Northern Ireland Assembly

# COMMITTEE FOR AGRICULTURE AND RURAL DEVELOPMENT

# OFFICIAL REPORT
(Hansard)

## Department of Agriculture and Rural Development — Revised Expenditure Plans

26 January 2010

# NORTHERN IRELAND ASSEMBLY

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## Department of Agriculture and Rural Development Revised Expenditure Plans

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**Members present for all or part of the proceedings:**
Mr Ian Paisley Jnr (Chairperson)
Mr Tom Elliott (Deputy Chairperson)
Mr Willie Clarke
Mr Pat Doherty
Mr Francie Molloy
Mr George Savage
Mr Jim Shannon

**Witnesses:**

| | |
|---|---|
| Mr Gerry Lavery | ) Department of Agriculture and Rural Development |
| Mr John Smith | ) |

**The Chairperson (Mr Paisley Jnr):**
I welcome the departmental officials. I am sorry that I was not at last week's meeting. I understand that the Committee members put you through your paces and concluded that the Department is bankrupt. How do you plan to get us out of this mess?

**Mr Gerry Lavery (Department of Agriculture and Rural Development):**
Happily, we are not bankrupt. Last week, we discussed the context of the Executive's demanding requirement for the Department to find additional savings of £6·3 million in current spending and £3·4 million in capital spending. We outlined a number of the pressures that we face, which we believe the Executive should address in-year. We also identified the need to fund the equal pay pressure and come up with a way of funding axis 3 of the Northern

Ireland rural development programme.

Against that background, we have written to the Committee, admittedly only today, to outline the information that members require to prepare their comments for the Committee for Finance and Personnel. We have set out exactly the way in which we would avoid bankruptcy and deal with the pressures that we face. Our proposals have been approved by the Minister and are the result of an exhaustive, line-by-line, examination of the DARD budget, which involved both the Minister and top management. A set of rules was not applied, and it was not achieved by some form of pro rata apportionment. Therefore, there is no easy way to summarise the information that is in front of members.

What I can say is that, first, we have given priority to the protection of the Programme for Government and public service agreement commitments: in effect, we are protecting the front line as far as we can. Secondly, we have taken equality implications into account. All the proposals have been screened, and only a couple will require further equality work. We have also taken advantage of the situation in which allocations are now out of date. So, for allocations that were made three years ago; this has been the first opportunity to revise them. Finally, where possible, we are maximising the contribution of European funds through our activities. In a couple of cases, rebalancing exercises will take account of funding.

For ease of reference, we have broken down the additional savings in our submission. Annex 1 lists the savings that are required to meet the Executive’s targets; they total £6·3 million and £3·4 million. Annex 2 lists the savings that are required to fund the equal pay costs, increase axis 3 funding by £5 million, which, along with European funding, will deliver £10 million into the rural economy, and meet the costs of a replacement fisheries enforcement vessel.

I am happy to discuss any of the proposals. The Minister is keen to have the views of the Committee and its support for our savings, our invest-to-save bids, and our proposals for the Executive to act to address our other pressures. At that point, it is over to you, gentlemen.

**The Chairperson:**

Part of the problem is that we received this information at a very late stage. Your correspondence, including the annexes, only arrived at 9.10 am today. I had an opportunity to see it at that point, but my colleagues received it only when they came into the room this morning. To be perfectly frank, we are at a distinct disadvantage in that we have not had time to consider the information. It is your job to come up with the proposals, and it is our job to scrutinise them.

I will be delighted if we can come to an agreement and make amicable suggestions that can be taken on board. However, we must ensure that the process is transparent and that we know where each side stands. Will you confirm that DARD's capital budget stands currently at a net deficit of £174 million?

**Mr Lavery:**
It does.

**The Chairperson:**
Therefore, do you agree that, even if the Executive are able to subsume that amount through the slippage of other programmes, the Northern Ireland Executive and our economy has been deprived of £174 million due to the Department's overvaluation of the Crossnacreevy site?

**Mr Lavery:**
No. In the context of the Budget and the investment strategy, we set out a proposal to dispose of the Crossnacreevy site, which was factored into the Budget as headroom. DFP received a number of proposals from other Departments, and from DARD, for capital expenditure to utilise that headroom. Some of those proposals are not going to happen within the Budget period, and that is quite normal in a capital programme.

**The Chairperson:**
The situation has been exacerbated by the initial overvaluation, which was out by miles.

**Mr Lavery:**
What happens next is critical. The Minister of Finance and Personnel has made it very clear that he believes that it will be possible for the Executive, in taking advantage of slippage in capital programmes, to cover this issue, as they have covered similar issues. The Department is not alone in not bringing in capital receipts in the Budget period.

**The Chairperson:**
I am worried that history, from which we do not appear to have learned, shows that an overvaluation of the Crossnacreevy site put the Department on the back foot. The situation now, in a time of economic problems for the Department, is that there is a proposal to sell-off other departmental assets, such as CAFRE land. I am concerned that instead of learning from

those historical errors, they will be repeated. If the strategy now is to sell off more assets — to have a car boot sale of departmental assets — an accurate value for those assets will not be obtained.

**Mr Lavery:**
Our Department, and others, have learnt from the experience of Crossnacreevy. I emphasise that the effort to get the maximum value from the Crossnacreevy site reflected lessons learned from earlier government disposals at less than full value and which allowed others to take the development value out of the assets. Perhaps an overcorrection was necessary, but there was a genuine effort to ensure that any value locked into the site would be unlocked by government and not by anyone else.

Secondly, the lessons learnt were not only around being prudent and careful about the language in which valuations are couched. Lessons were learnt concerning the disposal of assets, and, in particular, those which are not surplus and are in use and which can only be disposed of by relocating activities to cheaper premises. That type of disposal is hard to manage; and, therefore, bringing it into play in the Budget and the investment strategy will have to be done very carefully, taking a prudent view of the risks. In retrospect, it would have been better if the disposal had featured in the investment strategy but not the Budget. That is something that my Department, and other Departments — in particular, the Department of Finance and Personnel — still have to work through for any major asset disposal.

**The Chairperson:**
With that in mind, you said that the land parcel improvement scheme will cost £14 million and will have a payback period over two years. Given the evidence and the experience of overvaluation, can you give us a guarantee or assurance that that is valued at the correct level?

**Mr Lavery:**
Let me explain that the land parcel improvement system is not about disposing of capital assets. This is the risk of disallowance by the European Commission in respect of how we have administered the single farm payment. At the moment, we are working with European Commission services to identify a way forward that it finds convincing, acceptable and compliant, and, therefore, reduces or removes the risk of disallowance. That is a major undertaking, which involves much remapping.

**The Chairperson:**
What is the current disallowance facing the Department?

**Mr Lavery:**

The current disallowance is £31·5 million.

**The Chairperson:**

Is it not £60 million?

**Mr Lavery:**

No; the Commission services proposed a £31·5 million disallowance. We went to the conciliation body, which asked the Commission to re-evaluate. Following re-evaluation, around £500,000 was removed from the disallowance, but the recommendation to disallow £31 million was sustained. That recommendation has yet to be endorsed by the European Commission's agricultural funds committee and the European Commission itself.

**The Chairperson:**

I asked whether the amount was double what you have said because a letter to the Committee from the Department's liaison officer dated 26 January 2010 states:

> "Whilst a disallowance of around £30 m for the scheme years 2004-2006 has been proposed, we are still awaiting the European Commission's final decision. The Commission services undertook follow up audits in July 2008 and November 2009 and despite the auditors acknowledging the improvements made by the Department the findings were similar. A further disallowance of around £30 m has been proposed in relation to the 2007 and 2008 scheme years."

That is a total of £60 million.

**Mr Lavery:**

The two amounts are not at the same stage in the process. I am trying to reflect that to you.

**The Chairperson:**

You and I organise our budgets at home: we know what is coming down the track. For example, we know when a big bill is coming for a service. You know that this amount is coming. I asked you for the total disallowance for the Department. You are trying to tell us that it is around £30 million, or perhaps £31 million. If you were being honest, you would say that it is £60 million.

**Mr Lavery:**

I am reflecting the position of the first £31 million precisely. It awaits endorsement from the agricultural funds committee and a decision by the Commission. The next disallowance, to which the Assembly liaison officer's letter refers, is not at that stage. A disallowance has been proposed. We have not yet determined whether we will go to conciliation; and, if we do so, we do not know what the outcome will be.

**The Chairperson:**
Mr departmental secretary; you are being very slippy by putting that to me in those terms today, and I do not like it. Your departmental Assembly liaison officer has been open and frank with the Committee in this communication, which states that a disallowance of £30 million has been proposed for 2004-06 and that we had better be aware that a further disallowance of around £30 million will be proposed. Why are you being slippy with us?

**Mr Lavery:**
I am being accurate, as indeed is the letter. You asked me the extent of the disallowance that is proposed for the Department, and I have described it accurately. An additional amount of £30 million is at an early stage of discussion between the Department and the Commission. It may well land. It probably will not land — *[Interruption.]*

**The Chairperson:**
You really need to turn your mobile phone off, Jim.

**Mr Shannon:**
Sorry.

**Mr Lavery:**
That second disallowance may not land even in the 2010-11 year because of the protracted process involved. I am not trying to disguise it from the Committee; it is a real pressure, and we would be grateful for the Committee's support for the invest-to-save bid, which is intended to reduce the risk of a disallowance.

**The Chairperson:**

There is no doubt that we will make representations about the disallowance, and we have done so in the past. My concern is, as the Committee is mature enough to recognise, that Europe does not always listen to those representations. In fact, our experience is that Europe has turned a deaf ear to the issue and that it wants the disallowance and will stick to it. I know that you are not a betting man, but, if you were, you would put money on £60 million being disallowed to the Department over the next year and a half.

**Mr Lavery:**

I accept that that is a very serious risk.

**The Chairperson:**

I asked you where we stood on the disallowance. Would it not be fair to come clean and say that it is at £30 million at the minute but is likely to rise to £60 million, not £31 million?

**Mr Lavery:**

I maintain that I am giving an accurate and full answer. Furthermore, there is a risk of further disallowance in future years if we do not take the action that we proposing in the invest to save bid.

**The Chairperson:**

I can propose a way to save £5 million immediately. The Department is to spend £5 million on the badger study, which will just say that there is a problem with badgers. Why carry out the study? Why not move to the actual eradication programme?

**Mr Lavery:**

We do not have the level of detail that allows us to know exactly how much TB is present in the badger population.

**The Chairperson:**

We are at crisis point, Gerry. This is a huge issue. You said that the Department is trying to avoid bankruptcy. I said that you are bankrupt, and you accepted that we are trying to avoid it. There is potential to save £5 million immediately and, over a period of time, £22 million. That will offset the lion's share of the proposed disallowance that is coming down the tracks anyway. The Department should get on with eradicating the badger problem instead of conducting another study that, quite frankly, is beneficial for the bureaucrats but does nothing to address the substantial issue of TB.

**Mr Lavery:**

I recognise your view. However, there are statutory and other impediments in the way of eradicating the badger population.

**The Chairperson:**

Our European neighbours in France do not seem to have those hang-ups.

**Mr Shannon:**

They do not worry about that in Wales either.

**The Chairperson:**

Our Welsh colleagues over the pond do not worry about that, and dare I say that our cousins in the Republic do not do so either.

**Mr W Clarke:**

Brothers and sisters.

**The Chairperson:**

He has brothers and sisters; I only have cousins. *[Laughter.]*

Why are we so hung up on this bureaucratic proposal that will cost us more than £22 million? Why not be radical? I implore you to be radical. You have accepted that we are looking at how to avoid bankruptcy; here is a way to address a major chunk.

**Mr Lavery:**

I am happy to take the Committee's view. As you can see, there has been slippage in this area. We have not proposed to fund it in the Department's baseline for 2010-11; it is an invest to save bid.

**Mr John Smith (Department of Agriculture and Rural Development):**

The Committee will be aware of the recent Public Accounts Committee (PAC) hearing on bovine TB. One recommendation in the report is that the PAC expects us to complete the study; we have an obligation there. We spend millions of pounds on TB eradication and, from a value-for-money perspective —

**The Chairperson:**

The PAC's concern was about the fact that the Department has, to date, spent £200 million to reach the point where nothing has been done. It is concerned that another £200 million will be spent, and still very little will be done. That is why the PAC ridiculed the current position. If I were you, I would not be held to the fact that the study must be conducted because the PAC has said so. The PAC would embrace you if you eradicated the problem and no longer had to spend hundreds of millions of pounds.

**Mr Smith:**

It is not the primary driver; it is just one of the factors. Given that we spend millions of pounds on TB eradication, it is surely better, from a value-for-money perspective, to target those resources in the most efficient and economical way. The objective of the study is to give us some knowledge about the proportion of badgers that are infected and whether there are different levels of prevalence in different regions of the country. Once we have that baseline data, we can determine what interventions to make in different areas. This study will give us that basic data.

**The Chairperson:**

All I am saying is that there is an economic crisis. You have to manage the problem, and you have told us some of your proposals. The economic figures in front of us are stark. We are suggesting a way to save £22 million and, ultimately, hundreds of millions of pounds. We want you to take the idea back to the Department, be radical and start to listen to the Committee. There is broad political support for radical action; perhaps you should start to take it. I do not think that the PAC will be against you on that point.

**Mr Elliott:**

As the Chairperson has said, we only received your document today, but there are some quite startling things in it. I do not know how the Agri-Food and Biosciences Institute (AFBI) and CAFRE are going to react to it; I notice that CAFRE is losing around £3 million, and AFBI will lose some considerable amounts of money under the revised expenditure plans. I have two specific questions. Item 2 of annexe 1 of the document refers to £113,000 for animal health, specifically for transmissible spongiform encephalopathy testing; is that the money that has been saved from the change in the collection of fallen animals?

**Mr Lavery:**

No, I do not believe so. The money saved from the collection of fallen animals is part of the Department's efficiency delivery plan.

**Mr Smith:**

We have looked at the historic spend on compensation on that baseline, and found that it has not been spent to the levels that have been provided for. The budget is simply being reduced in line with projected spend forecasts.

**Mr Elliott:**

OK. Item 14 refers to common agricultural policy disallowance, which the Chairperson mentioned. How can a calculation of £2 million be made there?

**Mr Lavery:**

When the budget was being set three years ago, the Department allocated £2 million in the current year and £2 million in the next year against the possibility of a disallowance. Despite the risk of further disallowance, the Department is currently projecting that it will not be affected by a disallowance in 2010-11. We therefore do not need to keep that £2 million allocated to cover it.

**Mr Elliott:**

OK. If that disallowance does happen, the Department will have to find that £2 million somewhere else.

**Mr Lavery:**

Indeed. All of this carries those provisions. If things change, we will have to revisit the plan, but our present expectation is that we do not need to provide for that disallowance during 2010-11.

**Mr Elliott:**

OK. Last week you said that the Department does not have the money for the upgrade of CAFRE's Enniskillen campus; I do not see that mentioned anywhere.

**Mr Lavery:**

No. You have already referred to the level of savings that the Department is seeking from CAFRE, specifically on the capital side. Included in those savings was provision for a renewable energy facility and other work, amounting to around £1·4 million, which will not now proceed. If the Department were not under the pressures that it currently faces, that money might have been reallocated to deal with the problem at Necarne Castle, but the Department is under those pressures. There is not now, and has not been, an allocation for relocating the campus from Necarne Castle. As I said last week, my clear understanding, which I have confirmed with CAFRE, is that the Department has not entered into a binding undertaking with Fermanagh District Council to vacate Necarne Castle in 2012. We would like to, and have proposals to do so, but we are not in a position to do so.

**Mr Elliott:**

I should have declared an interest as a member of Fermanagh District Council. It sounds quite ominous that DARD may be staying in Necarne, but we will have to await that outcome. CAFRE is suffering significantly; it will lose almost £3 million, and AFBI will lose quite a sizeable amount of money. The revised expenditure plan refers to a possible EU receipt for fisheries vessels, and a Euro gain of £1·25 million for the manure efficiency technology (MET) scheme. Surely that is taking that £1·25 million away from front line services? That should have gone straight into the MET scheme, as opposed to being used to shore up the Department's budget.

**Mr Lavery:**

I will answer a couple of the issues that you raised, because you covered a wide range.

First, we originally intended to fund the MET scheme through national public expenditure. However, there is an option to fund it through additional European funding, which is available due to the strength of the euro and the weakness of sterling over the period of the rural development programme. In effect, we are saying that we will reduce the allocation of £1·25 million of public expenditure that we had made for the MET scheme for the period 2010-11. We intend to substitute for that £1·25 million of European money.

Similarly, we had allocated £0·85 million of national public expenditure for the fisheries enforcement vessel. We have found that there is a possibility of using the European Fisheries Fund to fund the vessel and using a European receipt to make up the missing public expenditure.

Those are areas in which we are rebalancing, maximising our European receipts and using that to create headroom. While we are doing that, we are genuinely trying to protect the front line. You cannot make change on such a scale and have no impact on services. I appreciate that CAFRE and AFBI will find it difficult to sustain the impacts on them. It is only now that we can allow those organisations to operate the proposals as planning assumptions and prepare for the coming year.

**Mr Smith:**

In the monitoring rounds this year, we sought funds for CAFRE and AFBI to accelerate and bring forward any capital works or equipment replacement projects that they had planned for 2010-11. We funded those projects from slippage in other areas in the current financial year. Therefore, over the two years, we have sought to mitigate the effect of the 2010-11 reductions.

**Mr Elliott:**

Finally, I put on record my discontent that the Department is trying to find more money for axis 3 of the rural development programme. The money for that should already have been in place; the Department should not be trying to find receipts for it somewhere else. That is an absolute disgrace.

**Mr Lavery:**

I recognise what you are saying. After last week’s meeting, I went back to my Department to confirm that when the budget was established three years ago, axis 3 had not been designed, the administrative structures had not been designed and it was very difficult — some would say impossible — to project what we would spend. For axis 1 and axis 3, we made an allocation of something like £1·8 million in current expenditure and £2·1 million in capital expenditure. At this juncture, it is evident that, with the administrative structures in place and with the call for applications out, there is a very healthy demand in the rural economy. The proposals that we are putting forward are designed to meet that demand.

**The Chairperson:**

Are you telling us that you were surprised by the demand?

**Mr Lavery:**

We could not have forecast the demand three years ago when we did not know what the measures and the schemes would be.

**The Chairperson:**

You allocated a budget of £100 million. Was that just a guess?

**Mr Lavery:**

Yes, we indicated our intention to spend £100 million across the seven years of the rural development programme.

**The Chairperson:**
Do you mean that it was a guess?

**Mr Lavery:**
It was a very broad estimate — we are working with sums as large as £500 million. The proposals that we are making are to address the demand. They are not to leave the demand uncovered. Even the Deputy Chairperson and I might agree that it might be good to cover that demand.

**The Chairperson:**
Do you agree?

**Mr Elliott:**
It is vital that we cover the demand. My concern is about where the money comes from. My understanding was that the money was there for the rural development programme. The Department has got the money from the farmers through modulation; it has got the European money; but it still does not seem to make that money available.

**The Chairperson:**
Mr Lavery, do you have written agreement about the £27 million savings of rolled-up modulation matched funding?

**Mr Lavery:**
We have an agreement, but we have not been successful in accessing that funding.

**The Chairperson:**
Is that agreement in writing?

**Mr Lavery:**
There is a letter on the subject, yes.

**The Chairperson:**
Would you be willing to share that letter with the Committee?

**Mr Lavery:**
I will examine the letter and, if at all possible, I will share it with the Committee. I cannot recall whether it is ministerial correspondence.

You have hit on part of the issue. If we had access to the rolled-up modulation matched funding pot, then that could play into the issue. We could take £5 million from that money, fund axis 3 with national public expenditure, unlock the European funding and not have to make these particular savings. Guaranteed access to that pot would relieve the pressure.

**The Chairperson:**
Where would you get the rest of the money from?

**Mr Lavery:**
At the moment, we are targeting an allocation of £10 million in 2010-11. We believe that that is an appropriate budget for axis 3.

**The Chairperson:**
When was axis 3 of the rural development programme approved?

**Mr Lavery:**
I cannot answer that. I assume that it was approved along with the rest of the programme.

**The Chairperson:**
That would have been around 2006 or 2007?

**Mr Lavery:**
It was probably in 2006.

**The Chairperson:**
It should not now be a shock if that is where the spend has to be, and that is the actual requirement. I would have thought that a more exact science would have been applied to it.

**Mr Lavery:**
Officials expected to have to allocate funding in that area as in others. In doing so, they would expect to have regard to what baseline provision had been made. They would then bid on the modulation matched funding baseline, which is £17·85 million a year. If that baseline were exhausted, they would expect their next port of call to be the rolled-up modulation matched funding pot. We have not been successful in accessing that, and that will gradually create a pressure within the rural development programme.

**The Chairperson:**
If it does not happen, there could be a lot of disappointed people.

**Mr Lavery:**
We are endeavouring to address that in the current proposals.

**The Chairperson:**
We were looking forward to a bonanza on that.

**Mr Shannon:**
The Chairperson made a point about the Public Accounts Committee's work on bovine TB. I am also a member of that Committee, which made recommendations to the Department. It is with frustration that we find that more money has been spent on the TB and badgers issue. I say this with respect: an empire has been built in the Department in trying to deal with the issue. There is money tied up there that should not be — £22 million this year. That could have been put into the rural development programme, which we are keen to see. It would help the Department to address that issue.

An empire has been built around the eradication of TB, yet our neighbours not too far away in Wales have grasped the nettle and are doing the business. What is the Department doing to move on following the recommendations of the PAC, which were to move on and not be tied down? I find it quite frustrating to hear that there is this and that to be looked at. You have been looking at it for umpteen years and nothing has been done. Get the job done, get the £22 million into the Department, and let us solve some problems elsewhere and not get tied down in paperwork and volumes of red tape, which you seem to be quick to tell us about.

**The Chairperson:**
I think that you hear the message loud and clear. You expect the Committee to scrutinise these plans and details, and ask whether we have any good suggestions. Well, we think that that is a good suggestion.

**Mr Lavery:**
I am happy to refer that back.

**Mr Molloy:**
The rural development programme will leave a lot of people very disappointed. The

programme has caused the Department's image to deteriorate in recent years as a result of the frustration of setting it up and getting it operational. People suspected that that was just a delaying tactic, and they will be more suspicious now when the money is not in place to deliver it.

The areas that were designated first of all continue on the seven-council model, which we knew was out of date, yet the Department insisted on keeping those restrictions in place. It is now proving to be unworkable in a number of areas, and now we find that the money that should have been in place is not in place. Why are you not able to get into the modulation money? What is holding that back? Is it the finance, or Europe?

**Mr Lavery:**
The issue is that when the Department began to modulate farmers' funds, it was on the basis of clear agreement from Her Majesty's Treasury that it would match pound for pound the top-slicing of farmers' subsidies. That created an income stream into Northern Ireland. We were not in a position to spend all of that money instantly. We rolled it up over several years on the basis that it would be available to fund the new Northern Ireland rural development programme.

At a certain point, the rules changed on how that money could be accessed. It ceased to be automatic, and became a matter for bidding in the June monitoring round. We have bid. The constraints on public expenditure, as they have bitten, have meant that the Executive have not been able to meet our bids in the June monitoring round. We expect to bid again this June for at least £5 million. At this stage, however, I cannot prudently say that we can take it into account and, for instance, hinge axis 3 on it.

**The Chairperson:**
On a scale of one to 10, how confident are you that you will get that £5 million?

**Mr Lavery:**
I would put it below five at this point, particularly as the issues facing the Executive continue to become more demanding.

**The Chairperson:**
I would have put it at minus something.

**Mr Lavery:**

It is a bit unfair to ask me to judge it on a scale from one to 10, and create a minus after the event.

**The Chairperson:**

I will be as slippery as you, Gerry.

**Mr Smith:**

Obviously, it is impossible to say with any degree of certainty. We know that the Executive's decisions about next year's Budget are to wipe out some of the structural budget issues at Executive level. The intention is that instead of the monitoring rounds having to take easements that are coming in to fund commitments, the money that is available in monitoring rounds will be there to fund issues such as this. On the one hand, we may have increased prospects of getting at the money. At the end of the day, however, it depends on what easements are coming out of Departments.

**The Chairperson:**

Yes, John, but realistically, whenever you factor in the pressures that the Department of Education will be under, the pressures that the Department of Health is quite clearly under, and the other pressures that Roads Service will be under after a very harsh winter, the reality check that the Executive will have to make is to set a bid for £5 million from the Department of Agriculture against the other priorities. I would say that we are already on the back foot at that point. I am a realist as to where I think the Executive comes from, given that the majority of Executive Ministers are townies; they represent constituencies that do not necessarily have these pressures. That should be borne in mind.

**Mr Molloy:**

This is an important issue. The Department hijacked the money, which was farmers' money, and said that it was going to be used to fund that programme. We have now found out that the money has gone into the black hole of the Treasury, not to farmers. That money could be used to pay for policing and justice just as handy as it could be spent on anything else, because it is now part of that black hole. It is important that we say to those groups — and I declare an interest as a member of one of those groups — that the Department does not have the money to fund what they have been doing. That is the reality.

**The Chairperson:**

I commend the Member for getting the issue of policing and justice onto today's agenda.

**Mr Lavery:**
Was there a book running on when that might surface? I am not a betting man.

**Mr Molloy:**
On when policing and justice will be transferred?

**Mr Lavery:**
That would require a bigger book.

First, we are on the same side. We are all looking for access to the rolled-up modulation match funding for agriculture and rural development spending.

**Mr Molloy:**
How can we help the Department to get that onto the agenda?

**Mr Lavery:**
I would be grateful if this Committee and the Finance Committee supported us by drawing the Executive's attention to our claim, and I would, in turn, be grateful for their support. However, we also want to get the axis 3 bid moving in terms of expenditure, hence the proposal, which is demanding for us, to reallocate capital and capital grant money from CAFRE, INTERREG and AFBI to fund axis 3. That is so that we do not enter the year telling groups that we do not have the wherewithal to open the scheme. It will allow us to open the scheme from 1 April and meet a lot of the demand. Europe will match the £5 million that we put in, so there will be £10 million of spending power. That will go a long way towards helping the applications that have been received so far and approved. That will be a major move forward, if we can get the Committee's support on those matters.

**The Chairperson:**
The Department has the Committee's support for the land parcel improvement and the axis 3 bid, but I do not believe that it has the Committee's support for the badger scheme. However, you have made some progress there, and you can push those issues forward.

**Mr Lavery:**
I am grateful for that.

**Mr W Clarke:**

The Chairperson mentioned a couple of points that I wish to pick up on. I think that the course of action that the Department has taken on the badger strategy is the correct one. The slaughter of the badger population is not the answer, and people who believe that it is are not dealing with realities. This is a complex issue.

**The Chairperson:**

The member is entitled to his views, as other members are entitled to their views, but the Committee took a decision on the badger scheme on a previous —

**The Committee Clerk:**

In relation to the Diseases of Animals Bill, the Committee agreed that badgers should be proactively targeted in hotspots.

**The Chairperson:**

That was a considered position.

**Mr W Clarke:**

Well, I voted against that. I am just articulating my view. Badger control is a complex issue, and studies have confirmed that the problem could be worsened by dispersing the badger population throughout the island of Ireland. You must take those views on board. It is also an emotive subject in Wales, and there were judicial reviews of what they were doing.

**Mr Shannon:**

They are still doing it.

**Mr W Clarke:**

We will see what happens. We need to look at the issue of trials in a responsible manner. Part of that could be a limited cull and looking at the effect of vaccination on badgers and cattle and keeping them apart in secured areas. There is a need for vaccination, and the Department has given presentations on the issue. There are badgers and cattle in Scotland, but no TB. It is not as simple as people make out. With respect to support by political parties and Ministers for bids; the situation is that they are political parties and they and their Ministers represent rural constituencies. It is important that they take that on board and take their responsibilities seriously.

I see this as an attack on renewable energy and on green jobs, which are regarded as one of our best opportunities for getting out of the current economic crisis. That is recognised throughout the world. I am referring to the renewable energy provision and accommodation, which is worth more than £1 million.

The Deputy Chairperson mentioned some other issues. It just seems to be a collective. You mentioned the manure efficiency technology scheme, and how one could get money from elsewhere. However, I think that you need a little extra money to give that scheme a boost. Members sit here daily, hearing about the pressures on the agriculture community to reduce emissions, and so on. Therefore, it is important that the scheme stays in focus for us all. There is also the Innovation Fund Ireland's research into non-food crops: that also relates to renewable energy and green technology.

Would you like to comment on those aspects? With respect to other aspects, such as attendance at the ploughing championships in the South, and the saving of £2,000: what is that about? Maybe you will enlarge on that. The networking and the marketing gained from something like this would surely exceed a saving of two grand.

**Mr Elliott:**
Is that the attacks on the green that you were talking about?

**Mr W Clarke:**
Another aspect is forestry. Please explain the delay in recruitment for the commercialisation project, which is to save £94,000? We have just launched a recreation strategy for forests. Are the two connected? We need some explanation of that.

Will you tell us how much the grant for the fisheries vessel will be, and how can you justify cutting the anti-poverty grant by £1·25 million?

**Mr Lavery:**
There is a lot there; we will take them together. We might have to deal with them in reverse order, because it will be a test of memory.

With respect to anti-poverty, our commitment in the Programme for Government is to bring forward a £10 million programme, and we are committed to doing that. The position is that we are working with other Departments and by doing so we can utilise their resources as a part of that £10 million programme so that we do not have to come up with the entire budget by ourselves. In that way, we can reduce the budget without impacting on the signal commitment to a £10 million programme.

**Mr W Clarke:**

Have you have been given such commitments by other Departments?

**Mr Lavery:**

We have been given such commitment and, as members know, we have entered into commitments in areas as diverse as broadband, home insulation and so on. Those commitments help us to meet our £10 million target.

There is a commitment to commission a replacement fisheries enforcement vessel. We do not intend to change that at all; we are only changing the funding mechanism, from being predominantly national funding to having a significant European component.

**Mr W Clarke:**

What is the level of that component?

**Mr Smith:**

It is £865,000.

**Mr W Clarke:**

Is that our bid or theirs?

**Mr Smith:**

A vessel of that kind is eligible for EU funding under the common fisheries policy. In the last few months, we received notification from the appropriate bodies that it was eligible for a grant. We have calculated that that grant should be around £865,000 which we can use to offset against the overall £1 million bill.

You asked about the £94,000 for forestry. This is due to a delay in recruitment to cover a small number of vacant posts, which the Forest Service has identified as necessary for taking forward its commercialisation strategy.

**Mr W Clarke:**

How has the delay arisen?

**Mr Smith:**

They will proactively delay filling those posts in order to realise savings from their baseline.

**Mr W Clarke:**

Does that mean that there will be cuts to forestry provision?

**Mr Lavery:**

Essentially, yes.

**Mr W Clarke:**

Again, that is an attack —

**The Chairperson:**

As you know, we are studying the Forestry Bill at the moment. I note that in the table of proposed current expenditure savings contained in your submission you include an increase in timber sales of £150,000. How does an increase in timber sales sit with the target to increase forestation in Northern Ireland?

**Mr Smith:**

I am not sure how increased timber sales would fit against that target. However, the Forest Service generates income through a mixture of standing timber and roadside timber sales. They propose to examine how they balance that mix of offerings to the timber industry; changing it in favour of roadside timber sales will generate extra receipts.

**The Chairperson:**

That is interesting.

**Mr Smith:**

Mr Clarke mentioned the green agenda and the attack on renewables. I will clarify the proposed £1·19 million saving at the CAFRE. The majority of that is to do with postponing remedial work on buildings and replacement of windows and roofs at the Greenmount college. It is not a renewable energy project per se; it is more to do with capital replacement works.

**Mr W Clarke:**

What about the ploughing championships?

**Mr Lavery:**

We intend to maintain a presence at the ploughing championships.

**Mr W Clarke:**

Are you going to take the bus?

**Mr Lavery:**

We will not spend quite as much as we otherwise might in an effort to show that there are no sacred cows when it comes to savings that are being offered.

**Mr W Clarke:**

What are the savings about? Are you going to stay in a youth hostel? *[Laughter.]*

**Mr Lavery:**

Exactly: we will spend less than we otherwise might. It will have to be achieved by an operational change. However, if you have a list of youth hostels in the area, departmental officials would doubtless be grateful to receive it.

**Mr Savage:**

I refer to point 3(d) in your letter to the Committee:

> "There is a risk of disallowance arising from our area based payments".

That point was referred to earlier. By my calculations, to finance everything that is contained in the letter, you are taking £30 million off the farmers. Am I right in saying that?

**Mr Lavery:**

I do not know the basis for your calculations.

**Mr Savage:**

I will tell you something, Chairperson. It is no wonder that these gentlemen just handed that paper to us today. If I had received it last night, I know where I would have been. I feel very guilty here today about even discussing this paper. That £30 million has been taken off the farmers to finance the Department's plans. By the way, I want to declare an interest.

The calculations contained in the paper represent money that has been taken away. A few minutes ago you told Willie Clarke that the agriculture industry in Northern Ireland is in dire straits. It is no wonder. I looked at that paper and compared it with the paper containing the spending plans, which outlines another CAP disallowance of £2 million. That is another £2 million that has been taken away, but it is farmers' money that is being used to finance the Department's plans. That is totally wrong. As I said last week, it would be far better if there were no grants at all, so that farmers could be on a level footing and get a decent price for their produce. All these papers show that farmers are paying to keep the Department going.

Chairman, if that is the way that we are going to operate, I am wasting my time on this Committee. I will go home tonight and discuss this paper with a good solicitor. I hope that the departmental officials have taken legal advice.

**The Chairperson:**
Are you guilty as charged?

**Mr Lavery:**
Never.

**Mr Savage:**
Those are my figures. I may be £1 or £2 out, but I am not very far out when I look at the way in which the figure has been calculated. Mr Lavery, you may think that the farmers are a soft touch, but they have had enough of the Department. It needs to start playing ball with the farmers. You can take the horse to water, but you cannot make it drink.

**Mr Lavery:**
I will make several comments; however, as I said, it will be without knowing the precise basis of Mr Savage's calculations. In the incoming year, in 2010-11, we expect to disperse €340 million to farmers and rural dwellers. The Department will spend £245 million delivering services and offering national schemes. We have a very large expenditure and investment into the rural community, including farmers.

When we were making cuts, we did not exempt any area. However, we certainly had the Programme for Government commitments and public service agreements at the forefront of our minds. Our 35 PSA targets are primarily outward facing commitments to the public and the farmers; they are not inward facing to us. When we made our cuts, we delayed filling posts, we cut posts, we cut travel and subsistence, and we cut capital expenditure in the Department on areas such as accommodation. Therefore, it is not the case that we are looking to take money from farmers.

I want to make it very clear that the disallowance does not hit the single farm payment that we make to farmers; it hits the Department and the Executive. They get the bill for disallowance. It is not the case that it hits the payment to the farmer: we are obliged by law to pay the farmer his subsidy.

**Mr Savage:**
The disallowance of £30 million is farmers' money.

**Mr Lavery:**
It does not come out of the single farm payment.

**Mr Savage:**
It is coming off the individual farmer.

**Mr Lavery:**
No; it will not come off the individual farmer. My case remains that the risk to the European fund is very low. The maximum that we believe has been paid wrongly is €1 million to €2 million. The disallowance of £30 million is a fine on the member state Administration; that is, on us, not on the farmer. The farmer gets his subsidy. What he is entitled to is unchanged.

**Mr Savage:**
I wanted you to clarify that because I know quite a number of farmers who are not related to me whatsoever and the disallowance that they have this year is unbelievable. It looks like that money was taken from those disenfranchised farmers to pay for the scheme.

**Mr Lavery:**
I appreciate that, Mr Savage. Some farmers have claimed money to which they are not entitled, and they will be penalised for that. That overpayment will be recovered and will be returned to Brussels.

**The Chairperson:**
What percentage is that?

**Mr Lavery:**
I do not have a figure.

**The Chairperson:**
It would be a very small percentage.

**Mr Lavery:**
Yes. The disallowance that we are discussing today of £31 million, or £60 million, is a fine on the member state Administration. It does not allow one to top-slice that money from farmers' subsidies. Entitlement to farmers' subsidies is unchanged.

**The Chairperson:**
Gerry is actually saying that the situation is far worse than taking money off the farmers: it is about taking money off the entire population of Northern Ireland and from Northern Ireland's Budget; which, from any perspective, is a far worse position to be in, because the whole Northern Ireland economy will suffer as a result. It could be ring-fenced to one section of the economy, and the impact may not be as great. However, the impact of taking £60 million from the economy is huge.

**Mr Doherty:**
The problem about arriving late is that most of the questions have been asked. However, when I was looking through the papers, I could not see any reduction to the Parades Commission mentioned. What do the proposed expenditure savings in respect of the resource grant for ex-military bases and the portal facilities mean in real terms?

**Mr Lavery:**
We had allocated funding to develop additional portal facilities for the Veterinary Service at Belfast, so that people would have had the opportunity for live animal import and export through Belfast, in addition to Larne, but we do not propose to go ahead with that.

In respect of the resource grant for ex-military bases, we had created a small allocation of £264,000 as a ring-fenced budget for development on ex-military sites, specifically at Forkhill. However, we are now proposing that ex-military sites will have to compete alongside other community associations for funding under the village renewal measure in the rural development programme. We are proposing to remove that specific allocation.

**The Chairperson:**
We appreciate you coming here today. You clearly have a lot of work to do. I reiterate that the Committee supports the land parcel improvement and supports the axis 3 bid. Although

there are nuanced differences on the issue of badgers, we came to a conclusive position on a previous occasion that we do not support ongoing expenditure on that matter.  Therefore, I will leave those issues, and the Committee's views on them, with you.  I look forward to seeing you again soon.