



Northern Ireland
Assembly

Committee for The Executive Office

OFFICIAL REPORT (Hansard)

European Union Funding Programmes:
Executive Office; Department of Finance

9 December 2020

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Colin McGrath (Chairperson)
Mr Doug Beattie (Deputy Chairperson)
Ms Martina Anderson
Mr Trevor Clarke
Mr George Robinson
Mr Pat Sheehan
Ms Emma Sheerin
Mr Christopher Stalford

Witnesses:

Mr Dominic McCullough	Department of Finance
Ms Laura McDonald	Department of Finance
Mrs Lorraine Lynas	The Executive Office

The Chairperson (Mr McGrath): I welcome Dominic McCullough, head of the EU division in the Department of Finance; and Laura McDonald, head of future funding and EU exit coordination at the Department of Finance. You are in the room with us, and are very welcome. I also welcome Lorraine Lynas, of the EU's future relationship division in the Executive Office, who joins us by StarLeaf.

We can hear you, Lorraine. Can you hear us OK?

We have now lost the connection. We will give it a few seconds. Lorraine is back on the screen. Can you hear us, Lorraine? She has now dropped off completely.

Mr Dominic McCullough (Department of Finance): Chair, would you like me to start and we can pick up Lorraine as we go along?

The Chairperson (Mr McGrath): Do you have her notes? If we could do that, that would be appreciated.

Mr McCullough: First, I thank you for accepting the paper. I know that it was late, but there were lots of causes, which I will not go into. We are particularly busy and wanted to get a paper to you rather than not.

As you said, my name is Dominic McCullough. I am head of the European Union division in the Department of Finance. I lead on replacement funding and PEACE PLUS strands of the cross-

departmental future policy and finance work stream. I am here with my colleague Laura McDonald, and we are more than happy to address any questions that the Committee might have.

I want to do some explaining first. The future policy and finance work stream is led by the Department of Finance. It is one of the five strands of the future relations programme, and we report directly to the future relations board.

In the replacement funding strand of the work stream, our focus is on securing replacement of the spending power that we currently derive from EU funding sources, and to coordinate Northern Ireland input to Whitehall on domestic successor funding. That is a fairly complicated and challenging job.

My team also leads on the shaping, finance and delivery of the PEACE PLUS programme. I am centrally involved in that. We also work with Northern Ireland-accountable Departments to secure their input into the development of PEACE PLUS. We will work with them as that programme progresses towards agreement and signing-off by the Executive.

I thank you for giving me the opportunity to speak to you. We have provided a paper that gives a brief overview of the EU funding replacement programme position as we understand it. In discussing EU future funding, we need to look at what we received from the EU in the 2014-2020 multi-annual financial framework period. In Northern Ireland, we received €3.6 billion. The biggest part of that went through the common agricultural policy, which went through the Department of Agriculture, Environment and Rural Affairs, which also delivered the rural development fund.

The PEACE PLUS programme, which I have been responsible for, will replace the PEACE and INTERREG element of EU funding programmes. It is the only programme that the EU, Irish Government and British Government have given full support to. I am happy to talk about that programme, as we want to get it agreed as soon as possible to ensure that maximum benefit goes to its intended beneficiaries.

It is intended that the programme will be fully inclusive and that we will have it agreed as early in 2021 as possible. The final shape and size of the programme is under discussion. What we are focusing on at the moment is developing the programme with the programme managing authority, the Special European Union Programmes Body (SEUPB), and finalising funding agreements with the UK Government. Ultimately, the PEACE PLUS programme will require agreement from the Northern Ireland Executive, the Irish Government, the European Commission and the North/South Ministerial Council. I know that Gina McIntyre was speaking to the Committee a few weeks ago and gave a fairly thorough overview of how the programme was going.

As for the future of funding programmes, the Shared Prosperity Fund, which I am sure you are aware of, was first promised in the 2017 Conservative manifesto as a replacement for structural funds. The commitment was that those funds would at least replace, in full, the funding that was provided to the devolved Administrations. The structural funds are worth €750 million across the multi-annual financial framework, and that included the rural development programme. As per the paper I provided, we have been working with Westminster Departments to try to understand the potential parameters and quantum of funding that the Shared Prosperity Fund will provide locally.

We are also considering the position on participation in ERASMUS+ and Horizon, which are still subject to EU and UK negotiations. Those programmes are both competitive, and work is ongoing in the Department for the Economy to move them forward. We are also working with the UK Government to clarify the final position on other EU programmes, including the Connecting Europe Facility, health programmes, Competitiveness of Enterprises and Small and Medium-sized Enterprises and the INTERREG B and C programmes. Unfortunately, at the moment, it does not look as though the UK will be participating in any of those.

I wanted to just give you an overview of the main areas of activity that we are involved in and, as I said, Laura and I are happy to answer any questions you might have on those areas.

The Chairperson (Mr McGrath): Thank you very much. I think we may have Lorraine on the line. Lorraine, are you there? Lorraine, is that you there?

Mrs Lorraine Lynas (The Executive Office): Yes, it is. Can you hear me?

The Chairperson (Mr McGrath): Yes, we can hear you now. In your absence, a copy of your opening remarks have been read out. Are you happy enough with that, or do you want to add anything?

Mrs Lynas: No, I am happy enough with that. I was just going to open by inviting Dominic to give an overview of the EU programmes. If there is anything I can assist with in terms of where the negotiations currently are in relation to the EU programmes, I am happy to do so. The negotiations with the EU on the future relationship are at a sensitive stage, but *[Inaudible]* I will probably try to help out with that.

The Chairperson (Mr McGrath): That is excellent; thank you very much. I am glad that you are on with us. We can hear you loud and clear, so that is perfect.

I will kick off with a few questions and then pass to Doug and around the Committee. When I read the paper that was prepared, two things struck me. One was that we have what have been referred to as the EU finance "tails", the sort of funding that is going to ebb off as we go over the next period of time. There is reference to the Shared Prosperity Fund not yet being established in terms of where it is going to pick up. In my mind, that creates a little bit of a basin or a valley in between where there is a gap, and it is in that gap that groups, community associations, existing programmes and councils right across the whole gamut will be asking where the funding is going to come from. What do we do in that gap as one funding stream tapers off and the other one builds up? Is there an expectation that that will be seamless, or will there be a gap between the two?

Mr McCullough: You mentioned the issue of tails, and that is something that we are very concerned about in terms of receding from one programme period into another. Laura and I have been very proactive in pushing the Whitehall Departments on how they calculate those tails and the basis for them considering those tails as part of replacement funding when, in fact, it is money that has been accrued and rolled over into annual budgets rather than EU budgets. We are very concerned about that. We have also been pressing the Whitehall Departments on clarity about their intentions for a Shared Prosperity Fund in both quantum and delivery, and also in the policy direction of that fund.

You asked how we ensure that there is a gap. With something like the PEACE PLUS programme, it will run for another three years, so there should not be a gap in funding. However, for other programmes, such as the European social fund programme, there is potential for the creation of problems because there is no seamless transaction from one funding stream into a second funding stream.

Laura, do you want to add anything?

Ms Laura McDonald (Department of Finance): I know that this methodology has been used for the agriculture funding, and the Chancellor announced that there was a possibility that the tails issue could be applied to the structural funds. We have repeatedly objected to this methodology being used for the Shared Prosperity Fund, particularly in Northern Ireland, when we have used the N+3 period as a way for prudent expenditure. It is really using an accrual and netting that off against any future moneys that are due into Northern Ireland. We are objecting to it. We have had conversations with the Treasury, the Ministry of Housing, Communities and Local Government, the Department for Work and Pensions and the Cabinet Office about the implications of applying this methodology to future funding coming into Northern Ireland. A pilot programme for the Shared Prosperity Fund will be launched in January, but it is worth £220 million across the whole of the UK, which is significantly less than we were expecting. The full Shared Prosperity Fund will be launched in April 2021, but that will be subject to the 2021-22 spending review for a multi-year budget.

The Chairperson (Mr McGrath): The difficulty and concern that I have is that EU funding has effectively become recurrent funding, and Departments rely heavily on it as being not their only ability, but the majority of their ability to have money to spend to address priorities within their Department. So long as they maintain and tick the box for what the EU requires, it then becomes money that is spent by Departments here to address their priorities and to address the Executive's priorities. If that money was to dry up, that would be equivalent to a considerable reduction in the block grant for Northern Ireland. Are you able, in any shape or form, to say that this is the amount that Northern Ireland will have to spend in a year, and this is how much of that comes from the EU — which is now under a question mark — and, therefore, we have to go to London and say, "If you are going to replace it, this is what we need." Has that been pulled together in some way?

Mr McCullough: London will be aware of our ask, for want of a better expression, in terms of replacing EU funding. We have made it very clear through the Department of Finance, and individual Departments have made it clear to London what their position is. As Laura mentioned, we find it very frustrating in getting actual detail on the size of the Shared Prosperity Fund and how it is going to be delivered. One of the things is that we work and keep regular contact with the Scottish and Welsh Administrations. They are in a very similar position, and certainly there is common ground between the three Administrations in how we want our cases to be represented to the Treasury and the Cabinet Office.

The Chairperson (Mr McGrath): In articulating these views to London, that is something that we can say: we have articulated our views to London and we have let the Treasury know what they are. However, one of the difficulties is that we currently have an SNP Government in Scotland, a Labour Government in Wales and a five-party Executive here, none of which are, thankfully, Tory, yet they are the ones in London and the Treasury. There is no connectivity to say that people are working together, and it has the potential to become a "them and us" situation. What involvement do you have with the Treasury? Are there forums that you sit on where these issues are raised? Do you and others submit papers for consideration, or is it effectively going to come down to us letting the Treasury know what our thoughts are, but it telling us what is going to happen at the end of the day?

Mr McCullough: Laura and I and other officials in the Department of Finance interact with all those Departments on a weekly basis. Our Minister, Conor Murphy, has sought meetings with the Scottish and Welsh Ministers and the relevant Ministers in the English Departments. There has not been great success in getting those meetings. A number have been cancelled at short notice. I know that our Minister has been very proactive in pushing for answers on that, both officially and through us.

The Chairperson (Mr McGrath): Finally from me, is an official audit kept of what groups the EU money goes to? Is there then a free flow of communication with those groups and organisations, be that via individual Departments or centrally from the Department of Finance, saying, "You are an organisation, group or whatever that is in receipt of EU money. It will cease on such-and-such a date, and then we are going to have to look forwards"? Is that communication being kept up, or is it nine Departments looking after it in nine different ways?

Mr McCullough: The individual Departments will communicate directly with the groups or beneficiaries that they work with. Speaking from my experience with the Peace programme, the SEUPB keeps the groups very well updated on the current position, both by meeting them and through its website and social media outlets. I cannot say that a Department has a chain of communication. I would be very surprised if they do not have that and do not keep their groups up to date, because obviously that is an area that is of interest to the groups that benefit from the EU money and the Departments that manage that money.

The Chairperson (Mr McGrath): Might that be something that could be considered in some way, even just having somebody check across the Departments to make sure that that is happening? It would be terrible if eight Departments are doing it, one is not, and the one that is not means groups finding out at the very last moment that they are in difficulty. I appreciate that that may not be easy to draw together. It might even be just suggesting to the various Departments, "Are you doing this? Can you let us know that you are?" It does not need to be the granular detail. Just knowing that the Departments are doing it would be very useful, because then you can be assured that it is being fed right down to the groups on the ground and that they know.

Mr McCullough: Yes. If you are content, we will take that as an action and come back to the Committee and give you a position on how communication is going with different EU beneficiaries. We will come back to you on that as soon as possible.

The Chairperson (Mr McGrath): Thank you.

Mrs Lynas: I will come in on that from my previous experience of the rural development programme. Each programme will have a monitoring committee that has been set up as a requirement under EU legislation. Those committees will have representatives of all the main groups or beneficiaries from the programme. That is the main mechanism by which amendments to programmes or key developments are discussed. I am sure that groups are being kept informed of a lot of this through those monitoring committees, but I agree with Dominic that we can follow up on it anyway. It was just to point out that there are some mechanisms there that we are aware of.

The Chairperson (Mr McGrath): OK; that is grand. Thank you very much for that, Lorraine.

Mr Beattie: Dominic, thank you for that. Some of it can be quite complex at times. To be honest with you, I did not have a question until the very end. I just want to satisfy myself slightly. Are the timings for the SEUPB key milestones for the PEACE PLUS programme on track? It says here that the consultation should have been in November or December. Are we on track, or have we slipped? If we have slipped, is there a reason why?

Mr McCullough: I have worked closely with the SEUPB over the last two years, ever since PEACE PLUS was announced. It had always been the intention to put a consultation in place for the latter part of this year. It has slipped. We are in the middle of December, and there is no consultation out. The main reason for that is that we have not been able to confirm the programme budget. The programme budget sits at €650 million when you add up the EU and UK contributions. We are pressing the Northern Ireland Office to give us a decision on that on behalf of the UK Government. That would allow us to go to the next stage and put a consultation document in place that outlines the different themes that are proposed in the programme, what it wants to achieve and its potential budget. There has been slippage. It is fair to say that the COVID situation has also impacted on operational delivery. I just want to credit the SEUPB for the work that it has done in pushing ahead. It has done a very commendable job in getting to where it has. It is our hope that, with some sort of fair wind, we can get a consultation document out in the early part of next year and the programme approved in mid-2021 to allow it to commence towards the end of next summer. That is the hope, and we are working to do that.

Mr Beattie: Yes. It is a difficult situation that we find ourselves in. There is certainly no criticism about the fact that things have slipped — many things have slipped — as long as, when something slips, we have another milestone that we try to hit and we amend our paperwork to reflect that. I absolutely got that from the notes that I have here and from what you said. I understand that there is an issue with the budget. Is that because we have the EU contribution and Ireland's contribution, but the UK has not said what its contribution will be yet, or have I just got that mixed up a little bit?

Mr McCullough: No; you are right. The UK committed £300 million to the programme in January 2019. The withdrawal agreement commits the UK to maintaining funding proportions as they were in the previous programme. That would require the UK to provide an additional €235 million. The UK feels that it has met its legal obligations according to the withdrawal agreement, but it is considering the scope for additional contribution to that. I have been keeping in contact with my colleagues in the Northern Ireland Office on the UK position, and they know the Northern Ireland position. We have a paper going to the Northern Ireland Executive. We are waiting for that paper to be cleared at the Executive to allow us to officially go to the UK and say, "Look, these are your commitments as we understand it. Can you confirm your position?"

Mr Beattie: OK. So there is a legal commitment which they must adhere to. They may give more, but you just have not got confirmation of that.

Mr McCullough: That is right, yes.

Mr Beattie: It could just be a little bit of red tape that we are trying to get through, is that right?

Mr McCullough: Yes, that is right.

Mr Beattie: Do we think that that is likely to be fixed by the end of the year?

Mr McCullough: We are optimistic that we can get an outcome out of the UK. However, it is important to recognise the contributions that have already been made. The programme is sitting at €650 million.

Mr Beattie: Of course.

Mr McCullough: It would be great if we could get the programme up to a higher level than that, but there is a process to go through in understanding the UK's position and clarifying where they see their commitments beginning and ending. That has not completed.

Mr Beattie: Yes, I was reading that it could be up to nearly €1 billion.

Mr McCullough: Yes.

Mr Beattie: I will ask you another brief one, which you might not know the answer to. I know that the UK Government are not taking forward any of the EU health programmes. What will we lose out on from that, besides the European health insurance card? Is there anything else?

Mr McCullough: I am not 100% sure on that.

Mr Beattie: OK; that is all right.

Ms McDonald: I know that it was worth €0.5 million. I do not know what programmes we will lose out on under that — I just know the monetary value — but I can find out and get back to you.

Mr Beattie: Do not worry. It was a throwaway question. I was just wondering if you had something. That is fine. Thank you.

Mr Sheehan: Doug came in with the question that I was going to ask but, if you do not mind, I would like to drill into it a wee bit further. As Doug pointed out, there has been slippage in the development of the PEACE PLUS programme. You have said that that is the result of the British Government not confirming that they are going to ensure that EU funding is retained, as is their commitment from the withdrawal agreement. I think that that is around €335 million on top of the £300 million that originally came out; is that right?

Mr McCullough: It is actually €235 million.

Mr Sheehan: Can you explain exactly what the problem is with getting a commitment from the British Government that they are going to pony up on that?

Mr McCullough: It comes down to interpretation and how you interpret the withdrawal agreement. Whilst the UK Government have not officially said that they feel that they have met their legal commitments, it is our understanding that they feel that they have done so. We have not had an official, "We have met our legal commitments. We are not giving any additional funding to this". The UK Government, as I understand it, are considering their position at the moment and will confirm it to us as soon as they can.

Mr Sheehan: What is the delay in confirming that, do you know?

Mr McCullough: I do not know what the delay in the UK is. From our point of view, we have been very proactive in seeking confirmation and clarification. I know that, on a number of occasions, Minister Murphy has referenced the need for closure on that issue to allow the programme to proceed.

Mr Sheehan: Do you have any sort of timeline as to when we might get an answer from the British Government about that funding?

Mr McCullough: I do not have a timeline. I can guarantee that we are pushing for a decision. I am personally pushing for a decision on it, but I cannot honestly say that a decision will be taken in the next week or 10 days or in a month's time. We will push for a decision and get it as quickly as we possibly can. It will not stop the programme. We need a clarification on the final funding envelope to allow us to move on into the consultation and to get the programme in place.

Mr Sheehan: I am sorry, Chair; I will just finish on this point. If there is a continued delay and further slippage, will that in any way jeopardise the funding that has already been committed? It is certainly going to jeopardise the start of the PEACE PLUS programme.

Mr McCullough: No, I do not think that that will be the case. We have always worked on the basis that the EU commitment is a very firm one, as is the £300 million commitment from the UK Government. The match funding would come from the Northern Ireland Executive to support that. I would say that there is no threat of the money that has been confirmed at the moment being withdrawn or downgraded in any way.

Ms Anderson: I will not ask you to agree with me, Dominic, but it just sounds like perfidious Albion again. They have, once again, made a promise that they are backtracking on. The divorce bill for the British Government's commitment in the withdrawal agreement was nailed down, like the protocol, whilst there was some messing around in the Internal Market Bill. I am reminded that, throughout the Brexit referendum, there were promises made that the British Government would replace funding. I am thinking of farmers; I remember that we had a number of meetings with farmers who were promised by Brexiteers that the pillar 1 and pillar 2 single farm payments, as they were called then, would be replaced. If we are talking about £3.6 billion over the tranche from 2014 to 2020, which is nearly £0.6 billion a year, what promise has been given — well, we know the promise. What will be the outcome of the mere £220 million that we are hearing about now in the Shared Prosperity Fund? Is that to cater for the many farmers and others who had in previous times secured European funding? Is everyone going to be trying to get their funding from that meagre pot?

Mr McCullough: Farming is sitting outside the Shared Prosperity Fund; there are separate arrangements for farming. Laura has the details on that end of things.

Ms McDonald: The farm funding allocations have been agreed. They amount to something like £330 million. That is for the single farm payment side of things. As we said earlier, however, there is an issue with the application of tails receipts to that funding, which equates to a loss of £34 million over a period of three years.

Ms Anderson: A £34 million loss for farmers themselves?

Ms McDonald: Yes, over three years.

Ms Anderson: *[Inaudible]* in their allocation?

Ms McDonald: I do not know. I can go to the policy area and find that out for you. I just know the top-level figures, not the detail of the policy. I will find that out for you.

Ms Anderson: That will be important to know. Is the £220 million for the structural fund?

Mr McCullough: Yes.

Ms Anderson: That is the European regional development fund, the European social fund and all that?

Mr McCullough: Yes.

Ms Anderson: What would the North's allocation be from that, generally?

Mr McCullough: We do not know at the moment.

Ms Anderson: You do not know that either?

Ms McDonald: We do not know what the allocation from the £220 million will be; they have not discussed that with us yet. We know that the value of the Shared Prosperity Fund that was announced in the spending review is £1.5 billion for the UK over a year. Again, we do not know what the devolved share of that will be. As we said, structural funds will be £750 million for the period of the last multi-annual financial framework (MFF), which is about 100 —.

Ms Anderson: We got £750 million, but there is £220 million in this envelope.

Ms McDonald: For this year.

Ms Anderson: The promise that was made that there was going to be replacement funding has again —.

Ms McDonald: They have packaged it as a pilot programme for a Shared Prosperity Fund. That is the only detail that we have.

Ms Anderson: It could get less as time goes on.

Ms McDonald: That is only for this financial year, and it has to be spent within this financial year. The £1.5 billion will be subject to the spending review in 2022.

Ms Anderson: I am conscious that that £3.6 billion would have been the dedicated funds that came here.

Mr McCullough: Yes.

Ms Anderson: Do we know what had been secured from the competitive funding streams? I am conscious that Horizon 2020 had an €80 billion research and development pot, from which Queen's University, Ulster University and other organisations and institutions would have secured funding. Do we know how much money those institutions in the North secured from the competitive funding streams?

Mr McCullough: There are different competitive funding streams. INTERREG B and C are competitive funding streams. I think that €17 million was secured for competitive funding through INTERREG B and C during the current programme period. I do not have the detail on the other areas, but I can certainly —.

Ms Anderson: It would be useful to try to get that calculated around the competitive funding streams.

Ms McDonald: I have figures on what we received in the last MFF. Again, it is up for negotiation, so we do not know what it will be going forward. For Horizon, it was €104 million. For ERASMUS, it was €39 million.

Mrs Lynas: Maybe I can come in on our participation in the other EU programmes such as Horizon, ERASMUS and Euratom. These are subject to the contents of the agreement in the future relationship negotiations, so it sits outside the Shared Prosperity Fund as such. It is dependent on the negotiations. To add a bit of context to that, the negotiations are looking at the overall participation of the UK in those programmes. The negotiators will be working out the detail of that, where the suspension would occur, the financial contribution and so on to get access to those programmes. That will all be subject to agreement on a deal. Even if they get an agreement, the UK Government may decide to take a value-for-money assessment to participate in those programmes. It will be subject to that value-for-money assessment.

Ms Anderson: Just so that I understand, if, for instance, they had to match funds, are you saying that they might feel that they do not want to do that and would not participate in a programme?

Mrs Lynas: Yes, they might very well do that based on a value-for-money assessment. It would be considered in relation to two things. One is negotiating what the terms of that participation would be within the EU under the new future relationship, and then doing a value-for-money assessment of that and deciding whether they would participate in those funds on that basis.

Ms Anderson: And on that basis, then, I am reading here that they might decide on another programme. They are seeking participation in ERASMUS+ as a region, so, instead of students going to Spain to learn a language, they might go to Liverpool.

Mrs Lynas: That is one option for how they may fill the gap of the programmes that were there before. Their own version of ERASMUS might be one option for that.

Ms Anderson: OK. Thank you all very much. You have just confirmed that it is an absolute mess. Thank you.

The Chairperson (Mr McGrath): Trevor, George or Emma, if you want to ask anything, just go on ahead.

That is grand. Thank you very much for coming up and presenting to us. I appreciate that there are matters outstanding and things that need to be confirmed. The whole process seems to be something about which there is a lack of substantial information, which makes planning, preparation and

organisation very difficult. I struggle to keep an eye on one bank account, so I think that you are doing a wonderful job in looking after all that money and all that is there and keeping things moving in the right way. We appreciate you coming up today —.

Mr Stalford: I have four children: I am afraid to look at my bank account [*Laughter.*]

The Chairperson (Mr McGrath): I also thank Lorraine, who is online. Thank you very much. We will take our ease for a moment to let you move on.

Mr McCullough: Thank you.

Ms McDonald: Thank you.