

PEACE III Programme (2007-2013) - Financial Management Report

1.0 Introduction

This paper sets out the current position in relation to the PEACE III Programme and its N+2 target for 2009. It outlines the current expenditure targets set for 2009 and examines the current progress made towards achieving them to date. The Managing Authority also examines the potential risks and identifies actions to mitigate against these risks. The paper concludes with the Managing Authority's assessment that achieving N+2 for 2009 will be a significant challenge, however, the programme is currently on track to achieve this target.

2.0 Programme Progress

By March 2009 a total of 230 applications had been received by the PEACE III Programme and 75 projects recommended for approval with a total value of €149.9m. A total of 61 Letters of Offer have been issued with a combined value of €118.9m. This progress has been outlined in detail in the Programme Progress Paper (PMC/04/01).

3.0 N+2 2009 – Current Expenditure Targets

The PEACE III Programme has an N+2 target for 2009 of €28,133,338. However, recent correspondence from the Commission has indicated that a further 2.5% advance will be available to programme as a response to the recent economic downturn for the year 2009. If ratified, this will mean that the N+2 target for the PEACE III Programme is further reduced in 2009 to €19,811,000.

The Managing Authority has set expenditure targets for each theme of the programme and these are outlined in the paragraphs below:

Theme 1.1 Local

The JTS has been working closely with all 14 Local Authority Lead Partners to set expenditure targets for 2009. To date 14 Letters of Offer have issued to Local Authorities in Northern Ireland and the Border Region of Ireland totalling €50.1 million in this theme. The JTS has identified individual expenditure targets for each Local Authority Lead Partner and the cumulative target agreed with the Lead Partners for this theme for 2009 is €9,000,000. It is expected that expenditure in this theme will begin to be vouched and verified at the end of April 2009. The table below outlines the individual targets agreed with each Local Authority Lead Partner:

Table 1 - Expenditure Targets for Local Authority Lead Partners

Local Authority	Expenditure Target 2009 €
Cavan	576,000
Donegal	947,520
Leitrim	406,480
Louth	563,040
Monaghan	720,000
Sligo	392,121
Total	3,605,161
Local Authority	Expenditure Target 2009 £
NW Cluster	946,600
Belfast	1,259,883
NE Cluster	721,718
North Down, Ards, Down	537,770
Lisburn/Castlereagh	450,000
Southern	852,714
N'Abbey, Antrim, Carrick	390,974
SW Cluster	688,320
Total	5,847,978
Overall Total	€9,453,139

Theme 1.1 Regional

To date 7 Letters of Offer have been issued in this theme. Expenditure has been occurring in these projects since September 2008 and advance payments have been

issued. Vouching of expenditure is expected to begin in April 2009. The current expenditure target for this theme is €4,000,000 to be achieved by the end of October 2009. The current targets agreed with Lead Partners in this theme are as follows:

Table 2 – Expenditure Targets for Lead Partners in Theme 1.1 Regional

Lead Partner	Expenditure Targets 2009 €
Co-op Ireland	559,297
CFNI	1,300,000
TWN	685,190
YESIP	377,648
Groundwork	90,000
Edgehill	69,133
CFNI	800,000
Intercomm	124,000
RCN	100,000
Total	4,105,268

Theme 1.2 Acknowledging and Dealing with the Past

The Consortium of Border Action and CRC have, to date, approved 42 projects with a value of €20.7 million. The Managing Authority has agreed an expenditure target of €5,000,000 for this theme and current expenditure targets for the 42 projects will deliver this amount of expenditure in 2009.

Theme 2.1 Creating Shared Public Space

To date 9 projects have been approved by Steering Committee to the value of €53.5m. The Managing Authority has set an expenditure target of €8,000,000 for this theme. The current targets agreed with Lead Partners in this theme are as follows:

Table 3 – Expenditure Targets for Lead Partners in Theme 2.1

Lead Partner	Expected Expenditure in 2009 €
Monaghan Co Co	150,000
Cavan Co Co	153,500
ILEX	5,900,000
Omagh DC	0
Skainos	1,300,000

DSD	500,000
Belfast CC	250,000
Total	8,253,500

Theme 2.2 Key Institutional Capacities

This theme has recently called for proposals and applications are currently under assessment. Unlike the other themes managed by the JTS there was no development of preparatory or 'pipeline' projects for this theme and this has resulted in much slower roll-out. Therefore, the Managing Authority has not set an expenditure target for this Theme.

Theme 3.1 Technical Assistance

The Managing Authority has already incurred £754,477 and €32,330 of expenditure in this priority. It is forecast that approximately another €700,000 will be incurred during 2009. The Consortium will also incur up to €2,000,000 of expenditure within this priority. Therefore, the Managing Authority's target for expenditure in 2009 for Technical Assistance is €3,000,000.

Taking all of the above into consideration, the current expenditure targets for 2009 can be summarised as follows:

Table 4 - PEACE III Current Expenditure Targets for 2009

Theme	Title	Expenditure 2009
		€
1.1 Local	Local Action Plans	9,000,000
1.1 Regional	Regional Projects	4,000,000
1.2	Acknowledge the Past	5,000,000
2.1	Shared Space	8,000,000
2.2	Shared Society	0
3.1	Technical Assistance	3,000,000
Total		29,000,000
N+2 Target		19,811,000

With up to €150m committed to Lead Partners and 61 Letters of Offer issued to date, the Managing Authority believes that enough commitment has taken place in order

for these expenditure targets to be achieved. However, the Managing Authority considers that these expenditure targets will be challenging for the Lead Partners to deliver.

4.0 Analysis of Risks

This section examines the current situation in each of the themes and identifies the risks associated with achieving the expenditure targets identified above.

In Theme 1.1 (Local) a significant risk exists in relation to the 14 Local Authority Lead Partners implementing their PEACE III Action Plans in time to incur enough expenditure in 2009 in order to meet their N+2 targets. Progress in the implementation of the Local Plans has been slower than expected due to a number of complex legal and administrative issues. However, progress in the last three months has been encouraging with the majority of Partnerships having staff in place and actively progressing in the delivery of the programme. The JTS will work closely with each Local Authority Lead Partner in order to ensure that the expenditure targets agreed are indeed delivered. JTS staff will be assigned a portfolio of Lead Partners and it will be their responsibility to work closely with the Lead Partners in order to ensure targets are achieved. Progress towards targets will be monitored on a monthly basis.

In Theme 1.1 (Regional) the approved projects have been active since September 2008 and are currently on track to achieve their expenditure target of €4,000,000. Current expenditure forecasts indicate that this target will be achieved and progress towards target will again be monitored closely on a monthly basis by JTS staff.

In Theme 1.2 the target of €5,000,000 poses a significant challenge for the Consortium to achieve this year. Letters of Offer are currently being issued to the 42 projects that have been approved to date. However, a significant risk exists in relation to the timing of expenditure and whether enough expenditure will be incurred by October 2009 in order to meet N+2 targets. In order to mitigate against this risk, the Managing Authority is currently working closely with the Consortium to identify a number of projects in which eligible expenditure can be vouched from September 2008 thus providing up to €1 million of expenditure. This action could allow the Consortium to achieve 20% of its expenditure target, leaving a further €4 million of expenditure to be vouched and verified in the remainder of the year. Current

expenditure forecasts indicate that the Consortium is on track to achieve its target of €5,000,000. The Managing Authority will work closely with the Consortium in order to monitor progress towards this target.

Theme 2.1 Creating Shared Public Space involves capital build projects that are traditionally slow to start due to fulfilling the requirements in relation to obtaining the relevant permissions and enacting the relevant tendering processes. In addition to this, a significant amount of the forecasted expenditure is dependent on the ILEX Peace Bridge project progressing over the next six months and incurring up to €6,000,000 of expenditure. However, current expenditure forecasts indicate that the target of €8,000,000 will be met. The JTS will work closely with the projects over the next few months, to ensure that the actual level of expenditure is as close as possible to the amount forecast.

5.0 Actions to mitigate against the risk

With the current commitment and expenditure profile detailed above, the PEACE III Programme is currently on course to achieve its 2009 N+2 target of €19,811,000.

However, given the risks involved within parts of the programme meeting their expenditure targets, the Managing Authority will pursue the following options for action in order to mitigate against the risks identified in Section 4.0 above:

- The Managing Authority will work closely with both the JTS and the Consortium over the next six months to closely manage each project budget. A case officer will be assigned a number of projects and progress in these projects will be monitored closely. Monthly expenditure forecasts and reports will be used to identify at the earliest opportunity any deviation from the expenditure profiles highlighted above.
- The current economic crisis has placed increased pressure on public expenditure in both Member States. Therefore, alternative options are very limited in the current climate. However, the Managing Authority will continue to explore other potential options should the need for these arise over the next few months.

6.0 Payments Issued to date

To date, the Central Payments Unit of SEUPB has issued payments to projects, as of 1 April 2009, for £2,864,676 and €952,630. These have been advance payments to projects and still need to be vouched and verified in order to become expenditure. However, it illustrates that payments are being made in the programme and approximately 20% of the 2009 N+2 target has been issued through the Central Payments Unit to date.

7.0 Conclusions

At this stage of the programme current expenditure forecasts would indicate that the programme is on track to achieve its N+2 targets for 2009. The Managing Authority has taken steps to be prudent and to mitigate against the risks identified. It concludes that the N+2 target of €19,811,000 will be achieved in 2009 if the commitments given by Lead Partners are delivered. However, this is still quite a significant challenge for the programme and the Managing Authority will ensure that expenditure levels are monitored closely on a monthly basis and that any variation from targets are identified at the earliest possible opportunity so that the appropriate corrective action can be taken.

8.0 Recommendations

The Monitoring Committee is requested to:

- **Note** the progress to date towards meeting the N+2 2009 target of €19,811,000
- **Note** the risks and significant challenges identified by the Managing Authority in relation to achieving this target
- **Note** the steps that Managing Authority has put in place to monitor progress towards expenditure targets
- **Note** that the Managing Authority will have to decommit funding from those Lead Partners failing to meet their expenditure forecasts if the N+2 target is not achieved.