



Northern Ireland  
Assembly

Committee for Agriculture and Rural  
Development

# OFFICIAL REPORT (Hansard)

January Monitoring Round: DARD Briefing

10 December 2013

# NORTHERN IRELAND ASSEMBLY

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**Members present for all or part of the proceedings:**

Mr Paul Frew (Chairperson)  
Mr Thomas Buchanan  
Mrs Jo-Anne Dobson  
Mr William Irwin  
Miss Michelle McIlveen  
Mr Oliver McMullan  
Mr Ian Milne  
Mr Robin Swann

**Witnesses:**

Mr Roger Downey	Department of Agriculture and Rural Development
Ms Lynda Lowe	Department of Agriculture and Rural Development
Mr Graeme Wilkinson	Department of Agriculture and Rural Development

**The Chairperson:** I welcome Graeme Wilkinson, assistant secretary; Roger Downey, accountant; and Lynda Lowe, deputy principal. Members have had a chance to read your briefing paper, so I ask you to be brief and concise in addressing the Committee. I will give you more than five minutes if you need them, Graeme, but certainly no more than 10. If you can keep it as concise as that, we will really appreciate it. Members, if you can keep your questions clear and concise. No statements, please, just questions. We will try to keep those as directed as possible, in light of the strategic meeting we have just had. We will ask a question on a specific topic and see how things fare with regard to that. If we need to delve deeper, we can, but then I will try to get as many members as possible in for questions. If we have time to go round again, we will. Without further ado, Graeme, are you leading off?

**Mr Graeme Wilkinson (Department of Agriculture and Rural Development):** Yes, thank you, Chair. The five minutes will suffice. Thank you, Chair and members, for the opportunity to brief the Committee on the Department's proposals for the January monitoring round exercise. Before turning to that, it may be worth updating members on the outcome of the October monitoring round process.

The Department submitted four bids as part of that process, totalling £11.2 million. We were successful in securing £7.3 million of those bids. That included £5 million for TB compensation, £1.3 million of hardship funding and £1 million for depreciation. As part of that process, a capital exercise was also completed for the 2014-15 financial year. We were again successful in securing £19.9 million. That included £13 million for the rural development programme, which allows us to draw down the equivalent match funding from our EU programme. Also, we secured £2.2 million for flood alleviation, £2 million to support the Going for Growth strategy, £1.7 million to upgrade Agri-Food and

Biosciences Institute (AFBI) facilities, and £1 million to complete the food innovation centre at Loughry.

The January monitoring round will be the last in this financial year. It is a critical round, as the outcome sets the budget position for our provisional out-turn and our business plan targets. We want to ensure that our strong financial performance in 2012-13 is repeated this year. Members will recall that we achieved an out-turn of 99.8% on resource and 98.9% on capital last year. That compared very favourably with other Departments' performances. Evidence of our ability to deliver on our budget is important, as we are about to enter a single-year budget exercise in 2015-16. That will be commissioned shortly within the Department and presented to the Committee early in the new year.

Given the tight timescales associated with the outcome of this monitoring round, the process is split into two stages. Stage 1 covers transactions not requiring Executive approval, including details of any technical issues to be addressed as well as any annually managed expenditure forecasts for 2013-14. The second stage covers those transactions that require Executive approval. Those include reduced requirements, bids and any exceptional technical issues to be processed.

Starting with reduced requirements, we identified two areas of ring-fenced capital expenditure that would not be spent in this financial year, and will be surrendered to DFP. Those include the Northern Ireland Food Animal Information System (NIFAIS), which was funded as part of an invest-to-save programme. That amounted to £0.8 million. The forestry fund, which is funded as part of the economy and jobs initiative, identified an easement of £0.5 million. Those are all the reduced requirements in this monitoring round.

Turning to bids, you will be aware from the information the Committee has received that we propose to submit one bid of £3 million for TB compensation. Members will be aware of the importance of the TB compensation scheme, both in securing the valuable export market in livestock and livestock products and in relation to the Department's statutory requirement to adhere to the tuberculosis control order. We do not have any further resource bids in this monitoring round.

On capital, you will see that a £3.3 million capital grant pressure has been identified which relates largely to axis 3 and axis 1. Those pressures cannot be met internally, and we propose to bid in this monitoring round. We also propose to seek Executive approval for one exceptional technical issue, which is for the proactive reallocation of expenditure. The Department has proactively reviewed its approach for accruing EU income and has identified an additional £3 million in respect of the veterinary fund. We propose to reallocate the spending power that is associated with that additional income to fund the disallowance element of our EU programmes.

That sets out the Department's January monitoring round proposals to be sent to DFP. We would welcome the Committee's support for our proposals.

**The Chairperson:** OK Graeme, thank you very much for being clear and concise; I appreciate that. Why do we have to surrender funding for NIFAIS when it is part of an invest-to-save programme? That is a fundamental issue, not only in the Department but in the industry. Why are we surrendering that, rather than implementing it?

**Mr Wilkinson:** To be blunt about it, there have been delays in the process of setting out our plans and developing our business case. There have been a number of stages throughout that, with an understanding of the quantum that is involved. That has increased, as we indicated to the Committee the last time we discussed the exit strategy, which had not been fully quantified.

We now have a better handle on our costs, but also there have been cost increases in the marketplace. It was first sent to DFP back in 2011, and certainly costs have increased since then. We have taken the opportunity to revisit the business case; we have been through that process again, and we had not anticipated having to do that. Like any IT project, there are slippages that happen throughout the process, and that is why we have to surrender the £0.8 million at this stage. What I would say is that the project is in a better place than it was previously, and we have a better handle on what the actual costs are going to be.

We are also having an internal discussion about affordability. The Committee will have already seen our capital plans for the next number of years as part of the 2014-15 exercise. This is a very significant investment over a period of 15 years, so we need to be very clear about how we are going to fund that very significant spend.

**The Chairperson:** The last time you were here, you talked about an exit strategy for the animal and public health information system (APHIS). Do we have an implementation strategy for NIFAIS?

**Mr Wilkinson:** Yes. Governance arrangements have been established, and a project plan is in place. There is a senior responsible owner (SRO) in place to oversee all that. It is being developed through PRINCE2 methodology. As soon as we get the business case completed and sent to DFP, we will move on to the procurement phase. We have had initial market engagement, so I can give the Committee an assurance that things are happening. It is about getting through the next stage, which is the procurement, to allow us to start spending money.

**The Chairperson:** If we have a strategy in place, why do we have to give £0.8 million back at this time?

**Mr Wilkinson:** Because we have not got to the procurement stage. We have to complete the procurement process before we can start spending money. It is the delay in getting to the procurement stage that has meant that we have to surrender funding at this stage.

**The Chairperson:** OK, thank you. Again, I remind members to be as clear and concise as possible.

**Mrs Dobson:** Graeme, thank you for your briefing. I want to focus on the £0.5 million funding for the forestry fund. Can you explain what happened there?

**Mr Wilkinson:** At the outset, the plan to invest £4 million and get things up and running in that timescale was ambitious. I think that we did not fully appreciate all the stages that we had to go through at the outset. There were two things that happened during that. The business case process took longer than we had first envisaged. It took time to get that completed. Once that was done, the procurement led to delays as well. Again, it is a bit like NIFAIS: the timescale to get those things delivered and on the ground is taking longer than we first envisaged. It is around the business case and getting that bit of the process completed, and also on the procurement. Those two elements have caused some delay, but we now have our plans in place.

The responses that we got from stakeholders were very encouraging. A lot of really good plans came through on the forest fund. It is something that we will seek to extend and look at again. It seems to be a very good scheme, and something that we will want to do in the future.

**Mrs Dobson:** You said in your briefing that that was funded under the economy and jobs initiative. Are we to take it that that is still a priority for your Department?

**Mr Wilkinson:** Very much so. Malcolm will speak to you later, but Forest Service has been very committed to making that happen. It is engaging regularly with stakeholders to make sure that the money can be spent. We have good governance arrangements to make sure that that happens. We are working very closely with our colleagues in the Central Procurement Directorate to make sure that the procurement process is taken forward as quickly as possible.

**Mrs Dobson:** Chair, are we allowed a second question?

**The Chairperson:** I will come round, if that is OK, Jo-Anne.

**Mrs Dobson:** No problem.

**Mr Swann:** Graeme, point 11 is about exceptional technical issues. It is exceptionally technical to me, because I cannot get my head round it. You have identified £3 million in respect of the veterinary fund. I assume that that had to be spent against veterinary issues, but the Department is allocating that against the disallowance element. How does that work?

**Mr Wilkinson:** It is through the process in DFP. Where we have identified additional receipts, we have to seek DFP's approval to use them because, as you quite rightly say, it is in a different area of business. We are seeking to use additional income to offset against a pressure elsewhere in the Department, so we have to seek the Executive's approval to do that. You are quite right: we could not just do that internally. That would not be within the rules, which is why it is being presented as part of this monitoring round process.

**Mr Swann:** You have found an additional £3 million income from the veterinary fund. Where did it come from?

**Mr Wilkinson:** That was part of our review. When we started this financial year, we identified very significant pressures in the Department. We engaged with DFP, and it encouraged us to look within the Department to identify any opportunities, whether they are increasing income, reducing our costs or some spend-to-save measures, to try to deal with our resource pressures internally. We have been proactive in looking at all areas of our business to try to live within our means. It is through that process in the Department that we have identified additional receipts in the EU veterinary fund that we can use to offset pressures elsewhere in the Department. It is about taking that active action and looking at all areas.

**Mr Swann:** That is the process; I understand that. Where did you save £3 million? Was it on manpower? Was it on testing? Is there something specific?

**Mr Wilkinson:** It was really looking at our accounting policies and how we were recording our EU veterinary fund. Initially, we looked at including a provision for bad debt of around 20% in our veterinary fund. However, looking at our accounting policies, that would not be appropriate, because we have been 100% recovering on our EU veterinary funds. That would be overly prudent, if you like. It is about looking at the accounting treatment around that to ensure that we are accounting for it in the correct way.

**Mr Swann:** So, the £3 million is reallocating bad debt allowance?

**Mr Wilkinson:** No, it is just looking at the accounting policy that we apply to how we record our income.

**The Chairperson:** Coming back to the bids, there is a £3.3 million capital grant pressure on axis 3, which is council projects. To me, those are the strategic projects. Axis 1 is the processing and marketing grant. Can you tell me why we have to make a bid to the centre when there is money still unspent in rural development?

**Mr Wilkinson:** My understanding is that the money in rural development is 100% committed. As part of the process, we need to identify national funding in-year. As part of our Budget 2010 process, we identified national moneys in each of the financial years. However, as you know, the spend did not transpire in that way and there was a bit more of a hockey stick-type profile to the spend. National money that we had earmarked earlier in the programme has had to be surrendered, so we now need to bid for that money at this stage in the programme. We had not planned for that as part of the Budget 2010 process.

**Mr McMullan:** Very quickly, the forestry fund is turning out to be one of the success stories. I have spoken to some of the stakeholders on this, so congratulations. You said that it could be extended. That is a good news story.

**Mr Wilkinson:** That will be subject to affordability, funding and business cases. At this stage in the process, we have a business case that takes us to 2014-15, so we have £2 million this year and £2 million next year. Again, we will have to consider that in terms of affordability and our strategic plans, but the responses that we have got to that fund have been very positive. There are lots of good projects, and there is much more in bids than we can afford. Malcolm might want to talk about this, but strategically and with where the Forest Service is going with recreation and tourism, it has to be an important area to consider investing in.

**Mr McMullan:** I have a quick supplementary question, Chair. Some of the schemes that are coming forward may not meet the timescales for, say, planning. That would be outside your realm and that of the Forest Service. If you extend the fund, will you consider those good schemes that could be outside the time frames because of planning issues, and not punish them because of that?

**Mr Wilkinson:** Because we have money in these years, we cannot commit to schemes outside of that timescale at this stage. However, we will look at it through a post-project evaluation process and establish whether we will want to extend it in future years.

**Mr McMullan:** Excellent.

**Mrs Dobson:** My question was mostly answered by Robin. It was on point 11 and the proactive allocation of £3 million. Graeme, I appreciate that you went into detail, but I want to clarify something. Could that reallocation conceivably have taken place in previous years?

**Mr Wilkinson:** It is not something that we looked at in previous years, and I think that was because of how successful the Veterinary Service has been in making sure that it recovered all that money. It was prudent to make sure that there was a provision there, because of the uncertainty about getting that money. The worst thing that we could have done would have been to accrue the funding and not get it; that would have caused pressure on the DEL. Our experience and knowledge to date recognises that we are achieving 100% of the veterinary fund receipts. That is why we have taken the approach that we have.

**Mrs Dobson:** If the money was not going to pay off CAP disallowance, I am sure that you could think of a lot of better uses that it could be put to, to ease pressures across the Department. Thank you for your answers.

**The Chairperson:** There are no further questions from members on this presentation. Graeme, I thank you and your team for coming along, presenting to us and answering our questions.

**Mr Wilkinson:** OK. Thank you.