



Northern Ireland
Assembly

Committee for Agriculture and Rural
Development

OFFICIAL REPORT (Hansard)

June Monitoring Round and 2012-13
Provisional Out-turn Report: DARD Briefing

28 May 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Paul Frew (Chairperson)
Mr Joe Byrne (Deputy Chairperson)
Mr Thomas Buchanan
Mrs Jo-Anne Dobson
Mr William Irwin
Mr Oliver McMullan
Mr Ian Milne

Witnesses:

Mrs Lynda Lowe	Department of Agriculture and Rural Development
Mr Graeme Wilkinson	Department of Agriculture and Rural Development

The Chairperson: I welcome Graeme Wilkinson and Lynda Lowe. You are no strangers to the Committee and are very welcome.

Mr Graeme Wilkinson (Department of Agriculture and Rural Development): Thank you, Chair and members, for the opportunity to brief the Committee on the Department's 2012-13 provisional out-turn performance and the June monitoring round exercise. I forwarded a paper to the Committee summarising the position of both exercises. However, it may be useful if I expand a little on some key aspects.

Annex 1 of the paper sets out the Department's provisional out-turn position. The Department set an out-turn target of 98% for resource and capital expenditure. From the information provided, you will see that the Department achieved 99.8% on resource and 98.9% on capital. In monetary terms, that equates to a variance of £445,000 on a budget of £220 million on resource and £249,000 against a capital budget of £22.3 million. The Department achieved an overall out-turn of 98.81% last year, so there has been an improvement in the financial performance in 2012-13.

The next step is that the Finance Minister will report the overall block position to the Assembly at the same time as the June monitoring round outcome. I expect that that will be in early July. Therefore, the Committee is asked to note the Department's 2012-13 provisional out-turn position.

That concludes the 2012-13 financial year. We now look to the first quarter of the 2013-14 year. The exercise was commissioned by the Department of Finance and Personnel (DFP) at the beginning of May, with the objective of having all the necessary adjustments agreed and actioned in advance of the summer recess. At this stage, the Department has considered the needs for bids, easements or technical adjustments. Those were proposed and approved by the Minister on 21 May.

Following this meeting, the Department's monitoring return will be issued to DFP, including the Committee's view on our proposals. DFP will then consolidate the monitoring returns of the Department of Agriculture and Rural Development (DARD) with those of other Departments, and recommendations will be presented to the Executive. That information is likely to be tabled at an Executive meeting on 27 June, with the Finance Minister making a statement to the Assembly on 1 July.

Following the internal review by the business areas, I can confirm that the Department will not declare any reduced requirements or request any technical adjustments. We propose to submit three substantive bids and three marker bids in this monitoring round. Two of the three substantive bids relate to the Department's resource expenditure. Those include the £4 million for the recently approved hardship scheme and £3 million for the land parcel identification system (LPIS) improvement project.

We also propose to put forward a marker bid of £12.2 million for TB compensation. TB is an extremely volatile disease and, therefore, it is difficult to predict its incidence across a financial year. There is a structural deficit in the Department's baseline, which explains the quantum of that marker bid. We monitor this closely, given the amounts involved. Our intention is to consider the volume of outbreaks over the next few months and submit a substantive bid as part of the October monitoring round exercise. However, it would be remiss of me not to apprise the Department of Finance and Personnel and the Executive of the potential quantum, given the large sums involved and taking cognisance of the constrained public expenditure position.

On capital, we propose to submit one substantive bid of £1.3 million and two marker bids totalling £6 million. The £1.3 million bid is for a number of building improvement projects across the various College of Agriculture, Food and Rural Enterprise campuses. The two marker bids are for axis 3 and axis 1.

Members will be aware of a number of issues at the outset of the programme because expenditure had not matched the initial profile. An estimated £5 million of national funding will be required to deliver the profile this year. There is also a potential pressure on the processing and marketing grant scheme. However, we intend to monitor expenditure over the next few months to assess whether a substantive bid is necessary.

In conclusion, I would welcome the Committee's support for our monitoring round proposals. I am happy to take any questions that you may have.

The Chairperson: Thank you very much for your succinct presentation, Graeme. What is the difference — I am sure that it is a technical term more than anything else — between a bid and a marker bid?

Mr Wilkinson: Bids are substantive bids. At this stage, we are putting forward a number of marker bids. We are unsure about the quantum at this stage; it could go up or down. We need additional time over the next number of months to firm up on that. We made bids in previous years, particularly for TB compensation, but those were not met in the June monitoring round because of that very fact.

The purpose of a marker bid is to raise the issue and let DFP and the Executive know that there is a pressure ahead of us and that we need some more time to firm up on the quantum. The risk is that you bid for the amount of money, you get it, but you do not spend it. We need to take a bit more time over the next few months to firm up on the amount of money that we actually need.

The Chairperson: So, to be clear, a marker bid is not for money that you may need in this quarter; it is for money that you may need by the end of the financial year.

Mr Wilkinson: Yes, we are saying that we will need it before the end of the financial year but need additional time to firm up on the exact quantum.

The Chairperson: Is there still flexibility in the system? You are just putting the marker down so that —

Mr Wilkinson: Yes, this money will come in at a future date.

The Chairperson: OK. I understand straight away your bid for the hardship scheme, which is nearly retrospective because it has been agreed by the Executive.

I want to ask about the £3 million for the land parcel identification scheme. Is DARD saying that the project has run over budget, or is this money that was always going to be pumped into the system?

Mr Wilkinson: As you know, the LPIS project was initiated at the start of the Budget 2010 exercise. At that time, the project and various tasks were still being developed. As we moved through that process, we learned more about what has to be done and are now refining that process. The money is for refining and updating the maps, and more work will need to be carried out in the current financial year that had not been envisaged at the start of the Budget 2010 process.

The Chairperson: Do you see this being an annual requirement or will it eventually come to an end?

Mr Wilkinson: It will eventually come to an end when the maps are of sufficient quality. No doubt, the need to develop and refine maps will continue over time. At this stage, however, we are saying that we need an additional £3 million for the work that Land and Property Services (LPS) is carrying out on our behalf.

The Chairperson: I understand the bids in front of me, but I do not understand how the Department can go through at least the first quarter of the financial year without needing resource for a fight against ash dieback. Have there been any discussions in the Department about the resource — manpower and money — being used in that fight?

The Department has done so much to monitor that disease and searched through so much property and land. Forest Service and DARD have not asked for any additional funding, but have there been discussions in the Department about the matter? Surely we cannot keep on doing something different from that which we had planned to do in the first place and not incur a cost.

Mr Wilkinson: In my previous briefings with the Committee, we looked at structures in the Department and how we manage ourselves internally for plant health generally. I am not aware of any current resource constraints in our tackling ash dieback. At this stage, it is very much a monitoring exercise to try to determine the extent of the disease in the forests. So I am not aware of a pressure having been identified in this monitoring round.

The Chairperson: On capital bids and the rural development programme, DARD has marker bids down for a total of £5 million for projects funded under measure 3.2, which relates to business creation, measure 3.6, which relates to conservation and rural heritage, and the broadband scheme. Is that funding that was never accounted for, with the money being drawn down from Europe? If this is European funding, why are we putting money in?

Mr Wilkinson: Not all of it is European funding. Axis 3 is funded partly by national and partly by EU funding, so we require our part of that.

The Chairperson: Why are there only three tranches or measures?

Mr Wilkinson: Those are the areas where pressure has arisen. You will recall that a number of strategic projects were identified, so this is the lion's share of where the pressure has been identified.

The Chairperson: What was the measure for the strategic projects? I thought that strategic projects were different from measure 3.2 and measure 3.6.

Mr Wilkinson: Sorry, I do not have the measure in front of me, but I will come back to you with that.

The Chairperson: Certainly. I realise how axis 3 works, but there is a range of measures there. I know that this goes beyond your realm and into someone else's, but it would be good for us to see how all the measures are doing in axis 3 and what the pressures are at present, given that we are still looking at an underspend for the whole programme.

I have one final question. With only six items in annex 1, I understand that this is a very high-level document, but will you explain what "DEL Admin Depreciation/Impairment" means?

Mr Wilkinson: OK. I will go through each of the items and try to explain them. I appreciate that they are quite technical. Those are the lines against which DFP record the Department's expenditure. DEL stands for departmental expenditure limit. The first line relates to administration, so that represents all the salaries and wages that the Department spends on administration. Wages and salaries are also included in "DEL Other Resource", but that relates to front line programme expenditure. The provisional out-turn against DEL admin was £37.8 million against a budget of £38.2 million.

The next line is "DEL Admin Depreciation/Impairment", which is depreciation of land and buildings. The out-turn was £783,000 against a budget of just over £1 million.

The vast majority of the Department's expenditure is included under "DEL Other Resource". The types of things included in that £169 million are TB compensation and grants to our arm's-length bodies. That is where the bulk of our expenditure lies.

"DEL Other Resource Depreciation" is depreciation for assets that are front line programme expenditure.

The two lines below are "DEL Capital Grants" and "DEL Capital". DEL capital grants are where axis 3 capital grants are out to third parties, and DEL capital is the expenditure that we incur for our buildings, and so on.

The Chairperson: On depreciation/impairment, I see the final budget position and the out-turn. Explain to me again the difference. Is it because buildings are not worth as much as we thought they would be worth? Are we selling them on? What is happening there?

Mr Wilkinson: As you will appreciate, depreciation is very difficult to try to estimate. It fluctuates, and the value of land and buildings changes, which is also included in that. There is a variance on our departmental expenditure limit admin depreciation of £225,000. I know that it comes out as a high percentage, but it is relatively minor in the vast scheme of things.

Mr Byrne: I welcome the presentation. On the £4 million for the fodder and winter crisis, I understand that a guesstimate has been used. However, is the £3 million for the land parcel identification scheme project part of an ongoing capital investment or an incidental add-on?

Mr Wilkinson: That is really for the LPS staff. We continue to have LPS staff helping us with our maps, so we are incurring additional costs in the current financial year that we had not —

Mr Byrne: Is that capital costs or recurring costs?

Mr Wilkinson: That is resource, so current costs.

Mr Byrne: So it is for the staff working on the LPIS project?

Mr Wilkinson: It is for DFP Land and Property Services staff working on the LPIS project.

Mr Byrne: So what is the total quantum on the LPIS so far?

Mr Wilkinson: I will need to come back to you with those figures, Joe. I do not have them in front of me.

Mr Byrne: Is the £5 million for broadband a guesstimate or informed opinion?

Mr Wilkinson: No, my understanding is that staff in the Department are working very closely with the Department of Enterprise, Trade and Investment (DETI) and Broadband Delivery (BD UK) in coming up with the plans. That is a fairly firm commitment, and they are working towards a firm figure.

Mr Byrne: Will the £5 million realise 100% broadband service across the North or will it be sporadic?

Mr Wilkinson: Again, I am not close enough to the detail to say what that £5 million would deliver.

Mr Byrne: I would have thought that that is the sort of rigour that would be applied in the Department.

Mr Wilkinson: Achieving 100% broadband across the North would be optimistic with an investment of £5 million.

Mr Byrne: With so many millions invested in broadband by both DETI and DARD, will there still be a lot of blanket zones that have no coverage?

Mr Wilkinson: Yes.

Mr Byrne: On the marker bid for bovine TB, is that a dart at the dartboard or a guesstimate based on historic costs over the past three years?

Mr Wilkinson: Sorry, Joe, what was the —

Mr Byrne: Is the £12.2 million targeted as a marker bid for bovine TB another guesstimate, an informed guesstimate or what?

Mr Wilkinson: No, that is an informed estimate —

Mr Byrne: Based on what?

Mr Wilkinson: I understand that the vets have developed a fairly complex model, and it is based on —

Mr Byrne: Is it based on largesse?

Mr Wilkinson: No, it is a model based on the incidence and the outbreaks of TB that they are experiencing. It is also based on the valuation of animals being slaughtered.

Mr Byrne: Sorry to continue on this point, Chairman, but is that based on adding to an established pattern or are we looking for a diminishing pattern?

Mr Wilkinson: It is based on the pattern as it is today. As you will appreciate, we have very accurate figures, and we know what the incidence of TB is right across the Province, so it is based on that. We need to be very careful about that estimate because the worst thing for the Department to do is to underspend. There is no benefit in our asking for a significant amount of money based on ill-informed data — we would have a massive underspend by the end of the year. We have a vested interest in making sure that we get that estimate correct, and we continue to make our best efforts to do that.

Mr Irwin: The Chairman touched on the extra £4 million for rural development. I am not so sure where you get that. You think that is in relation to strategic projects, but I would have thought that the Department would have known how much money was available from the rural development programme and what the match funding was before this. Am I right?

Mr Wilkinson: That is right. At the start of the Budget 2010 process, the Department had a profile of what it understood the expenditure to be, but, as you are aware, things did not go according to plan. That profile has changed, therefore, and we need more money in the current financial year, given the underspends in previous years.

Mr Irwin: I thought that the opposite might have been the case and you would have needed less given how it is going. Is the £12.2 million for TB compensation up or down on last year?

Mr Wilkinson: My understanding is that that is up from last year.

Mrs Dobson: Most of what I was going to ask has been asked by the Deputy Chair and by William Irwin. Again, I want to focus on the £12.2 million in TB compensation. William asked whether it was up on last year. Do you not have the exact figures for previous bids?

Mr Wilkinson: My recollection, Jo-Anne, is that the previous year's bid was for about £6.5 million.

Mrs Dobson: So it was £6.5 million and is now £12.2 million. Do you think that you have overestimated or underestimated? I think that you said earlier that you may have overestimated.

Mr Wilkinson: No, last year was slightly different, in that we were able to reconfigure internally to meet a lot of the pressure ourselves. However, given that our resource baseline has fallen by almost £12 million and that we have to deliver additional savings plans in the current financial year, it has not been possible to meet that cost ourselves. So we have to bid for the majority of the shortfall rather than meeting the easements ourselves.

Mrs Dobson: Given that the disease is, as you said, Graeme, volatile and difficult to predict, have you any estimate of what you will bid for in October?

Mr Wilkinson: At this point, we believe it to be £12.2 million, but, as you will appreciate, things can change quite dramatically. We will be watching closely over the next couple of months to make sure that we get the estimate correct. As I said earlier, we have no vested interest in getting it wrong; we absolutely have to get it right because we do not want to waste money in underspend, etc.

Mrs Dobson: Do you feel, then, that by putting down a marker, DFP will be more likely to support your bid?

Mr Wilkinson: The rationale behind putting down a marker is that we do not want to be coming to DFP or the Executive with a significant amount of money halfway through the financial year without getting some indication. So, at this point, it is an indication of the quantum that we are looking at.

Mrs Dobson: Your submission identifies potential pressures of £6 million in the rural development programme. How likely are those to come about, and what steps are being taken by the Department to prevent or lessen them?

Mr Wilkinson: How likely is it? I am sure that Pauline will want to touch on that, later on. At this stage, we have plans on axis 3 for expenditure of £21 million. A huge amount of work is being done to make sure that we deliver on those commitments, so we are fairly confident that that amount of money will be required. However, to go back to my previous point, there is no point in the Department bidding for money that it will not necessarily need in the future, so we have to have absolute confidence that that money will be spent. That is why we are taking the time, in the next couple of months, to make sure that the amount for which we are bidding will be spent.

Mrs Dobson: Do you know whether those pressures are likely to increase and become more than £6 million? Have you any idea?

Mr Wilkinson: At this stage, we believe that assessment to be accurate.

Mr Buchanan: It is disappointing that the budget for TB is still on the increase. That shows that much more needs to be done by the Department to get this reduced. To turn to the axis 3 rural development; what difficulties does the £5.6 million underspend cause the Department? Your submission includes a table showing axis 3 projects:

"dealing with the diversification of rural economies and the quality of life in rural areas",

and you have a £5.6 million underspend.

The Chairperson: You may want to hold back on that because that is in the business plan out-turn report.

Mr Wilkinson: Yes, that is the next bit.

The Chairperson: That is the subject of the next evidence session. You are just one step ahead of us, Tom.

Mr Buchanan: That is fair enough.

The Chairperson: So hold that question. I will bring you in first, how is that?

Mr Buchanan: That is all right, Chair, yes.

The Chairperson: OK, Graeme, those are all the questions that we have regarding this section, which dealt with the monitoring round and what the Department will bid for. I am still concerned about the pressure on the Department from ash dieback and not seeing that pressure being relieved through Executive help, for want of a better way of putting it. It is bound to be having an impact on the Department.

Mr Wilkinson: I can take that point back to discuss with Malcolm Beatty.

The Chairperson: There is no problem there. Are members content with the DARD proposals for the June monitoring round? Do we still have three monitoring rounds?

Mr Wilkinson: Yes, Chair: now, October and January.

The Chairperson: So there are two more after this in the financial year. Are members content with the DARD proposals for the June monitoring round?

Members indicated assent.