for the old programme. It is not just about vouching expenditure; it is about looking at what is being delivered. There are different requirements.

We had a comprehensive review fairly recently. The internal audit report that told us what we thought had been happening was not happening came to us in March, and all of this activity has taken place since. Knowing that there was a problem, we did not sit back and take no action.

**Mr Anderson:** OK, we will look to the future and see how it goes. Thank you very much.

**The Chairperson (Mr Swann):** I have a couple of quick questions to tie up the ESF summary. Heather, you said that anybody not up to standard will be moved to another area of work, at all levels in the managing authority.

**Ms Cousins:** Yes, at all levels in the managing authority. The issue is ensuring that we are managing performance appropriately.

**The Chairperson (Mr Swann):** Minister, I have asked you this before informally: are you aware yet of JR papers with regard to ESF being lodged with the court?

**Dr Farry:** We are aware of rumours to that effect. What is the concept, Heather?

**Ms Cousins:** Pre-action.

**Dr Farry:** It is up to others to follow through on that. It may be that people are just testing the parameters of whether they wish to pursue something. In the context of someone seeking to challenge something, we will rigorously defend the process.

**The Chairperson (Mr Swann):** At the minute, you are not aware of any challenge.

**Dr Farry:** We believe that the process that we have conducted to date is legal and will withstand challenge. If others find fault with it, so be it, but the issues that we are discussing today are probably of a different nature from the concerns that people might have about the decision-making process to establish which projects were funded.

**The Chairperson (Mr Swann):** Fra has a question about EMA.

**Mr F McCann:** Thank you, Chair. I thought that you had forgotten about me.

**The Chairperson (Mr Swann):** I would never forget about you.

**Mr F McCann:** I would not let you.

When 13 groups had a meeting about EMA a while ago, they were told that they could re-profile the money, but that was a verbal understanding. Would the Minister or somebody in the Department write to the people involved? People are a bit hesitant about using that. Written confirmation would allow them to move forward.

**Dr Farry:** We will communicate with them, Fra, and let them know what their options are.

**Mr F McCann:** Are you and the Department totally committed to delivering the EMA strategy?

**Dr Farry:** Do you mean the Executive's Pathways to Success strategy?

**Mr F McCann:** Yes.

**Dr Farry:** Yes. That strategy remains in effect. My Department took the lead on the design of the strategy, but it is an Executive strategy, not a departmental strategy. The problem about where we find ourselves is that the resourcing of the different elements is very much in jeopardy, so our ability to deliver the strategy is hampered by resourcing issues. The strategy, however, remains live.

Shortly, there will be a report on the delivery of the strategy over the past number of years. A review was undertaken by the Centre for Economic and Social Inclusion, which is a London-based organisation. That report should be with me shortly. I have not yet formally received it. We will then publish it and discuss it with the Committee in the autumn.

**Mr Jack:** The Committee is, I believe, scheduled to be briefed in the autumn.

**Dr Farry:** Great.

**Mr Jack:** The date has not been set, but the intention to do that has been lodged with the Committee Clerk.

**Dr Farry:** That is the report of the review of the implementation of Pathways. Going forward, things are, to be quite blunt, difficult.

**Mr F McCann:** Has there been any discussion on or consideration of bringing it into core funding in the same way as happens for colleges and further education EMAs?

**Dr Farry:** Sorry, do you mean making the EMA core funding?

**Mr F McCann:** Yes.

**Dr Farry:** The EMA scheme for schools and colleges is a formal scheme. When talking about the Pathways EMA, it is probably a slight stretch to call it an EMA. People with long memories will remember the origin of EMA, which goes back to the Labour Government at a UK level well over a decade ago. Its purpose was to keep people from low-income households in school or college; the concept then expanded to training provision and now to the Pathways strategy. When we talk about "EMA" with capital letters we are referring to the formal Executive programme that runs across my Department and the Department of Education in relation to schools and colleges. EMA was never mainstreamed. It was part of the Pathways strategy and the funding package that was agreed by the Executive in March 2012, which expired in March 2015, so it was time-bound. It was never baselined, but we hoped that we would have got the money, if the situation had been different, to renew and refresh it. The issue now is whether I pay that money from core departmental funds.

What I have been trying to explain is that, where we have the ability to do things in support of delivering on the ground, particularly for those young people who are not in education, employment or training, it is far better for me to stretch budgets in relation to the 35% match funding, because that money then triggers the 40% money coming from Europe, so, in essence, we almost double the impact. If we spend that money directly on EMA, we cannot draw the money down from Europe, so the impact is less. Looking at the picture overall, what we are trying to do is ensure that we can support as many young people as possible but then give the organisations the discretion to do so. That is much more efficient money management, and the money stretches further if we do it that way than if we do it directly from the Department.

**Mr Ramsey:** I have to say, you have been a champion of the NEETs programme since taking over the portfolio and you have always been very clear that there will be a level of equality in the provision for young people who are NEET. I accept that and I am listening carefully to your tone today, and you have not ruled out not releasing departmental money to fill the vacuum. Clearly, for those groups that have secured ESF funding, it was never part of any criterion or condition then that they would have to find the money. They were on tight budgets and making a bid for ESF. Some of the groups are appraising whether they can afford that, given the limited budgets that they received. We heard about the United Youth programme last week, which is unique and creative. Clearly, all those young people participating in that programme will be entitled to EMA, so in some circumstances you could have young people receiving EMA, and in other circumstances you could have young people who are most vulnerable, including those with disabilities, facing uncertainty. I hope that you will look at that with a view to having a plan B to give comfort to those in our community who are not in work or employment.

**Dr Farry:** Pat, first of all, I accept that there are all sorts of anomalies across the system around what is paid in different areas. My ambition is for us to have it in a seamless way that facilitates progression. That is what we are trying to achieve, as well as retention in the schemes. While, technically, we have not ruled out the Department directly paying EMA, what I am trying to get across is that there is no logic to our doing so. I accept that organisations are working on extremely fine margins, but so is the Department, albeit on a different scale; nevertheless, our margins are no less fine than the organisations'.

What I am trying to say is that, if we pay the money directly, that money cannot then be used and does not draw down the 40% from Europe. If we use the money available to the Department in relation to 35% match funding, as you appreciate, we are not covering all bases in the regard, so we can do a lot more in relation to the match funding. Once we do that, we can leverage money from Europe, so if we pay the 35% we get the 40% from Europe; if we pay the EMA we do not get the 40% from Europe. We will stretch budgets as far as we can if we do it that way.

Organisations still have the discretion to do so, even if they have not previously taken a decision in that regard. The guidance notes in relation to bids had cover for an allowance being paid. Even if an organisation has not committed to doing so, it retains that discretion. Colin, do you want to elaborate on the application process and the Pathways allowance?

**Mr Jack:** The guidance notes that were available as part of the application process made it clear that participant allowances were one of the expenses that is allowable within the 40% overhead costs that organisations will be entitled to under the new programme. The regime is that they are paid their actual staff costs plus this 40% allowance for overhead costs, of which participant costs, including participant allowances, are one element.

The payment of participant allowances to those taking part in ESF projects has been part of previous programmes. When the Pathways to Success strategy was being developed, there was a campaign

for a specific allowance for young people not in education, employment or training, but there were other projects under the previous ESF programme that were paying participant allowances out of their project costs. In that sense, there was an anomaly under the old programme. The issue now is that the resources are very limited across the board.

One bit of comfort that the organisations might take is that the participants that have received the Pathways EMA do so only if they are not receiving other allowances from other sources, and quite a high proportion of participants are receiving those types of allowances. The uptake under Pathways to Success under ESF and the collaboration and innovation fund of the Pathways EMA was quite low, and the costs were quite low compared with what we had anticipated. The costs for individual organisations are, perhaps, not likely to be as high as they may fear, and we are happy to discuss with them what our experience has been.

**Mr Ramsey:** I accept what the Minister is saying in good faith, but unfortunately we have groups that are on tight margins and which are making bids for part of the new ESF moneys. They might find it most challenging to deliver it on those tight margins. We are talking about young people in particular who may be estranged from their families and who may be using this money to supplement food etc. I am just making a final plea to you: groups may be able to afford it, but others may not. I ask you not to rule out using departmental money if it is possible.

**Dr Farry:** It is not ruled out, but it is not logical for us to do it. If we focus the resource that we would otherwise be paying in allowances into the match funding we will deliver more places for young people who are not in education, employment or training than would otherwise be the case. More people will slip through the net entirely if we do not follow the route that we are taking. The money can still be paid, but it is more efficient for the organisations to pay it, even accepting that they are on tight margins, than it is for us. If we take a different approach, there will be young people who are getting the allowance paid by the Department but there will be fewer young people availing themselves of opportunities across the piece. The greater good is served by doing it this way, because we are able to touch more young people's lives and give them more opportunities than would otherwise be the case.

**Ms Sugden:** I am a wee bit confused by this, so maybe you can enlighten me. Are we essentially asking organisations to reprofile their match funding so that whatever money is freed from that covers Pathways EMA?

**Dr Farry:** They have headroom of about 40% for indirect costs, and they have the option of paying it from that. It will also be less bureaucratic in the sense that they take care of the matter themselves rather than having to go through the process of making claims to us and us vouching the claims, dare I say it, and paying them out. It is more efficient for a whole host of reasons. Some organisations will have identified as something that they wish to do as part of their bid, and others may not have done so. However, organisations have the scope to do that.

On the margins, that may have an impact on their ability to do other things if they decide that that is the route that they want to go down and they feel that it is an important thing that they wish to do. Where appropriate, we will work with them but, because the payment can be made out of indirect costs, the organisations do not need to have a discussion with the Department about what they are trying to do. While there may be an impact on what the organisations do directly, if we were to directly do it as a Department there would be an even greater impact because there would be less funding across the piece for intervention work itself with young people in that context.

**Ms Sugden:** Have you corresponded about that with all the organisations that deal with young people who are NEET?

**Dr Farry:** We have not given a direction in that sense. At a high level, we have said that we anticipate that organisations will do so, but there is no sense of compulsion or that organisations have to do this. We are not going to direct them to do so, but, in response to what Fra said, we have undertaken to communicate to organisations that they have the possibility if they choose to exercise it. They do not have to.

**Ms Sugden:** I get the sense that it is either ESF or EMA. To an extent, there is a way of satisfying both, but that would be up to the organisation. What about people who are NEET and do not subscribe to an organisation but want to go down that route? Does the Department have a responsibility to satisfy its obligation to them in another way?

**Dr Farry:** Sadly, given the way in which things have turned out with budget cuts, the only community and voluntary sector intervention in relation to NEETs is now through the European social fund because the collaboration and innovation fund came to an end at the end of March 2015. People on the Training for Success programme will receive an allowance. Those going through United Youth will receive an allowance. Obviously, those staying at school or college will receive an allowance. As we look to the new system of youth training that we announced yesterday, allowance will be paid that will be at least at the same level as the current schemes, and potentially slightly more.

**Ms Sugden:** If you were of a mind to continue Pathways EMA, has the Department projected the cost of that up to 2018?

**Dr Farry:** We have not fully costed what that would be. You are probably talking about a figure in the hundreds of thousands. It is not a huge cost. It depends on the extent to which things are drawn down. Budgets were not drawn down by organisations to the extent that we originally budgeted for and anticipated under previous rounds. The difficulty is that, even if we are talking about a couple of hundred thousand, if we deployed that in terms of match funding, it would be make or break perhaps for another project going ahead or not and dealing with those who are in that context. That, essentially, is what is at stake. We can do a lot more with our money through match funding than we can with the direct payment of Pathways, but that does not preclude Pathways EMA being paid by the organisations themselves. Even if that compromises what happens in terms of delivery to an extent, whatever that will be will be much less of an impact than it would be if we do not have the ability to match fund to the full extent that we would like to in the resource available to us.

**The Chairperson (Mr Swann):** Minister, the last —

**Dr Farry:** The last?

**The Chairperson (Mr Swann):** The last one is Belfast Metropolitan College, performing arts and the South Eastern Regional College. Again, thank you for your time this morning.

**Dr Farry:** Yes. That's it.

**The Chairperson (Mr Swann):** The £300,000 is not an increase of the funded learning unit (FLU).

**Dr Farry:** Strictly speaking, it is not FLU; it is a direct payment —

**The Chairperson (Mr Swann):** It is a direct payment for —

**Dr Farry:** It is a recognition that it is a new facility. There will be pressures around —

**The Chairperson (Mr Swann):** It is more capital than —

**Dr Farry:** No, it is revenue.

**The Chairperson (Mr Swann):** One-off revenue or continuing?

**Dr Farry:** To be determined. As you know, we are in an ongoing situation of flux with budgets. At this stage, we are not making any commitments in any regard.

**The Chairperson (Mr Swann):** It could be looked at as a set-up cost rather than —

**Dr Farry:** The anticipation is that, over time, the facility for SERC will be an income generator. It will be a fully operational theatre. It is anticipated that the college will market it and taking commercial bookings. What you may view as a subsidy for now is not something that we would view as a long-term commitment that we are making, but we will have to make an assessment, as we look to next year's budget, of what is appropriate.

**The Chairperson (Mr Swann):** It is not an additional £300,000 to facilitate intake of students —

**Dr Farry:** It is not money that is necessarily following the students. It is something that we were committed to doing regardless of what was happening in relation to BMC. Let me be very clear: while we are not doing a direct increase in SERC mapped like for like with what is happening in BMC, SERC has the headroom to accommodate the displacement of students in the direction of Bangor. SERC did not fully utilise its maximum student number allocation for HNDs, for example. Normally, we would do a reallocation across the colleges of underutilisation and those that want to do more. We have not done that, so SERC, in its existing footprint, has headroom to accommodate the students. That is how that will be addressed.

**The Chairperson (Mr Swann):** What is the headroom?

**Dr Farry:** I do not have the precise figures, but we will drop you a line.

**The Chairperson (Mr Swann):** Before BMC comes in.

**Dr Farry:** Before 12.00 pm? That is somewhat ambitious.

**The Chairperson (Mr Swann):** I think that the indication was that all 120 BMC students could go to SERC. If you are saying that only —

**Dr Farry:** I am not saying that they cannot all go to SERC; it may well be that they can. SERC will recruit, and it is not barred from recruiting outside its area, so those students can go to Bangor. We have a wonderful new facility, and, hopefully, the Committee will have a chance to go down and look at it in due course. Unfortunately, your counterparts on the CAL Committee have beaten you to it, but the college will no doubt be more than happy to facilitate you. Indeed, you could hold a meeting there, if you so wish.

Not all the displacement from BMC necessarily relates to HNDs, because some is level 2 or level 3, and some of that will be accommodated. People will apply to courses as they see fit. We are looking to a situation in which different colleges offer different types of courses. We have to welcome that specialism, because it means that we are offering more. If the offer of all six colleges were exactly the same, that would limit our ability to maximise the training impact.

**Mr Buchanan:** Chair, we are being told that SERC may be able to take some students from BMC but not all 120. Where will the others be facilitated?

**Dr Farry:** People will make their own decisions in different ways, Tom. Not all 120 will necessarily automatically look to go to SERC. BMC is better placed to answer those questions in due course. It has a commitment to honour the existing two-year enrolment to which students have committed. As for future provision, people can apply to take courses offered across the sector. We are conscious that the performing arts are an area of interest. We are making capital investments, and places are available. Beyond that, a host of things is being done in the creative industries, of which the performing arts — dance and drama — are only one subsection. BMC is continuing with creative industries and has a lot of facilities, particularly at e3. It is not the case that, all of a sudden, BMC is withdrawing from a vast swathe of activity. Its withdrawal is from one particular area, and that specialism, which will increasingly be offered in SERC, is open to people from a range of areas to apply to. There is scope for a significant increase in the number of students studying such courses in Bangor.

**The Chairperson (Mr Swann):** Minister, thank you very much for your time.

**Dr Farry:** Not at all.

**The Chairperson (Mr Swann):** I also thank Heather, Colin and Sheila.

**Dr Farry:** We will see you in the autumn for a general round-the-houses. I am sure we will touch on where we are with ESF, among other things. I hope that you all enjoy the summer.

**The Chairperson (Mr Swann):** Thank you, Minister.

**Ms Lo:** I hope that you feel better soon.

**Ms Sugden:** Get well soon.