

## **Financial Management Report for the PEACE III Programme**

### **1.0 Introduction**

- 1.1 This paper sets out the current position in relation to the PEACE III Programme and its N+2 target for 2010. It outlines the expenditure targets set for 2010 and examines the progress made towards achieving them to date. The Managing Authority also examines the current forecast amounts and the expenditure recorded to date. The paper concludes with the Managing Authority's assessment that achieving N+2 for 2010 will be a significant challenge; however, the Programme is currently on track to achieve this target.

### **2.0 Programme Progress**

- 2.1 By March 2010 a total of 370 applications have been received by the PEACE III Programme. To date, 116 projects have been recommended for approval with a total value of €164.9m<sup>1</sup>. A total of 112 Letters of Offer have been issued with a combined value of €154.3m. This progress has been outlined in detail in the Programme Progress Paper (PMC/06/01).

### **3.0 N+2 2009**

- 3.1 The PEACE III Programme achieved its N+2 target for 2009. This target was €19,811,043 and claims totalling €20,731,044 were submitted to the Commission by the end of December 2009. This has resulted in a surplus of €920,001 of expenditure being incurred which can count towards the N+2 target expenditure figure for 2010.

### **4.0 N+2 2010 – Expenditure Targets**

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<sup>1</sup> All figures are reported at 100% funding level (67.54316% ERDF & 32.45684% National Match). Sterling expenditure is converted to euro at an agreed planning rate of 1.1

- 4.1 The Managing Authority has analysed expenditure forecasts from the JTS and the Consortium for the five themes of the Programme up to the end of December 2010. Table 1 below illustrates these forecasts and the current expenditure situation in the Programme as of 31 March 2010:

**Table 1: PEACE III Current Expenditure Targets for 2010**

<b>Theme</b>	<b>Forecast by MA (March 2010) €</b>	<b>Expenditure for Q1 2010 €</b>	<b>Achieved %</b>
1.1 Local	16,000,000	449,071	2.8%
1.1 Regional	7,500,000	975,655	13%
1.2 The Past	7,500,000	1,628,414	21.7%
2.1 Shared Space	8,000,000	752,502	9.4%
2.2 Shared Society	2,100,000	46,372	2.2%
3.1 Technical Assistance	3,800,000	714,143	18.8%
<b>Total</b>	<b>44,900,000</b>	<b>4,566,157</b>	<b>10.2%</b>
2009 surplus	920,001		
<b>Sub total</b>	<b>45,820,001</b>		
N+2 Target	45,673,486	4,566,157	10%

- 4.2 The Managing Authority's current assessment is that the N+2 target for 2010 will be achieved in the PEACE III Programme. The Managing Authority will continue to review the expenditure levels and assess the risk involved in meeting the agreed targets. To date 10% of the N+2 target has been achieved.

## **5.0 Cash Management**

- 5.1 The continuing critical economic climate has resulted in much tighter budget management by the relevant government departments. This requires very tight cash management by the programme, especially in the third quarter of the financial year i.e., October - December for Ireland and January - March for Northern Ireland. The Managing Authority continues to work closely with all

relevant partners to ensure any impact on projects are minimised but payments to a small number of projects have been delayed on a few occasions. The situation is monitored very closely and all possible actions are being taken to prevent delayed payments.

## **6.0 Analysis of Risks**

- 6.1 This section examines the current situation in each of the themes and identifies the risks associated with achieving the expenditure targets identified above.
- 6.2 In Theme 1.1 (Local) the 14 Local Authority Lead Partners are implementing their PEACE III Action Plans and activity in Phase I is expected to peak during 2010. All partnerships are now operational and projects are active on the ground. It is expected that this Theme will exceed its N+2 expenditure target of €16m.
- 6.3 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 €7,500,000. Current expenditure forecasts indicate that this target will be achieved and progress towards this target will be monitored closely on a weekly basis by Managing Authority staff.
- 6.4 In Theme 1.2 the Consortium has an active portfolio of 55 projects currently operational and incurring expenditure. The Consortium has indicated that they will achieve their N+2 target for 2010 of €7,500,000.
- 6.5 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. However, a number of projects have proceeded to implementation and the ILEX Peace Bridge has started construction. The Skainos Project is also due to go onsite in the next few months. It is envisaged that the N+2 target of €8,000,000 for 2010 will be achieved in this theme and probably surpassed.

6.6 Theme 2.2 is at an early stage of implementation, however a number of projects have launched in early 2010 and are now incurring expenditure. It is expected that the N+2 target of €2,100,000 will be achieved.

6.7 In Priority 3 Technical Assistance the Managing Authority will meet its target of €3.8m expenditure. The Managing Authority is currently actively incurring expenditure within this Priority in order to contribute to the N+2 target.

## 7.0 Conclusions

7.1 At this stage of the Programme current expenditure forecasts would indicate that the Programme is on track to achieve its N+2 targets for 2010. However, achieving €45,000,000 of expenditure is still a significant challenge. Expenditure figures from the first two months have been disappointing to date, but this has been the traditional expenditure pattern with claims being submitted on a quarterly basis. The Managing Authority will monitor this situation closely over the next few months and take any action as deemed necessary.

## 7.0 Recommendations

7.1 The Monitoring Committee is requested to:

- **Note** the progress to date towards meeting the N+2 2010 target of €45,673,486;
- **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

