



Northern Ireland
Assembly

Committee for Agriculture and Rural
Development

OFFICIAL REPORT (Hansard)

October Monitoring Round: DARD Briefing

1 October 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 William Irwin
Mr Declan McAleer
Miss Michelle McIlveen
Mr Ian Milne

Witnesses:

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| Mr Roger Downey | Department of Agriculture and Rural Development |
| Mr Graeme Wilkinson | Department of Agriculture and Rural Development |

The Chairperson: I welcome Graeme Wilkinson, finance director, and Roger Downey, accountant. Members have had a chance to read your briefing paper; therefore, I ask you to be brief and concise in addressing the Committee. If you can, you should take no more than five minutes. However, if there is additional information aside from your briefing paper, that would be very helpful. I remind members to be clear and concise also. You can ask two questions — short and sweet — and if you can leave your personal opinions and everything else to your press release afterwards, that would be greatly appreciated. Graeme, are you leading off?

Mr Graeme Wilkinson (Department of Agriculture and Rural Development): Yes, I have a short presentation. Thank you, Chair and members, for the opportunity to brief the Committee on the Department's October monitoring round proposals and the 2014-15 Budget exercise. I am joined by Roger Downey, who is the head of financial planning branch in the Department.

Before I turn to the detail, it may be worth saying a few words about the outcome of the June monitoring and the timetable for the October monitoring round process. In June, you will recall that we submitted two resource bids, one for £4 million in respect of the hardship scheme and the other for £3 million for the land parcel identification system. We also submitted one capital build for £1.3 million for the College of Agriculture, Food and Rural Enterprise (CAFRE) building improvements. I am happy to inform the Committee that we had a successful outcome, as all of those bids were met in full. The October monitoring round was commissioned on 29 July, and Departments have been asked to supply details of any bids, easements and technical adjustments. Our monitoring return is due back with the Department of Finance and Personnel (DFP) on 3 October.

The capital budget exercise, which is also being considered as part of the monitoring round, was commissioned on 4 July, with returns due back on 30 August. I can confirm that the proposals presented to the Committee today have been reviewed by the senior management team and approved by the Minister. Following today's session, we will issue our monitoring return to DFP including the

Committee's view on our proposals. DFP will then consider departmental returns, and the Finance Minister will then present proposals for discussion at the Executive meeting on 17 October. That will be followed by a statement from the Finance Minister to the Assembly on 21 October. This is an important stage in the financial year as we want to ensure that we have a strong financial performance and repeat the performance from 2012-13. Members will recall that we achieved an outturn of 99.8% on resource and 98.9% on capital in 2012-13. That compared favourably with other Departments' performances. Evidence of our ability to manage the budget effectively is important as we are entering a single Budget year exercise in 2015-16, and we will need to present DARD as a Department that can deliver a strong financial performance.

The October monitoring round is the second monitoring round of this year and is similar to last year in that there will be a final one in January. I will start with reduced requirements. We have one small easement of £10,000 resource to declare. That relates to INTERREG IVa, and, as that area of expenditure is ring-fenced, it cannot be reallocated internally and, therefore, must be surrendered.

I will turn to the Department's bids. You will be aware from the information provided that we propose to submit four bids: on hardship funding; TB compensation; depreciation, and the rural development programme. The first proposed bid is on the hardship funding and consists of three elements. Those are about the use of a helicopter support unit during the spring blizzard, the unforeseen spike in demand in the last two days of the fodder transport scheme and the landing and harbour dues scheme. The second proposed bid relates to TB compensation. Members will recall that we submitted a marker bid of £12.2 million to DFP in June monitoring. That marker bid was assessed on the basis that the levels of TB that arose in 2012-13 will continue into the current financial year. In 2012-13, we spent a total of £16.1 million on TB compensation, and we propose to bid for £7.6 million in this round to bring our total forecast spend to £12.7 million. That is a reduction of £3.4 million on last year. Our third proposed bid is £1 million in relation to depreciation. That has arisen across DARD but mainly arises in the Agri-Food and Biosciences Institute (AFBI) and Veterinary Service. Our last proposed bid is £1.3 million, and that relates to delivery costs on axis 5 and axis 3 rural broadband. In summary, we are proposing to submit four bids totalling £11.2 million in this monitoring round. The majority of that funding — £7.6 million — relates to TB compensation, and we would welcome the Committee's support for our proposals.

I will turn to the 2014-15 capital budget exercise. The Executive agreed, as part of June monitoring, that an exercise would be conducted over the summer. That exercise is being taken forward to ensure that capital funding arising as a result of major delays in projects can be fully utilised. Departments had been asked to identify any known or likely easements in order to reallocate capital budget. Departments are also invited to present capital expenditure bids for 2014-15. Highest priority will be given to discrete specific infrastructure projects that can commence next year. In recognition that such projects will have future implications, Departments are asked to provide full budget profiles for each bid. Any tails in the future years will inform the starting position for the 2015-16 budget. As you will see from the paper submitted to the Committee, we have identified a range of funding requirements under three main themes: delivering critical services, meeting policy imperatives and, finally, becoming more efficient. In summary, there are 16 capital bids equating to £41 million in 2014-15 with significant tails across the following three years. To set that in context, our 2012-13 capital spend was £22 million, and our baseline in this year is £26 million. If successful, the bids would significantly increase the Department's capital allocation.

I will turn to the detail of the paper. It might be helpful if I highlight some of the projects in each of the themes. Under delivering critical services, we have identified a relocation programme as our highest priority. Members will recall that £13 million was allocated to the headquarters relocation project as part of the Budget 2010 process. The latest forecast has been reviewed, and a revised profile is included as part of this exercise. We have estimated that a total of £18.3 million is required for the period to 2017-18. Although there is no specific capital bid for 2014-15, it is important that the reprofiling of the project be actioned. Funding for flood alleviation is also included in the theme. The total amount is £18 million, and that is to fund important schemes in east Belfast and Beragh. It will also fund the delivery of a new capital grant scheme as recommended in the performance and efficiency delivery unit (PEDU) report following the flooding incident in 2012. That would provide a scheme open to homeowners to help fund protection for individual homes in high-risk areas.

The Chairperson: Graeme, I will give you one more minute, if that's OK.

Mr Wilkinson: OK. The second theme relates to bids around policy imperatives. We identified £12.6 million in the 2014-15 financial year. The majority of that relates to funding the Agri-Food Strategy Board (AFSB) and the rural development programme.

The final theme is around becoming more efficient. The majority of that is based around the Department's estate framework. Principally, we are seeking to update facilities to reduce expensive maintenance costs on old and outdated buildings, reduce our footprint and utilise space more effectively. The estate provides an essential platform for the research, development and education services provided by the Department. Those are critical success factors for the growth of the agriculture industry and highlighted by the AFSB report.

That concludes my introductory comments on the two exercises. I am happy to take any questions.

The Chairperson: OK, Graeme, thank you very much for your brief presentation. I appreciate that very much. There are two aspects here: the monitoring round and the task that you were asked to perform by the Minister of Finance and Personnel with regard to proposals for the future.

The monitoring round is very simple. We can all understand the pressure, and the bids that you put in. It would be safe enough to say that we all support those bids. My question is about the bid that is not there. I have had a concern for some time around the Forest Service's need for resources to deal with ash dieback, and what is then being left out in that interim. How is the Forest Service performing on that and what conversations as finance director have you had with the Forest Service?

Mr Wilkinson: No specific bid was made for ash dieback, or any need identified, during the monitoring round discussions. We identified a need to have a policy lead in the Department on plant health and we are allocating an additional £500,000 per year initially to that area. There may be more requirements when that is established but that is a starting point.

The Chairperson: I have so many questions about the capital programme and the pressure on the Department, although I will limit myself to one. Your paper states that you will bid in the next four years for a farm business development scheme and a farm drainage scheme. Those were key recommendations of the Agri-Food Strategy Board. Is that the same farm business development scheme that will be part of the rural development programme?

How were two recommendations picked from the Agri-Food Strategy Board report for the Minister of Finance to consider? Where does that sit with Government investment and rural development programme money? Why have we got the business development scheme on two lines of a budget and in two parts: Agri-Food Strategy Board and rural development — and how does that all tie in together with our —

Mr Wilkinson: Officials are still considering the Agri-Food Strategy Board report and recommendations. This process looks at only capital grant, so that was our focus. There is now an opportunity to make sure that we are putting our bid in now to avail ourselves of any funding but also to recognise that there will be an increasing demand. So, it is important that we articulate that position, and that was the opportunity to do so.

You will appreciate that the rural development programme is only out for consultation at this stage, so everything is still very fluid. I do not underestimate that the mix of funding will change as we move through the process. It is very important that the Committee be kept up to speed as that changes. So, I have no doubt that the figures that are included here may well change, but, at this stage in the process, this is our best estimate of what that mix might look like. There are big questions around the switch between pillar 1 and pillar 2. That will need to be informed by the consultation process. The figures that we have included as part of the bid and the mix between the rural development programme and a stand-alone bid for the drainage and business improvement scheme are as set out in the paper provided.

Mr Byrne: Is the bid in the monitoring round for £7.6 million for the TB compensation scheme based on guesstimates or evidence? Why are you looking only for £7.6 million at the moment?

Mr Wilkinson: You may recall, Joe, that, as part of the previous monitoring round we bid for £12.2 million. That was based on the assumption that the level of incidents of TB would continue as it currently was. As the vets have done their testing during the winter months, the level of TB has started to reduce. So, we have refined it quite considerably. I think that it was a positive thing not to put the formal bid forward in the June monitoring round. We have now refined that figure work. As I explained to the Committee, we needed more work to make sure that we got the estimate correct. There is no point in bidding for more money than we really need. As I said in my opening remarks, it is really important that we have a good financial performance and out-turn and that we do not end up

bidding for money that we ultimately give back. So, it is really important that we get our forecasts accurate. I think that that is the work that the veterinary service has done.

Mr Byrne: That is to be welcomed.

You make mention in paragraph 25 that there is a bid for an additional £22 million over the next four years for the Northern Ireland food animal information system (NIFAIS). Is that extra or is that the totality of the project?

Secondly, you mention:

"Existing and new capital projects consistent with the "Together: Building a United Community" strategy to make use of £50 million RRI borrowing in 2014/15 ... The Department has not identified any projects within these parameters."

Why is that?

Mr Wilkinson: There are two questions there, Joe. The bid for the NIFAIS project looks at the future profile of that expenditure. You will see that a significant amount of expenditure is intended for 2015-16. We do not have a capital budget for that year, and this process is being used to set the baseline for 2015-16. Therefore, it is really important to make sure that we get in our requirements in this process. You are quite right; we are talking about £22 million over the period to 2017-18. So, it is a significant investment over a fairly long period of time. That reflects the Department's needs to implement that system.

Mr Byrne: Is the £22 million the total quantum that you expect over the next three years?

Mr Wilkinson: That is the total quantum of capital moneys that we require. The resource will be dealt with in a different budget exercise. This looks just at capital. It is not the full amount. That is just the capital allocation.

You also asked about reinvestment and reform initiative (RRI) moneys. At this stage, we have not identified any projects that would fit the criteria for that funding. That is not to say that we will not continue to consider projects within the Department. I know that we are actively looking at whether there is anything we could avail ourselves of at that level of funding. It is a significant amount of money and we are looking at it.

Mr Byrne: Is it likely that that sort of money would have to be earmarked for capital building projects or could it in any way be tied into the agrifood strategy, 'Going for Growth'?

Mr Wilkinson: Given the nature of it — it is borrowing — it would be usual for it to be used for capital investment. It is my understanding that it would be for capital spend.

Mr Irwin: I welcome the fact that there is a reduced need for compensation for TB. It may be a surprise, but it is certainly welcome. The farm business development scheme earmarked £55 million over four years and the farm drainage scheme £8 million over four years. It seems to be quite a small figure for the whole of Northern Ireland. It is a lot of money, but it is not a lot of money in the bigger picture. It is going to be very difficult if there is an influx of people. There has been very bad weather for a few years, so I reckon there will be a need for a drainage scheme among the farming community. If there is more money needed in relation to that, do you have the ability to bid for that?

Mr Wilkinson: Yes, we would have the ability to bid for that through the individual monitoring rounds and the process that we go through. It is important to say that it is at a very early stage of development. We will need to go through the business case process to make sure that that is all completed, and that will flesh out the need and demand. In going through that process, if more money is required to deliver the scheme, that will flesh that out.

Mr Irwin: It is quite difficult to ascertain exactly what is needed, but it is quite low for a four-year period, I would have thought.

Mr Wilkinson: Yes, and we will get more detail when we go through the business case, but I think it was important to make sure that we had something included in this exercise and that we are registering a potential need. If it increases then we can come back to that at a later date.

Miss M McIlveen: I am not sure how long I can use the excuse of being new, but I will use it today anyway in case I ask something really stupid. You spoke about the £1 million resource depreciation pressure that has arisen across DARD, which obviously relates specifically to AFBI and the Veterinary Service, but will you explain what that is?

Mr Wilkinson: It is largely to do with additional capital expenditure that was carried out during the last financial year for laboratory and computer equipment in the Veterinary Service, so it is the depreciation associated with that capital expenditure in the previous financial year.

Miss M McIlveen: OK. I know that the Chair has highlighted one particular bid that he thought could have been included. I am going to look back to the announcement that the Minister made in July on the loan fund for the fishing sector. When she came to Committee, she said that you were going to explore options around that. At what stage do you think do you think you may be in a position to come with a bid for that particular assistance package?

Mr Wilkinson: Is that for the landing and harbour dues?

Miss M McIlveen: No, it is in relation to a loan fund to assist fishermen if they want to develop their business.

Mr Wilkinson: I think that is currently being explored by the relevant policy area. When a business case is completed and we get a feel for any funding that is required, we will consider a bid at that point in time.

Miss M McIlveen: But at this stage they have not had that discussion with you?

Mr Wilkinson: Not to date, no.

Miss M McIlveen: Finally, how are you prioritising the 16 capital proposals?

Mr Wilkinson: We have identified three different themes and those are prioritised as set out in the paper. I think there are four or five different priorities under each of the different themes.

The Chairperson: Graeme; can I just take you back — I have lost it here, but I will get it now. With regard to the category on becoming more efficient, since you are talking about priorities, there is an awful lot of money in that pot. An awful lot of money — nearly £91 million — is to be spent on becoming more efficient. You will need to generate enough efficiency to cover that cost. A lot of that goes to AFBI, not least the five million with regard to the Maze/Long Kesh AFBI estate under priority 5. Explain a wee bit more why and how we need so much money for AFBI. Has there been an underspend for many years? Is there something that we have perhaps neglected? It seems to be mostly the estate, as opposed to research or anything like that. Can you give us a wee bit more detail on the money planned and earmarked for AFBI in this?

Mr Wilkinson: I suppose that there are a couple of key strategic elements around all that. The first element is around Going for Growth and the need to have really good, high-quality science and research. That is vital for the future direction of the industry.

You will be aware that the Committee looked at the estate framework, the whole premise of which is providing greater efficiency and utilising digital services, and that is what we are trying to deliver on here.

I am not sure whether the Committee has visited any of the AFBI facilities, but they are very old and are not fit for purpose. If you have ever been to Newforge, you will know that it is an old college with big lecture halls, etc; so, it is not really a research and development facility that is designed for or fit for purpose in the 21st century. It is very inefficient to run, and there are lots of maintenance costs. The maintenance of that site alone costs around £2 million per annum. So, significant savings can be made from that investment.

Also, I think that it is important that scientists and people involved in research have facilities available that allow them to do that work. Rather than being a handicap, the facilities should enable their research. So, it is not just about efficiency, Chair; it is about making sure that you have the right tools to do the job.

The Chairperson: I hear what you say, but why not build a £62 million state-of-the-art building that houses everything on a specific site, namely Maze/Long Kesh where there is the room? Why not spend that money there? I do not know those buildings off by heart, but why go for a replacement building on Stoney Road when you can go for an estate on the Maze/Long Kesh site? Why upgrade facilities here and there, costing nearly £2 million — I am not 100% sure what priority 7 is — when you can go for one major newbuild that will house all of AFBI in one position right beside the new Balmoral Park, which is central to the country and has a good network of roads? Would that not be a better proposition than spending all over place?

Mr Wilkinson: It is difficult, Chair, because we are not involved directly in the organisation. I have asked similar sorts of questions. The nature of the business is that different services are delivered at different sites, and there are biosecurity issues. You have the veterinary sciences division (VSD) site at Stormont and the farm at Hillsborough. So, there are different sites. There are biosecurity issues, and there are different services involved in that. We are looking at models to see what fits best and what the most efficient model is for AFBI. We are looking not just at one particular site but at how it all fits together. It is very important to make sure that the jigsaw comes together neatly and that it is the most efficient design. It is also important to make sure that it delivers for the business need. Ultimately, we are working to make sure that it is the best fit and the most efficient design when completed.

Mr Irwin: The Chairman mentioned the Maze site. In my constituency, AFBI has a very good facility in Loughgall, and I certainly think that with more resource, it would be able to do a lot more. I think that it is probably one of the best facilities in Northern Ireland, providing research on potatoes and apples right in the heart of the agriculture community. Is there any money earmarked for Loughgall, for instance?

Mr Wilkinson: There is no money for Loughgall in these proposals.

Mr Irwin: OK.

The Chairperson: OK. Graeme and Roger, thank you very much for your attendance here today and for your presentation. Are members content with the proposed monitoring round bid from DARD?

Members indicated assent.

The Chairperson: OK. Thank you very much.