



## **Update on programme implementation as a result of the UK's decision to withdraw from the European Union**

### **1.0 The Context**

1.1 On 23<sup>rd</sup> June 2016 the UK voted in a referendum to leave the EU. The UK Government stated its intention to give effect to that decision. This was re-affirmed by the Prime Minister on her appointment on 13<sup>th</sup> July 2016. At a very high level the position of the relevant devolved administrations is outlined below:

- Following the referendum, the Scottish Government has stated its intention to give effect to the will of the Scottish people, who had voted to remain within the EU.
- The First Minister and deputy First Minister of Northern Ireland have stated they will act to protect the best interests of Northern Ireland.

1.2 The Irish Government have stated they remain focussed on ensuring the continued positive relations with the UK and the peace and prosperity of Northern Ireland.

1.3 The North South Ministerial Council met on 4<sup>th</sup> July 2016. The NSMC agreed to work together to ensure that Northern Ireland's interests are protected and advanced and the benefits of North/South co-operation are fully recognised in any new arrangements which emerge as regards the United Kingdom's future relationship with the European Union. The Irish Government and the Northern Ireland Executive re-stated their commitment to the successful implementation of the PEACE IV and INTERREG VA programmes, and agreed that the Minister for Public Expenditure and Reform and the Northern Ireland Finance Minister will consider the issue of securing the ERDF funding for PEACE IV and INTERREG VA, including through engagement with the European Commission.

- 1.4 A sectoral meeting on the NSMC for the SEUPB was held on 7<sup>th</sup> July 2016. The meeting was attended by Máirtín Ó Muilleoir MLA, Minister for Finance, Executive Office Junior Minister Alastair Ross MLA and Paschal Donohoe, T.D. Minister for Public Expenditure and Reform. The meeting considered an overview of the issues and challenges facing the SEUPB and the PEACE IV/ INTERREG VA Programmes following the EU referendum. The Ministers re-iterated their commitment to the implementation of the programmes.
- 1.5 The two Ministers wrote to European Commissioner Cretu on the 20<sup>th</sup> July 2016 seeking engagement with officials with regards to the Programmes.
- 1.6 On 10<sup>th</sup> August 2016 the First Minister and deputy First Minister wrote to the Prime Minister about the implications of the EU referendum. Amongst other issues, they drew attention to the importance of EU funds to the region and the current uncertainty around the ability to draw down funds and the future of EU Programmes.
- 1.7 There is currently no certainty about the timing of the UK's withdrawal from the European Union, the detail of the withdrawal, or the arrangements that will be put in place post-withdrawal. Under Article 50 of the Treaty, the UK is required to formally notify the European Council of its intention to withdraw. Following this notification, formal negotiations will commence, which should conclude within 2 years, unless the period is extended. Whilst the UK Government has not indicated when it will trigger Article 50, most commentators would suggest it will not be triggered until 2017. Therefore, it is unlikely that the UK will withdraw from the EU before the end of 2018.
- 1.8 The European Commission has stated that the UK's rights and obligations remain unaltered until the UK withdraws from the EU.
- 1.9 On 12<sup>th</sup> August the HM Treasury released a statement to address the uncertainty for sectors and organisations which received support from EU funding. The statement confirmed that HM Treasury will give an assurance that all multi-year projects administered by government with signed contracts or funding arrangements in place, and projects to be signed in the ordinary course of business before the Autumn Statement (2016), will be fully funded, even when these projects continue beyond the UK's departure from the EU.

1.10 All projects within the programmes receive funding from the following sources: ERDF (UK); ERDF (Ireland); match funding (Northern Ireland); match funding (Ireland); match funding (Scotland – for Interreg Only). The Treasury statement confirms ERDF (UK) and match funding (Northern Ireland) for projects approved by the Autumn statement will be made available beyond a UK departure from the EU. Ireland has confirmed the availability of match funding. Scottish applicants supply match funding on a case by case basis. However, the Managing Authority still awaits clarification on the availability of ERDF (Ireland) in the post withdrawal period. Ireland has sought clarification from the European Commission that ERDF (Ireland) will be available to projects, including in the period after the UK's withdrawal from the EU. The clarification of this point is essential to facilitate the issuing of Letters of Offer. These are cross border Programmes, and should the exit occur during the programme period, there is uncertainty as to the nature and continuation of the programmes when they are no longer cross border programmes between two member states within the EU.

## 2.0 Funding Structure of programmes

2.1 The INTERREG V and PEACE IV Programmes have been approved for the period 2014-2020.

The respective budgets are:

### INTERREG V:

	<b>UK</b>	<b>IRL</b>	<b>TOTAL</b>
<b>ERDF</b>	€169.12 m	€71.23 m	€240.35 m
<b>Match</b>	€29.84 m	€12.57 m	€42.41 m
<b>TOTAL</b>	<b>€198.96 m</b>	<b>€83.80 m</b>	<b>€282.76 m</b>

### PEACE IV:

	<b>NI</b>	<b>IRL</b>	<b>TOTAL</b>
<b>ERDF</b>	€179.62 m	€49.55 m	€229.17 m
<b>Match</b>	€31.70 m	€8.74 m	€40.44 m
<b>TOTAL</b>	<b>€211.32 m</b>	<b>€58.29 m</b>	<b>€269.61 m</b>

2.2 The Programmes have an agreed financial profile for each year 2014-2020. The ESIF regulations allow for spend for a further 3 years after the year of commitment within the annual profile. (Article 136 of Regulation 1303/ 2013). The Member States fund the EU budget through the agreed multi-annual financial framework (MFF).

<b>INTERREG VA</b>		
<b>Year</b>	<b>Cumulative ERDF €m</b>	<b>% of total budget</b>
<b>2014</b>	11.9	5.0%
<b>2015</b>	29.3	12.2%
<b>2016</b>	54.2	22.5%
<b>2017</b>	99.4	41.3%
<b>2018</b>	145.4	60.5%
<b>2019</b>	192.4	80.1%
<b>2020</b>	240.3	100.0%

<b>PEACE IV</b>		
<b>Year</b>	<b>Cumulative ERDF €m</b>	<b>% of total budget</b>
<b>2014</b>	0	0.0%
<b>2015</b>	28.0	12.2%
<b>2016</b>	51.7	22.5%
<b>2017</b>	94.7	41.3%
<b>2018</b>	138.7	60.5%
<b>2019</b>	183.5	80.1%
<b>2020</b>	229.2	100.0%

- 2.3 The programmes were planned to be implemented over the period 2014-2023. The call for applications and assessment procedures were agreed within this timeframe, and would have ensured that the agreed outputs were achieved and adherence to the financial profile (n+3).
- 2.4 The SEUPB working with the Co-Sponsor Departments has been proactive in taking a number of steps to respond to the evolving situation with a view of maximising expenditure and impact of the Programmes by 2018. The SEUPB has suggested a prudent risk based approach to implementation within an uncertain environment. The SEUPB is of the view that awards could be made which would involve activity and expenditure up to Autumn 2018. The SEUPB have adopted this approach for a variety of reasons, including the earliest anticipated timing of a UK exit being end 2018, and the MFF budget process and timescales, and the obligations of the UK in regard to that budget until 2018.

### **3.0 Challenges and associated actions taken by the SEUPB**

#### **3.1 Challenges**

1. As a result of the decision of the UK to withdraw from the EU, the Programmes are operating in an environment of unprecedented uncertainty. The cross border nature of the programmes results in an added dimension of complexity which has to be managed. The situation regarding the funding environment is constantly evolving. The timing, nature and impact of the UK's withdrawal from the EU will not be known for some time. In the interim, the implementation of the programmes must continue.
2. It is important to maximise the impact of the programmes, especially in the period whilst the UK remains a member of the EU (estimated to be late 2018 / early 2019), and without prejudice to the potential positive impact of the programmes after the UK's withdrawal, depending on the agreements in place at that time. This requires that projects are assessed, approved and become operational as soon as possible in order to maximise the time for implementation prior to 2018 and allows for the possibility of continued implementation of the project post withdrawal, depending on the conditions that prevail at that time.
3. There is a significant challenge for SEUPB and the Accountable Departments to ensure that projects are approved in line with the timeframe required in order to maximise the expenditure and associated impact of the Programmes. The HM Treasury Statement has introduced a new interim deadline of the Autumn Statement. The UK Treasury has provided an assurance that the UK share of funding for projects with signed contracts or funding agreements in place, or where there are projects with contracts which are due to be signed in the ordinary course of business before the Autumn Statement. The original assessment process as agreed within the Cooperation Programme , and reflected in the associated schedule of Steering Committees would not deliver decisions early enough to maximise project implementation prior to 2018.
4. In the absence of certainty about future financial flows, Letters of Offer must be constructed in a manner that mitigates the risks should future funding not be available, depending on the date of the approval of the project, and the date for

implementation i.e. pre or post UK withdrawal. A clear break clause is required for 2018, so that future funding can be considered in the context of the conditions that prevail at that time. The Letter of Offer must also give sufficient confidence to Lead Partners to enable them to proceed with implementation and enter into financial commitments.

5. The Programmes must continue to meet all normal regulatory requirements; including achieving the output targets as defined in the performance framework and the annual N+3 targets.

### **3.2 Actions taken to date**

1. The SEUPB, working closely with Co-sponsor Departments has been involved in an intensive range of discussions and negotiations with Ministers and relevant officials, to ensure that the challenges facing the programmes are properly understood and to explore all possible options to ensure the implementation of the Programmes. The Chief Executive has attended a sectoral meeting of the NSMC and given evidence to the Finance Committee of the NI Assembly on these issues.
2. The SEUPB is in regular contact with the European Commission. However, Commission officials have indicated they are unable to engage in substantive discussions until such time as the UK enacts Article 50. This point was also articulated by the INTERREG V Programme Monitoring Committee on 29<sup>th</sup> June 2016.
3. The SEUPB has been working in very close consultation with the relevant government departments to take all necessary actions to expedite the assessment of projects and to ensure the timely commitment of funds. In Northern Ireland, these discussions have resulted in the Department of Finance giving delegated authority to Northern Ireland Departments for £5 million with respect to the programmes. This means that Departments will no longer have to seek DoF supply approval for projects that fall under this delegated limit, with a corresponding reduction in the time required by Departments to consider applications. The DoF have also issued further guidance to Departments on the 24<sup>th</sup> August (FD (DoF) 10/16) to facilitate the urgent processing of applications based on pro-forma documentation. SEUPB would like to place on record its thanks to the Departments, in particular the Department of Finance in Northern Ireland and the Department for Public Expenditure and Reform

in Ireland, who have been working closely with the SEUPB to consider the opportunities that exist at this time to expedite the award process.

4. The SEUPB has re-issued the 2<sup>nd</sup> stage application form and associated guidance, in order to better align the information requested from applicants and the requirements for a rapid and robust assessment. This new process should reduce the number of queries / clarifications being tabled with applicants, and assist departmental officials in their assessment of the application.
5. The SEUPB has revised the Letter of Offer to give the option of a clear break clause in 2018, if required at that time. This break clause will enable projects to be considered by the Steering Committee for their full duration, however, the break clause will make clear that permission to incur expenditure is only up to 2018, and future release of monies beyond that date will be contingent on the availability of funding and a further ratification of the Steering Committee.
6. The Joint Secretariat have produced a resource model and project plan that has informed an expedited Steering Committee timetable - this is currently being agreed with the relevant accountable/policy departments and Steering Committees. The timetable will accelerate the decision making timeframe, maximising the commitment of expenditure as soon as possible.

### **3.3 Further actions to be taken**

1. The SEUPB will continue to consider how the application process can be further modified or refined to further reduce overall processing times. There will be no change to the criteria used for assessment, and any changes to the process will not compromise the robustness of the process.
2. The SEUPB will continue to work closely with the finance departments to clarify future financial flows especially in relation to the situation after the UK's withdrawal from the EU, including the flows of ERDF to Ireland, and treatment of the ERDF (UK) component of the financial tables.
3. The expedited assessment process will place considerable resource demands on the SEUPB in the short term. The SEUPB is taking actions with agreement of the finance departments to increase the capacity of the organisation to process

applications through Technical Assistance. However, the availability of a sufficient number of appropriately skilled staff may be a constraint.

4. The SEUPB will constantly review the evolving situation, and amend and adjust actions accordingly to maximise the impact of the Programmes within the region.

#### **4.0 PROGRESS UPDATE**

While the programmes are largely underway, a great deal of work is still needed to ensure all funds are committed to high quality projects within the specific objectives. Where possible, as evidenced within this paper, the SEUPB have taken significant actions to accelerate internal processes to enable faster decision making. Those organisations /applicants that have the capacity to respond to this reduced timeline for planning and implementation will be better placed to respond to the opportunities presented by the Programmes. Transparency and fairness is central to the Programmes, and the impact of any amended processes is considered in detail with the Departments. However, the SEUPB also wish to ensure that the opportunity of these funds is maximised within the region, and that necessarily involves some amendments to processes.

#### **4.1 INTERREG VA PROGRAMME**

To date, all of the programme calls have been launched and closed. INTERREG V projects are at an advanced stage of assessment with many being taken to Steering Committee in September 2016. The majority of the INTERREG V calls were issued pre the UK Referendum, and as such, applications have been submitted for the funding period as outlined. Therefore, projects will be recommended for approval for the duration outlined in the call, but on a phased basis with a 'break clause' for activity and expenditure in the autumn of 2018.

At the time of writing, the Steering Committee has conducted 7 meetings and made determinations on 54 Stage 1 applications and one Stage 2 application.

A further 14 Stage 2 applications will be considered on 6<sup>th</sup> September 2016 with an additional 14 Stage 2 applications on 7<sup>th</sup> September. Please note update on each Specific Objective below:



- **Objective 1.1 Health and Life Sciences and Renewable Energy**

This Specific Objective was the last area of the Programme to open for applications. Eight Stage 2 business plans were submitted on 5<sup>th</sup> September 2016. The total funding requested represents the full allocation (€45m) for this Objective. This Steering Committee was scheduled for December 2016; the Joint Secretariat is in consultation with the relevant accountable departments about bringing this date forward to November 2016.

- **Objective 1.2 Enhance Innovation Capacity of SMEs**

Two Applications will be considered at the Steering Committee meeting on 6<sup>th</sup> September 2016. This should result in the full allocation of monies available.

- **Objective 2.1 Recovery of Protected Habitats and Species**

Two Applications will be considered at the Steering Committee meeting on 6<sup>th</sup> September 2016. This should result in the full allocation of monies available.

- **Objective 2.2 Manage Marine Protected Areas and Species**

Four Applications will be considered at Steering Committee on the 6<sup>th</sup> September. This should result in the full allocation of monies available.

- **Objective 2.3 Improve Water Quality in Transitional Waters**

One Stage 2 project has been approved under Objective 2.3; Improvement of Water Quality in Transitional Waters. The Shared Waters Enhancement and Loughs Legacy (SWELL) Project, led by N. Ireland Water, was awarded up €3,580,602<sup>1</sup> (ERDF & Match) subject to a gateway post review of the catchment investigation by 31<sup>st</sup> August 2017 with all expenditure to be claimed by 31 October 2017. The successful completion of this project will result in a further application for investments of not more that €31,713,516 (ERDF & Match). The further funding will be subject to a separate project assessment and funding decision and subject to the availability of ERDF funding.

- **Objective 2.4 Improve Freshwater Quality in River Basins**

Two Applications will be considered at Steering Committee on the 6<sup>th</sup> September. This should result in the full allocation of monies available.

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<sup>1</sup> The original approval amount of €4,209,004 reflected an exchange rate (1.4286) applied by the applicant before budget submission. The revised amount is based on the European Commission exchange rate (1.18737) for August 2016.

- **Objective 3 Cross Border Sustainable Transport**

Four Stage 2 Applications (greenways) will be considered at the Steering Committee meeting on 6<sup>th</sup> September 2016. An application under the multi modal hub call was received on the 30<sup>th</sup> August. This will be assessed prior to November 2016. It is anticipated that these applications will represent the full allocation for this objective.

No applications were received in relation to the creation of a cross border Electric Vehicle Network. Extensive discussions were held between SEUPB and the relevant Accountable /Policy Departments to discuss whether any alternative proposals could be brought forward within the timeframe required under the programme. Following this, it was agreed that no suitable alternatives were feasible and it has been agreed with the Departments that the available funding (€10m ERDF) should be reallocated to supplement the existing funding available for the creation of new cross-border greenways. This will mean that one of the outputs of the programme – *creation of a cross-border electric vehicle network including 73 new/upgraded rapid charging points* – will not be met. This output does not appear in the performance framework and there will be no change to the financial tables of the programmes. The PMC is asked to note this change to the outputs of the Programme.

- **Objective 4 Cross Border Health and Social Care**

Fourteen Stage 2 Applications will be considered at the Steering Committee meeting on 7<sup>th</sup> September 2016. There are due to be two deferrals under this Objective and will be presented at a later date.

Table 1 reflects the number of projects approved and recommended for approval, and the anticipated level of funds to be committed based on the 2018 'break clause' and full implementation (subject to the Steering Committee's final decision).

Table 1: Expected Commitment with scheduled Steering Committees<sup>2</sup>

Specific Objective	Date of Steering Committee meeting	No. of applications presented	Number of applications approved	Total commitment to September 2018 (ERDF & Match) <sup>3</sup>	Total commitment subject to second stage approval (ERDF & Match)
2.3 Improve water quality in transitional waters	27 <sup>th</sup> July 2016	1	1	€3,580,602 <sup>4</sup>	€31,713,516 <sup>5</sup>
1.2 R & I Business Investment in Research & Innovation	6 <sup>th</sup> September 2016	2	1	€6,627,876	€22,574,652
2.1 Recovery of Protected Habitats & Species	6 <sup>th</sup> September 2016	2	2	€6,064,269	€13,230,305
2.2 Marine Protected Areas & Species	6 <sup>th</sup> September 2016	4	3	€6,876,982	€13,563,480
2.4 Improve freshwater quality in river basins	6 <sup>th</sup> September 2016	2 <sup>6</sup>	1	€2,029,341	€5,372,413
3. Sustainable Transport – Greenways	6 <sup>th</sup> September 2016	4	3	€3,884,161	€23,281,555
4. Health	7 <sup>th</sup> September 2016	14 <sup>7</sup>	7	€19,670,107	€46,514,500
<b>TOTAL</b>				<b>€48,733,338</b>	<b>€156,250,421</b>

## 4.2 PEACE IV PROGRAMME

Due to the late adoption of the Programme, progress is not as advanced as INTERREG V, however, much work has been undertaken to accelerate implementation where possible.

Progress can be reported as follows;

<sup>2</sup> Table does not include research and innovation and multimodal hub –as relevant dates for Steering Committees not yet confirmed - but these should be held by November.

<sup>3</sup> Figures subject to amendment depending of exchange rate at date of issue

<sup>4</sup> Implementation of this letter of offer to complete by August 2017.

<sup>5</sup> This additional amount is subject to additional application and assessment.

<sup>6</sup> 1 applications have been deferred to the next Steering Committee meeting

<sup>7</sup> 2 applications have been deferred to the next Steering Committee meeting

- **Objective 1 - Shared Education –**

Two Stage 2 Applications due by September 2<sup>nd</sup> 2016. SEUPB have been in regular contact with the Northern Ireland Accountable Department and hope to present both applications at a Steering Committee in November for a funding decision.

- **Objective 2 – Children and Young People**

The SEUPB is currently in detailed discussion with the accountable departments. The substantive content of the call has been agreed, however discussions are on-going regarding the phasing, duration and scheduling of the calls. A verbal update will be available at the PMC meeting.

- **Objective 3.1 – Shared Spaces Capital Development –**

The call documentation has been approved by Steering Committee. The call was scheduled to open 6<sup>th</sup> September 2016. The SEUPB is currently in detailed discussion with the accountable departments on the best manner to proceed. Given the capital nature of the projects, the implementation period for some of the projects is likely to extend beyond the UK's membership of the EU. Other projects may be able to complete before 2018. The proposed call may have to be adjusted accordingly.

- **Objective 3.3 - Victims and Survivors**

One Stage 2 application will be ready for consideration by a Steering Committee in mid-October.

- **Objective 4 –Local Action Plans**

The first closing date of 30 March 2016 resulted in one application being rejected at the 11 May 2016 Steering Committee meeting.

A second closing date of 17<sup>th</sup> May 2016 resulted in five applications being received. 2 out of the 5 were taken forward and presented and approved at the last Steering Committee meeting on the 28<sup>th</sup> June.

Following a third closing date of 21<sup>st</sup> June 2016, a total of fifteen Stage 1 Local Authority Action Plans were received. Following quality assurance and points of clarification, SEUPB considered that there was insufficient information to recommend approval to move to Stage 2 for five of the applications, a number of applicants subsequently withdrew, The five remaining Stage 1 plans will be resubmitted and will be considered at a Steering Committee

planned for 12<sup>th</sup> September 2016, and each of these Councils have also been informed to begin preparation of their stage 2 application for a submission date of 23 September. Providing that the applications are of sufficient quality, the allocation to local action plans should be largely completed by November 2016. SEUPB have outlined the significance of the November deadline in relation to completing activity by 30 September 2018 as an initial phase.

- **Objective 4 - Regional Call.**

This call opened in May 2016 with a closing date for the receipt of Stage 1 applications by the 28<sup>th</sup> September. The SEUPB is in discussions with the accountable departments about actions to expedite this call.

## **Conclusions**

The PMC is requested to note the following:

1. The actions that have been taken to date by the SEUPB and Co-sponsor Departments to respond to the decision of the UK to withdraw from the EU;
2. Letters of Offer will include a clear break clause to enable funding to cease in the event of Programme funding not being available, or to continue if there is more certainty relating to the duration of these Programmes at that time;
3. The SEUPB will review the application process to identify any further modifications or refinements to expedite the process;
4. Steering Committees will be re-scheduled to enable assessments to be completed prior to November 2016;
5. The SEUPB will continue to work closely with finance departments to seek clarification on future financial flows including seeking assurances from the EU Commission about the future flows of ERDF;
6. The decision to re-allocate monies from electric vehicles infrastructure to greenways in response to the lack of applications for electric vehicles infrastructure, and the high demand for greenways.