



Northern Ireland
Assembly

Committee for Agriculture and Rural
Development

OFFICIAL REPORT (Hansard)

Rural Development Programme 2014-2020:
DARD Briefing

4 February 2014

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 Declan McAleer
Miss Michelle McIlveen
Mr Ian Milne
Mr Robin Swann

Witnesses:

Mrs Lorraine Lynas	Department of Agriculture and Rural Development
Mrs Colette McMaster	Department of Agriculture and Rural Development

The Chairperson: I welcome Colette McMaster, who is a grade 5, and Lorraine Lynas, who is a grade 7. You are very welcome to the Committee, as always. You seem to be here every week, Colette.

Mrs Colette McMaster (Department of Agriculture and Rural Development): I know; I have been here quite a lot recently.

The Chairperson: My heart feels for you. You are very welcome to the Committee, as always, to discuss the very important issue of the development of the new rural development programme (RDP) for 2014 to 2020.

Members have had the chance to read the briefing papers, substantial as they are. I ask you to take up to 10 minutes to address the Committee. This will be a meaty session, and we have time to go around, members, so you can ask your questions. However, I ask you to be concise and to ask one question on a particular topic and then a supplementary on that topic. We can go round as often as we feel we need to or until Colette and Lorraine fall down with exhaustion. Colette, are you leading off?

Mrs McMaster: Yes, I will lead off.

Thank you for the opportunity to provide you with a further update following the public consultation on the 2014-2020 rural development programme. Lorraine Lynas is leading on developing the new programme.

The public consultation on DARD's proposals for the next rural development programme closed on 21 October 2013. The Department's consultation set out the potential range of schemes in the next programme, the delivery considerations, the funding issues and the indicative cost ranges for the proposed schemes. We sought views on whether any funds should be transferred from pillar 1 to pillar 2 and on how the proposed schemes should be prioritised in the event of there being insufficient funds.

A total of 175 consultation responses were received from a range of organisations and individuals. We presented a summary of those consultation responses to the Committee at its meeting on 3 December. On 24 December, we published the responses, apart from one, on the DARD website. We advised the Committee that we would come back to provide a further update when we had completed our analysis of the consultation responses. That is the purpose of our presentation today.

The paper that we have sent to the Committee provides a high-level analysis of the responses to the public consultation on DARD proposals for the next rural development programme. It includes a summary of the comments received, along with DARD's response to them. Where appropriate, we clarified whether the suggestions made by consultees could not be supported by the EU legal framework.

Turning to budget matters, funding for the rural development programme is drawn from a number of sources. The amount of funding that has been allocated to us by Europe is approximately €227 million. The Committee will appreciate that a very important factor in determining the final shape and size of the next rural development programme will be the total budget available.

Following the Department's analysis of the consultation responses, on 20 December, the Minister announced her intention to transfer 7% of the pillar 1 allocation to pillar 2 to help fund rural development activities. That would have provided an additional €137.5 million to the overall rural development budget. As the Committee is aware, the decision was challenged by the Finance Minister on the basis that the issue should have been referred to the Executive. Following the court decision, the Minister sought urgent Executive approval for a transfer of 7%. As Executive agreement was not reached by the deadline, a zero rate of transfer for Northern Ireland has been notified by the Department for Environment, Food and Rural Affairs (DEFRA) to the European Commission.

In the absence of any transfer of funds from pillar 1 to pillar 2, we are considering how the next programme can be funded in addition to the EU allocation. The extent to which the DARD proposals for the new programme are implemented will depend on the available resources. The Department's aim is to develop a balanced package of funding for the next rural development programme based on the identified needs in order to improve the competitiveness of the agrifood sector, protect and enhance the environment and countryside, and improve the quality of life in rural communities here.

A rural development programme stakeholder consultation group was established in November 2012 with the aim of working with DARD in the development of the new programme. That group has representatives from all the key stakeholders representing farmer, broader agrifood, environmental and wider rural community interests. The group met four times before the launch of the public consultation and provided DARD with valuable feedback on the proposals as they were being developed.

The stakeholder group met again recently — on 15 January — to consider the summary of consultation responses and DARD's analysis. The stakeholders noted the comments made and DARD's assessment, and we have made some minor changes to the summary as a result. Most stakeholders at the meeting expressed concern and disappointment about the potential reduction in the budget for rural development following the notification of a zero rate of transfer. The point was made that the Agri-Food Strategy Board's recommendations, Going for Growth, could not be addressed through the programme without additional funding being made available. Stakeholders felt that the next programme should be designed to meet the identified needs and were concerned that the proposed schemes may have to be prioritised and reduced in line with the budget that is finally agreed.

The Department will continue to work on finalising the draft rural development programme, taking into account the views expressed in the public consultation, the advice from the rural development stakeholder consultation group, the Executive's future response to Going for Growth and the available budget. The summary document that was provided to the Committee today will be published on the DARD website after this meeting. The Department welcomes any comments from the Committee at

this stage on the summary of consultation responses and DARD's analysis. That is all I want to say at this point. We are happy to answer any questions and provide clarification.

The Chairperson: OK, Colette. Thank you very much for your presentation and for being so concise.

This is a very important issue for all the rural community, not least the farming community and everyone who lives in a village. With the consultation done and the transfer from pillar 1 to pillar 2 settled, the obvious question for me is about your timescales for taking proposals to the Executive. What are those timescales, and how do you see that mechanism working after the court case?

Mrs McMaster: There are still quite a number of decisions to be made. The important one will be on the final budget for the programme. So, it is not clear what the timescale will be for that. We are looking at the options in the Department in terms of funding and are open to exploring any other options in relation to funding matters.

In terms of bringing the programme through to its next stages, one of the things that we are conscious of is that the written judgement of the case is still expected. Whenever we have that, we will have to assess what it says. So, there are a number of things to be taken into account before we are clear on our time frames for the way forward.

Certainly, we will continue to work with the rural development stakeholder consultation forum to develop the shape of the programme and the design of the measures within it. As I said, until we get the budget finally confirmed, we cannot take final decisions on the size or scale of the programme or *[Inaudible.]* of that. That is difficult to do at this stage. So, there are a number of things that are still to be worked through.

The Chairperson: There could be a chicken-and-egg scenario, whereby you have the Executive asking of the Minister her plans and proposals and, dare I say, bids for funding before they agree funding. Is DARD saying that it wants to see what the budget will be and what funding will occur from the Executive before it takes forward plans, proposals and bids? Do you understand that there could well be a catch-22 situation here?

I want to establish what the process is for the Department. Is it to wait and see what the Executive are willing to give in pounds and pence and then shape the rural development programme, or will DARD have the bids and proposals in place and go to the Executive and say, "This is what we hope to do, and this is how much we need to do it"?

Mrs McMaster: It is a bit of both. If we are coming to a point where we are bidding for money, we need to be able to be clear about what we are bidding for and there needs to be a clear rationale for any bid. We will continue to develop the proposals that we hope will be in the programme. The Minister has already been clear that she will need to pull in additional funding to fully address the recommendations made by the Agri-Food Strategy Board in Going for Growth.

The Chairperson: Surely, Going for Growth is an aside to the rural development programme.

Mrs McMaster: We envisaged that the rural development programme would be a key vehicle for delivering on some of the key recommendations that the Agri-Food Strategy Board made in Going for Growth; certainly in relation to the farm business improvement scheme, which the board recommended that DARD should address. In putting together the proposals for the rural development programme, we sought to take account of what the board had recommended it would like to see in a farm business improvement scheme. So, we envisage developing the proposals that are there in order to shape a farm business improvement scheme that would help to address the aims and objectives of Going for Growth. However, it is clear, and the Minister has been clear, that she would need to draw in additional funding to be able to do that through the programme. There would need to be additional funding, over and above the allocation that we know is there currently from the EU, to deliver on the aims and objectives of the board in Going for Growth, as it recommended investment of up to £250 million in a farm business improvement scheme. That is clearly subject to the industry demand for that sort of scheme.

The Chairperson: Of course, we all know that £250 million of an improvement scheme would just about wipe out the whole of the RDP. I suppose that that is one of the reasons why we cannot have all that we wish for from Going for Growth within the RDP. To be sure, I need you to go back and tell me exactly if it is now the Minister's decision or position to have in place proposals and bids to go forth

to the Executive in a timely fashion to seek funding? We are talking about the chicken-and-egg scenario again, but is it now the direction of travel that DARD will go to the Executive with its bids and proposals?

Mrs McMaster: We are still having discussions within the Department and with the Minister. She has not firmly decided what the next steps in that are going to be. I know that Going for Growth, for example, has already been identified. As you say, in order to provide a balanced rural development programme, we could not meet the investment requirements of the Agri-Food Strategy Board from the existing budgetary levels of the rural development programme.

The Chairperson: I must press you on this. Are we not then clouding rural development with the Agri-Food Strategy Board report, because there is no way that everything that is wished for in the Agri-Food Strategy Board report is going to be realised through rural development? So, would it not be better that the Minister of Agriculture and Rural Development takes her bids and proposals on rural development, which may have elements of what is in the report, and has that as a rural development strategy to then go forward to the Executive and ask for relevant funding on rural development? If she needs more money on agrifood, that can be another discussion and another debate.

Mrs McMaster: There is a range of options. The Minister is considering what the next steps on this will be. The rural development programme has three key objectives: competitiveness; environment; and the wider rural issues. The competitiveness objective matches very closely with the aims and objectives of the Going for Growth recommendations. In a sense, it would be hard to separate the two entirely, because, if we are going to invest in competitiveness, recommendations have already been made in respect of competitiveness and are there to look at. Overall, the Minister has said that she is seeking to have a balanced programme that will address the competitiveness matters, the environment matters and the wider rural communities.

The Chairperson: OK. I will leave it there in the meantime.

Mr Byrne: I welcome the update on the situation. Given that there is no transfer from pillar 1 to pillar 2, the €227 million from Europe on the RDP will have to be prioritised within the six priorities and the balance will have to be sorted out within the three overall objectives of competitiveness, the rural economy and the third, which I have forgotten at the moment. However, given that Going for Growth will largely be an agrifood private sector development, am I right in saying that, if the Minister can persuade the Executive to put, let us say, £250 million into the development of Going for Growth, that can be very much targeted towards agri-related business development in the private sector? Will that be under the same constraints from Europe?

Mrs McMaster: As we said, the competitiveness objective in the rural development programme ties in closely with the aims and objectives in Going for Growth for the development of the agrifood sector.

Mr Byrne: But it is one of six.

Mrs McMaster: Yes, in the priorities in the rural development programme. The Going for Growth recommendations and the targets there have aims and objectives relating to sustainable growth. So, from that point of view, there is certainly competitiveness. Priority 2 of the rural development programme fits against competitiveness. Priority 1 is a cross-cutting priority that links to competitiveness as well. Primarily, priority 4 relates to the sustainability aspect. So, there is quite a link across the rural development programme in terms of balance that might contribute to sustainable growth in the agrifood sector.

Mrs Lorraine Lynas (Department of Agriculture and Rural Development): It is not surprising that there is such a link between the rural development programme and the agrifood strategy. Those two separate strands of work were ongoing at the same time. The rural development programme was developed in line with the needs assessments for all three objectives, namely agrifood, the environment and the broader rural issues. It is not surprising that the same needs have come out in both strands of work, and it is a question of the extent to which the programme can address some of those needs. However, it is not just the one priority; there are six priorities in the programme and, with at least five of those, we can see direct links to the agrifood strategy. It is a question of the extent to which the programme can address those, and if we can pull in additional funding, then, yes, we could pull it into the programme. You are also right in that we could maybe do that outside the programme

where it is not subject to the same rules, but you are then into a lot of other issues, including state aid issues.

So, in some respects, there are advantages and disadvantages to bringing it inside the programme. Once we know what funding is available for agrifood, we can look at that and see whether it is best inside the programme or not. The shape of the programme is broadly there, but we are just not sure about the size of the programme and the budget. It means that a need is identified, particularly around a business or a capital investment scheme on farms, but it is about the size of the scheme. We know that from the current programme. We have a farm modernisation programme of £20 million that has been consistently oversubscribed every time we have opened it, and if we had had extra funds, we could certainly have gone down that route.

Mr Byrne: Let us say that x amount can be persuaded from the Executive, does that mean that more than £20 million per annum could go into the farm building improvement scheme? In other words, the Executive and DARD would have sole discretion on a capital investment programme for farm buildings.

Mrs Lynas: In our proposals, we extended the farm modernisation scheme into a three-tier scheme with a higher tier up to £250,000. That had identified to a certain extent through the agrifood strategy as well. I am not surprised by that because it is an identified need. So, we have to look at the funds available in the programme and decide whether we can afford to do those three tiers or whether we pull it back to just the one tier again and look for additional funding for agrifood to do the additional two tiers. Those are the decisions that we need to look at now.

Mr Byrne: Finally, does that mean that, until we get the budget sorted out, we do not know where we are going?

Mrs Lynas: We know the general shape of what is needed. What was in the document came out of two years of work in DARD and the stakeholder group and from the needs assessment and a SWOT analysis. So those are identified needs: the schemes were identified as being needed. We now need to look at whether we do it inside the programme or outside the programme. The needs have not changed in any way as a result of the transfer decision. We still need to find the additional funding to address them. The shape is there, but, if we do not have the size, we will have to prioritise.

Mr Byrne: There will be two Departments involved in Going for Growth, not just one. There will be DETI as well as DARD.

Mrs McMaster: Yes, DETI and DARD, jointly, are leading on the Agri-Food Strategy Board's work on Going for Growth.

Mr Byrne: Will that be a 50:50, 75:25 or 80:20 relationship?

Mrs McMaster: The board has made a range of recommendations addressed at particular Departments.

Mr Byrne: Has that elephant in the room been addressed yet? What is the ratio likely to be?

Mrs McMaster: We have worked with other Departments on responding to the recommendations. This is part of the draft response to Going for Growth. Departments have identified the areas in which they recognise that they have a lead on particular actions. As far as DARD is concerned, the biggest recommendation is to develop a farm business improvement scheme. DARD is the lead Department on that, and other Departments will lead on other actions.

The Chairperson: The agrifood strategy refers to an improvement scheme, and the RDP consultation refers to a business investment scheme. Are they the same idea? If so, what are the reasons for a three-tier approach? Lorraine mentioned a three-tier approach and that you might, depending on the size of the budget, have to rethink that. What are the benefits or downfalls of such an approach?

Mrs McMaster: It is envisaged that the farm business improvement scheme that came out of the Going for Growth recommendations will be a package of assistance, so it is not just capital. It includes other elements of support that the board was thinking about. If we were responding to that, it might

involve training measures, mentoring, business development groups and so on. It is not just the capital elements in the RDP; it is not just a business investment scheme.

Mrs Lynas: The three-tier approach came out of the policy development. Tier 1 was seen as being most like the current farm modernisation programme and would work along similar lines. There would be smaller grants but fewer entry requirements. It would also work on the same principle of a select list of equipment and no procurement.

Tiers 2 and 3 move up the scheme. They were designed to help those who wanted to invest in their own businesses, and the grant applied for is linked to the entry criteria. In other words, as you move into the higher grant rate, you would expect people to have to do more and produce more to get that.

I think that the grant went up to £250,000 for tier 3. It was quite well welcomed in the consultation response, but there was some concern about tier 3 and more funding going to a smaller number of farms. Perhaps that is the difference between the RDP and the agrifood strategy: the strategy wants finance to go to the larger farms; the RDP is seen as something that should have a larger number of beneficiaries. We discussed this with the stakeholders at the meeting on 15 January. In our response to the consultation, we said that we accepted their concerns but thought that we could address them by ring-fencing the amounts in each tier so that the available budget for a future farm investment scheme would certainly not go to a smaller number of people: a certain budget would be set for each of the three tiers. They did not disagree with that. It is a sliding scale: the higher the grant and investment, the more business planning would be required. We asked specific questions on the minimum amount of funding and the entry requirements. We have a lot of information to work from when we start to draft the schemes, which will be helpful.

The Chairperson: Forgive me if I am wrong, but the scheme is described as being 40% funded.

Mrs Lynas: It is 40%. That is because of agricultural state-aid rules, and 40% is in the regulation, but there is scope to increase that to 60% for young farmers. We can also give more for corporation-type projects that are funded by the European innovation partnership.

The Chairperson: If a farmer or a business can demonstrate that they can spend or match-fund more than the ceiling —

Mrs Lynas: That came up in the discussions.

The Chairperson: Are you stifling business to a degree?

Mrs Lynas: Additionality must be demonstrated, and there is the added problem of having to do a sound economic appraisal. The lower the grant, the more it leads to the question of whether whatever that money is for is really additional and whether the business needs the funding in the first place.

The issue of bigger businesses even came up in the discussion on the processing and marketing grant (PMG) scheme. It is within our gift to say to bigger businesses that they cannot have 40% because they can afford to invest a little more themselves. We could set upper thresholds for larger businesses. That decision has yet to be taken, but the scope is there.

Mr Swann: Thanks for your presentation. It was mentioned that the transfers from pillar 1 to pillar 2 have been settled. The Minister, in her statement on 20 December, said that she could, with agreement from DEFRA, go back and look for more moneys to be transferred in June. Has the Department ruled that out completely?

Mrs McMaster: We received clarification just before Christmas on the Commission's rules in that area — there had been a lack of clarity on whether there would be two opportunities for a member state to come back to make a decision or whether part of a member state could come back if another part of the same member state had made a decision earlier. The very clear advice from the Commission was that a member state had to take the decision to make the transfer and that it had one opportunity to do so, by either 31 December or August 2014. A member state that took the opportunity in December would not have a second go, but, if it did not, it would have the opportunity to do so in August.

Mr Swann: I noted with interest in some responses to the consultation that people thought that the Department should deliver as much of the rural development programme as possible. That concerned

me because I know how some of us view the Department and how it handles other functions. Would the Department have the ability or the desire to do that?

Mrs McMaster: The consultation sought views on the extent to which we would involve external parties in delivering the programme and what sort of mix there would be.

The Commission requires that we use LEADER, and there is a minimum requirement of 5% of the funding to be delivered through that scheme, so we must at least do that. Then, it is a matter of looking at the best mix of delivery mechanisms. What can be done? What is practical? What is the best use of moneys so that we are able to deliver on the programmes? There are certain rules and constraints on the extent to which administration can be used towards delivery.

Mrs Lynas: The current cap on administration — what we call technical assistance — is 4%. However, that is 4% of the European agricultural fund for rural development (EAFRD) of the EU element. In the current programme, LEADER is 20%. That is separate, and the other 4% is what we can use to manage or deliver the programme. In the current programme, we fund an axis 1 delivery agent, the cost of which is met from the programme.

Other costs, such as the rural network, can be met from within the programme. However, we do not do that; we fund it directly from outside the programme. It means that, if we go for a bigger programme, we are actually more constrained. The transfer would have given us in excess of €350 million or €360 million, and we would have been able to use 4% of that. We are now limited to 4% of the €227 million for delivery, or what we can use within the programme to deliver. The consultation asked which parts of the programme should be delivered externally and which internally. The diagram that we included in the consultation document made it very clear to stakeholders how much of the programme is currently delivered by DARD — well over 79%. We took that as an endorsement of the Department because most people felt that it delivered many of the schemes with no difficulty whatsoever. They were quite happy for DARD to retain expertise where it has it, particularly in the agrienvironment schemes, less-favoured areas (LFAs) and other schemes, with which there are no delivery issues. The budget is critical. When we know how much that is, we will have to look at how much of it we can afford to use in external delivery. An issue will be how much, in the current climate, DARD can put to that itself.

Mr Swann: The worst-case scenario is the 5% required by Europe.

Mrs Lynas: The 5% of LEADER, yes. The other 4% is optional and does not have to be used. However, the 5% is compulsory.

Mr Swann: What is that 5% of?

Mrs Lynas: It is 5% of the €227 million and whatever match funding comes with that. Once we get the amount of national funding to go with the EU funding, we will set co-financing rates. Whatever that national funding is will come with it.

Mr Irwin: Sorry, I had to leave to ask a question in the House — I was pushed to the limit for time there.

I have concerns about the Department's vagueness on the way forward. Whether in business or government, you need to be prepared to look at issues, make decisions and go for it. In my eyes, that is not what is happening. If the Minister or the Department is going to the Executive with proposals, you need to know exactly what you intend to do and what the way forward is. I am not being critical. However, from listening to you, I do not get the feeling that that is the case.

The rural development programme and Going for Growth are, to some extent, intertwined. I am only a layperson, although I should declare an interest as a farmer. To me, the smaller amounts of money in the smaller schemes should go one way; the larger schemes should go the other. Rural development under the current local action groups (LAGs) has been quite difficult. Procurement and so on has been a major issue for people in trying to draw down funding and get schemes up and running. It is, in my view, vital that the Department takes control and delivers most of the schemes itself. In England, Scotland, Wales and even the Republic of Ireland, these schemes have been going for some time. There does not seem to be the same eagerness or willingness from our Department to identify what needs to happen and try to move forward.

Priority 2 relates to enhancing farm viability. Over the past number of years, there has been a lot of bad weather, so a lot of schemes are required, including ones for reseeded and fences. However, there does not seem to be any clear direction from the Department, and it is vital that we move forward.

Is it not vital that the Department works in conjunction with DETI on the way forward for food processing? Why should the Department do one thing and DETI another? I would like to hear your response to my concern that the Department has no clear strategy for or vision of the way forward.

Mrs McMaster: We have now completed the consultation, but we are not at the end of the process. There was no clear sense from across the consultees of what to prioritise; there was broad support for the range of proposed measures. Those in the stakeholder consultation forum told us that they wanted a targeted, balanced programme that addressed the identified needs. That is the challenge: regardless of the amount of funding available, we want a balanced programme that targets actual needs.

There may well be hard work to be done on the prioritisation of what is in the programme. If we cost the programme on the basis of how we have consulted, we do not have sufficient funding to deliver it. It will be a matter of looking at all the priorities and the funds available. That is the next stage, which is the work that we are engaged in and continuing.

I will pick up on your point about talking to and working with other Departments and ensuring that our work is complementary and does not duplicate what other Departments are doing. You mentioned the processing investment grant. We are talking to Invest NI about that and will have further discussions with it on the best way forward. Since going out to consultation, we have obtained further clarity from the Commission on the scope of that kind of programme. We want to do a bit more policy work in that area over the next while, after which we will have further discussions with Invest NI.

The Chairperson: What specific scheme are you talking about?

Mrs Lynas: It is the replacement for the processing and marketing grant (PMG) scheme. It is called the processing investment development grant scheme.

The Chairperson: Is that tier 2?

Mrs McMaster: Yes, and it is in priority 3.

Mrs Lynas: The stakeholders had a few concerns about the higher tier, and the PMG scheme came up in some of the consultation events. After putting the detail into the consultation document, we received more guidance from the EU on the scope of the scheme, and it is better than we thought. Our response in the document is that we are having more discussions with Invest NI about the shape of a future scheme so that it really addresses what we need it to. We said that we would take a revised scheme back to the stakeholder consultation group at a future date so that they could look at it.

Mr Milne: Arlene Foster and the Agriculture Minister jointly commissioned the agrifood strategy, Going for Growth, which they announced at the Balmoral Show last year. Does the Department envisage making a joint application or bid to the Executive for additional funding?

Mrs McMaster: Going for Growth has identified a range of recommendations: some for government, some for industry. The government recommendations are addressed to particular Departments, which have been working to identify which of those are for them to lead on. We envisage Departments making specific bids for particular pieces of work. The Executive have yet to consider the draft response Going for Growth.

Mr Irwin: Colette, you say that you need to go to the Executive to find out what money is available. If I, as a farmer who has been in business all my life, went to my bank manager tomorrow and said, "I am not sure what I want to do. How much money will you give me?", I do not think that I would have much of a chance. Ideally, you need to know exactly what you want to do before you go to the Executive. You have little chance of getting the proper result if you go about it the other way. If you did that in business, you would not get too far. It is vital that you know exactly, or near enough, where you are, what you need, and what you want to do. If you do not do that, you are in a much weaker

position. If you go and say, "What have you got for us?", that is not much of a way to go about dealing with the future of the largest industry in Northern Ireland. You need to know clearly where you are going.

I know farmers on the mainland, especially in Scotland, where the schemes have been in place there for the past two or three years. They are very good schemes that have been a big benefit to farmers. The Department should be looking at other areas to see how they roll out schemes. We seem to be very much bound up by bureaucracy and red tape when we go to provide schemes, whether small or large. That is my view.

Mrs McMaster: The proposals are where we are. We have an estimate of how much would be involved if we were to go forward with all of the schemes. That is the desired programme, and those are the proposals that have been developed to meet the identified needs. The proposals were developed through quite lengthy consultation and work with the key stakeholders and then getting views from the public consultation. The broader stakeholders' reaction to the schemes has been fairly well tested.

People recognise that those schemes would meet the needs. We are not yet at the stage of having to take the draft programme to the Commission to get its views. However, as Lorraine said, the shape of the desired rural development programme is there. We are quite clear on what shape we would like it to take. Now, it is very much down to the scale of the programme.

Mr Irwin: Should future agrienvironment schemes not be rolled out to all farmers in Northern Ireland and not just to some? I feel strongly that they should be available to all farmers in Northern Ireland.

Mrs Lynas: There is a proposal for a two-tier scheme in agrienvironment: a broad scheme and a higher-level scheme on designated or protected sites. We are working quite closely with the NGOs and the Northern Ireland Environment Agency (NIEA) on the shape of that scheme.

It is worth pointing out that nobody identified any gaps in the schemes on which we went out to consultation. As we developed the schemes internally and then worked with the stakeholder consultation group in a series of four meetings before going out to consultation, nobody came forward with any schemes that they felt we had not covered. There was generally good consensus on what is in the document. Of course, you will not see consensus on areas such as the pillar 1 to pillar 2 transfer. There, as we expected, prioritisation was very sectoral. However, no gaps were identified.

The Chairperson: Ian Buchanan. Sorry, Tom Buchanan

Mr Byrne: Is he a farmer too?

The Chairperson: He is a new member. *[Laughter.]*

Mr Buchanan: Most of the issues that I was going to raise have been covered. It seems that the Department is so hung up on the idea that agrifood must be partly delivered from pillar 2 that it cannot look outside the box to see what other funding could be made available or what other proposals could be put forward. Questions have been asked today regarding what discussions or interactions there have been with DETI as far as the agrifood strategy is concerned and what proposals, perhaps, have been made with regard to the delivery of that financially, whether 50:50 or whatever. We have no clear indication as to what proposals have been brought forward from the Department with DETI to deliver this strategy. We do not seem to have a Department that is capable of looking outside the box to see where other funding could be got and we do not seem to be able to get any other proposals as to where the Department is looking or what proposals it is seeking to put forward to the Executive. Maybe we could get more clarity on some of those issues.

Mrs McMaster: I suppose, in response to that, it is Going for Growth. The recommendations from the board actually do tie in well with the needs that are identified for the rural development programme. As we are at a time when we are designing the rural development programme up to 2020, it is an appropriate time to try to shape that so that it will help to deliver on those recommendations. They sort of do fit very well together in terms of the aims and objectives. We consulted on that basis and certainly we got a positive reaction on that. I think it is just in terms of affordability and you are right in asking how we bring additional moneys in and where we identify them.

For the Going for Growth recommendations generally, the Departments have been working together looking at the recommendations that came from the Agri-Food Strategy Board and considering the response to those recommendations addressed to Government. Quite a bit of work has been done on that and identifying which Departments would lead on the actions recommended by the board. So, a lot of work has been done on that, and that is separate from the rural development programme, but DARD is not seeking to deliver on all the actions through the rural development programme.

One of the key actions is the farm business improvement scheme. It would fit quite well with the way that we are proposing to develop the rural development programme. Not all of it may be appropriate to deliver through the rural development programme and there may be other things done outside that, which would contribute to the farm business improvement scheme. Where it would contribute, however, it makes a lot of sense for that to be part of how we deliver on the recommendations.

In terms of funding being brought to Going for Growth, certain actions were addressed to DARD. Other actions were addressed to other Departments and they will need to look at how they may fund those actions in the board's recommendations.

From DARD's point of view, we have had discussions with other Departments and will continue to do that. We are represented on the DFP-led working group that is engaged with other Departments that are developing programmes, so we need to work on those. The thinking behind that is that programmes would be developed in a holistic way in Northern Ireland, there would not be duplication and they would be complementary, where possible. So, we will continue with that work. In terms of the processing investment scheme, we have had discussions with Invest NI and will continue to have further discussions. So, we are certainly exploring the scope for other funding options.

It is important to say that we are just at a certain stage in the process. We have completed the consultation. We have not got to the end stage of what the programme is going to be but that is the next piece of work. What we need to do now, having completed the consultation and got the responses, is to look very carefully at what the priorities are going to be and whether the funding will be limited. If there is going to be more funding, the size can be bigger. That is the next stage of work, so we are continuing to work through that with other Departments.

Mr Buchanan: The difficulty is this: if you do not have a blueprint of what you want funding for, you have nothing to present to the Executive or to any other body. What you are saying is that you are going to wait to see what funding is available, and then you are going to deliver. You need the blueprint of exactly what you want to deliver and then present that blueprint for the funding to be forthcoming. It appears to me that you are not doing that. As William Irwin said earlier, if he went to the bank looking for money but had no proposals as to what he wanted it for, he would not get it. This is exactly the same. It appears to me that you have no blueprint or strategy set out and drawn up to present to the Executive or any other body to say, "This is what we need to deliver, and this is how much money we need for it." That is not there. In the absence of that, I cannot see how you are going to go forward and request extra finance from anyone or any other body. You have no mechanism for it.

Mrs McMaster: I think, broadly, what we want in the programme is what we have consulted on. We are going to use the proposals that we have consulted on to develop the draft programme that will go to the Commission. That is the blueprint. There will be further detailed work to be done on that, and that work is under way. It is about taking the shape of the programme, having got it through the consultation, and translating that into a more detailed programme. Basically, that is the shape of the programme. We know what is in it. In respect of scale and how much of that we can afford, that is where we limit how much of that we can afford, but we know what we are looking for in respect of a balanced programme across the priority.

There was a question about some of the smaller programmes and whether they are all equally important. That was raised earlier. A lot of the individual schemes link very well together as a package of support for farmers. There is a capital investment scheme, but there is also training for farmers, business development or discussion groups, which is knowledge transfer, and that links to the capital investment. Therefore, they do not stand alone as individual components of a scheme, but they will fit very well together.

The next stage of the detailed work is developing a programme that goes to the Commission and getting some sort of Commission feedback on that.

Mrs Lynas: I do not accept that the proposals are not there. I think that they are very clearly set out in the consultation document. We have six priorities, and within each we set out what we intended to do to address those priorities.

In priority one, which was innovation and knowledge transfer, we set out five schemes. Some of them are quite small in value. In fact, the Committee is probably not aware that when we came to you when we launched the consultation document, we subsequently, around August, put onto the website an indicative costings document. That was to help people to prioritise. It gave a sliding scale of what we thought those schemes could be worth. That was to help people to see the potential value, including a capital investment scheme, which, at that time, was in excess of £100 million.

There were three schemes set at an excess of £100 million AE for farm business development and less favoured areas. They were banded together to show the importance, but, as Colette said, some of the smaller schemes are vital to webbing the whole thing together. Innovation and knowledge transfer sits at the heart of the programme and links into each of the other priorities. We have three clear schemes to address competitiveness, two schemes on the food side and a range of schemes on forestry. We also had a new scheme, which was a nutrient efficiency scheme, to include soil testing and to improve land. So, there is a range of schemes.

We know what we want to achieve. That came out of the needs assessment and a strengths, weaknesses, opportunities and threats (SWOT) analysis. We have indicative costings beside those, and, internally, we know what we need to address those. We need to take it to the next stage and see what additional funding we can get to address those.

If we do not get the additional funding, we have to look at the prioritisation to see which schemes will fall out and which schemes will stay in. That may not be just based on cost but based on impact, and our evaluators are there to help us do that. Not only is there a needs assessment and SWOT analysis, the Commission also expects us to go through what is called an intervention logic. That is about how much you put in and what you get out the other end, and we are now doing the intervention logic for all the schemes. It is a considerable amount of money and, yes, it is frustrating that we cannot get the final figure, because progress on the budget is the key thing and we will then know where we are going with the programmes.

The Chairperson: I go back to my original question about the timescale. I take your point because I have read the consultation document and the responses, and I can see the schemes that you talk about. However, when will you be able to cost them for the Executive? What is the timescale? How long will Europe allow you to do that?

Mrs Lynas: With the transition between programmes, we are in a far better place this time than we were previously because the transition regulations allow us a great deal of flexibility. We can continue to commit under axis 1 and axis 3 right up until 2015, and we have budget left because we were always applying N+2. So, there will be no obvious funding gap there.

With axis 2, the agri-environment historical spend will transfer over, and we can proceed at risk until a new programme is approved. The Commission has also given us some flexibility, not for axis 3, but in the transition regulation, and there is flexibility under axis 1 to commit under old rules and new money. So, there is even a way to do that. In other words, you can practically live out of the ad hoc transitional regulation for a year, and it would be better, in some respects, to use that flexibility and to get it right as opposed to rushing through it and getting it wrong, especially when there will be no obvious funding gap on the ground.

There is also a question about when we get a programme approved to when we get it off the ground, because you could get a programme approved and get it off the ground the next day. The last time we had a programme approved in July 2007, we opened one scheme in November, and it was nearly another year before we opened the scheme. So, yes, it is good to get it approved, but the key is getting them off the ground and opened, and if that happens one day after it is approved, that might be a better result if you spend the time to get the programme right in the first place.

This is just one of six EU programmes. It is not the only EU programme, and the European regional development fund, the European social fund (ESF), INTERREG, Peace and fisheries are all being developed at the same time. We will look at those programmes and the process that they use for getting approval, not just at the EU but through the Executive as well, if that is needed. The transfer decision has set us back a bit. We had agreed to come back, at this stage, on the consultation response, but we accept that it is still a bit early for us to confirm the budget.

The Chairperson: As Joe wants in, I ask you to be concise in your answers, if possible, for the next five minutes, because that is how long we have.

There are two elephants in the room that have to be tackled, the first of which are areas of natural constraint (ANC). Where will that be paid from? That has the potential, the same as the investment scheme or the improvement scheme, to blow all the funding out of the water basically. Is the Department minded to fund ANC from pillar 1 or pillar 2? Secondly, can the LAGs operate in a low economy of scale? In other words, can the LAGs really be asked to deliver £2 million of funding in their area? How do you see that working?

Mrs McMaster: The ANC matter was covered in the public consultation at pillar 1, and that closed on 17 January. A huge number of consultation responses came in to that consultation, as you are probably aware, and those are being considered. The intention is to look at the consultation responses that came in on pillar 1 as well as any responses that we have had back on the pillar 2 consultation before a decision is made on that. At this stage, we are not at that point, and I understand that officials will come to the Committee to make a presentation on the pillar 1 consultation.

The Chairperson: ANC is mentioned in this document, and Europe has now clarified the position that it is an income support measure.

Mrs Lynas: It is mentioned in there as well, because we are still funding one year at least out of the current programme. So, it has to be included in there, as well as possibly compensation payments for those who fall out of the designation. So, it has a foot in both pillar 1 and pillar 2. It is just the extent or the size depending on whether it is all or partial.

The Chairperson: On priority 6, can the LAGs work on a low budget? Is the economy of scale there, or is it just pure bureaucracy to spend very little money?

I will bring Joe in after this, because I know that he is keen to get in.

Mrs McMaster: What we proposed in the consultation was that we match the number of LAGs with the new council structure. There could be, say, 11 LAGs in line with the new council structure. We also said that we are open to clustering those. I suppose that that would depend on the economies of scale and so on and what is the best way to do that. So, we did not rule it out. Again, it is down to the size of the budget available and what is the most efficient and effective way.

The Chairperson: Does the Department have a percentage in mind? It was 19% last term.

Mrs McMaster: No, not at this stage. That decision has not been made as yet. I think that that is part of the overall decision on allocation.

Mr Byrne: I have some sympathy for these two ladies today after listening to their presentation. When were you as senior civil servants aware of the unilateral declaration to go for 7%?

Mrs McMaster: The Minister made her decision and then announced that on 20 December. That was the date by which —

Mr Byrne: So nobody knew until 20 December?

Mrs McMaster: She made her decision just before she announced it on 20 December.

Mrs Lynas: We knew on the evening of 19 December. In fact, we were still there preparing the written statement late on 19 December. It all went up on 20 December, and that was when we knew.

Mrs McMaster: DEFRA asked that the UK authorities make a decision by that date so that it would be in a position to notify the Commission.

Mr Byrne: That is fine, Chair.

The Chairperson: OK. We have to go back to the Chamber for the rest of the Reservoirs Bill debate. I do not know whether members have any other questions. I do not want to leave you here, so you can go, and we will not call you back. However, the Committee will have to come back for 10 minutes just to finish off correspondence on one thing and another.

Can we hold on to you for a couple more minutes? This will be brief. The document talks about European innovation, partnerships and an innovation broker. It also talks about development groups, which are bodies comprising men and women. Who will select the people to represent those bodies? What qualifications will be used to decide who sits on them?

Mrs Lynas: On the innovation broker, the EIP is a compulsory part of the programme. We cannot not do that. We have to do it, and we are currently looking at how to do so. We would like to bring forward maybe four or five good projects. However, the Commission would like to see farmers and researchers get together and come up with the problem. We want this to work, so, within the first few years, we would like to find a couple of good projects that are in development stage.

An innovation broker is really there to work up the project proposal and to keep the group together. The skills will very much depend on the actual project itself. We do not see one broker. There may be a number of brokers for part of the time, because the projects will be very specialised, and we will have to set the selection criteria for them.

On the knowledge transfer in the business development groups, the Commission is very clear in the regulation that we have to set certain elements. The money is actually paid to the knowledge provider, so we have to make sure that we are happy that those people have the right level of qualifications to do that. We asked about selection in the document.

I know that they are proposing the same scheme in the South. The policy people for both are having discussions about how they will implement that on both sides of the border. They have obviously had experience of doing this before, so it would be good to have a look at their scheme. What we need to do first of all is decide what the focus of the discussion groups will be. That will then determine how the selection for those will work. We have to write into the programme what the selection criteria are, and we have to be open about that with Europe.

The Chairperson: OK. Thank you very much. I have to stop you there, because we have to go to the Chamber. Again, thank you very much for your time, your presentation and your answers today on what is a very important issue.