



Northern Ireland
Assembly

Committee for Agriculture and Rural
Development

OFFICIAL REPORT (Hansard)

June Monitoring Round 2014:
Department of Agriculture and Rural
Development Briefing

3 June 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)
Mrs Judith Cochrane
Mrs Jo-Anne Dobson
Mr William Irwin
Mr Declan McAleer
Miss Michelle McIlveen
Mr Robin Swann

Witnesses:

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

The Chairperson: I welcome to the Committee from DARD Graeme Wilkinson, assistant secretary; Roger Downey, accountant; and Lynda Lowe, deputy principal. As always, you are very welcome to the Committee.

Committee members will have had a chance to read your briefing paper. I therefore ask you to take up to 10 minutes for your presentation, if that is possible. I know that there are a lot of issues, but if you can keep it as concise as possible, that would be great. I ask members also to keep their questions concise and to the point and, if it can be done, to keep their supplementary questions attached to their main question. Following the briefing, we will move straight to questions. Graeme, are you leading off?

Mr Graeme Wilkinson (Department of Agriculture and Rural Development): Yes.

The Chairperson: Thank you very much.

Mr Wilkinson: Thank you, Chair and members, for the opportunity to brief you on a number of items relating to the Department's finances. Although my main focus will be on the June monitoring round, I thought that it would be opportune to bring the Committee up to speed on a number of issues that are impacting on the Department, particularly with the 2013-14 financial year having been completed and because members will be taking part in a number of debates over the remainder of this month.

I have provided you with information on each of the areas that I wish to cover. If you are content, I will provide a very brief overview as they are presented in the paper.

The first area is the provisional out-turn for 2013-14. That is the Department's financial performance against its budget. I am pleased to report that we achieved our financial out-turn target of 98.5% on resource departmental expenditure limit (DEL) and capital DEL. The actual out-turn on resource was 99.9% and on capital it was 99.7%. In monetary terms, that equates to a resource underspend of £256,000 against a budget of £224.9 million. On capital, we had an underspend of £83,000 against a budget of £28.4 million. Our overall out-turn for 2013-14 was £253 million against a budget of £253.3 million, which represents a spend target of 99.9%. The Finance Minister is due to make a statement to the Assembly on provisional out-turn on 23 June, the same day as his statement on the June monitoring round. The DARD provisional out-turn will be included as part of that statement.

The next area is savings delivery plans. I am aware that members have previously asked for updates, so, hopefully, that bit will be helpful. I do not intend to go through all of it in detail. However, I can confirm that the Department achieved its savings delivery plan target for the 2013-14 financial year. I can also confirm that we remain on target to achieve the overall target of £40.2 million by the end of the four years. That is all that I really want to say on that.

On the main focus — the June monitoring round — you will have received the detail of the various bids, reduced requirements and technical adjustments. I draw your attention to the most significant aspects of our proposals and seek the Committee's support for those. I will start with reduced requirements. Members will recall that, as part of the 2014-15 capital exercise, we had previously reported a £7.8 million easement for the headquarters (HQ) relocations project that will not be required. As part of the June monitoring round exercise, that will be actioned. Since then, we have reviewed the financial projections for the programme and identified a further £1.1 million that we propose to declare in this monitoring round. Those are all the reduced requirements we are proposing in this monitoring round.

You will be aware from the information that you received that we propose to submit two substantive resource bids, one marker bid and one substantive capital bid. On the resource side, our top bid is for £1.4 million for Going for Growth-related activities. That will support the preparatory pilot work that will help build momentum and ensure that early applications are made and expenditure is incurred in the 2015-16 financial year, primarily for the proposed farm business improvement scheme.

Regarding our second resource bid, you will be aware that the land parcel identification system (LPIS) programme was funded in the first two years of the current Budget period from the Executive's invest-to-save funding. Although that funding ceased in 2012-13, the Executive met our £3 million bid in the June monitoring round last year. As part of this monitoring round, we have identified a LPIS pressure of £2.8 million. That is mainly required to meet the cost of the work carried out by Land and Property Services (LPS) on the project. The pressure cannot be absorbed internally, and, therefore, we propose to submit a bid.

We also propose to submit a £7.9 million tuberculosis (TB) compensation marker bid. Members will be aware of the importance of the TB compensation scheme, both in securing the valuable livestock export market and to our statutory requirement to adhere to the Tuberculosis Control (Amendment) Order 2012. At this stage, the Veterinary Service's projections indicate a need for £7.9 million this year; however, we have proposed only a marker bid at this juncture, as we want to firm up the exact quantum between now and October.

On the capital side, we propose to submit a bid of £3.1 million for a range of building improvements across all three campuses of the College of Agriculture, Food and Rural Enterprise (CAFRE). I have provided you with the breakdown of the various projects that we intend to fund.

In addition to the various bids and reduced requirements, the Executive also require technical adjustments, such as internal reallocations. There are two such reallocations that we need to make in this monitoring round. Those are the transfer of plant health to the Forest Service and the HQ relocations budget to the various units of the service. The technical adjustments will not require any increase in the overall resources that are available but make sure that the money is in the correct lines for budgeting and monitoring purposes.

Departments' returns are due back with DFP this Thursday. DFP will then consolidate those and present its recommendations to the Executive for approval. Subject to Executive agreement, the Finance Minister will make a statement to the Assembly on 23 June on the outcome of the monitoring round and provisional out-turn.

That concludes my comments on the June monitoring round. I welcome the Committee's support for the proposals.

The final financial information before the Committee is the 2014-15 Main Estimates. As I am sure members are aware, the Budget (No. 2) Bill is due to be introduced by the Finance Minister on 9 June. It provides legal authority for the Department to incur expenditure and to consume resources as contained in the Main Estimates. I have provided you with a copy of the Department's section of that.

One point that I will highlight to members is the inclusion of a reference, in note 2 on page 36 of the Estimates, to a small scheme to support individual organisations that own a reservoir. Once Royal Assent has been attained for the Reservoirs Bill, the legislative authority will be in place for the Department to incur expenditure of up to £100,000 to assist owners in completing their initial assessments.

Chair, you will be happy to hear that that concludes my introductory comments. I am more than happy to take questions on any of the four exercises.

The Chairperson: OK, thank you very much, Graeme. I appreciate that you had a lot to cram in, so I understand. Thank you for your very informative presentation. I suppose that I could and should commend the Department when commendation is due for meeting the majority, if not all, of the business plan targets in the report. I therefore commend the Department on that.

There are two issues. One is the bid for the Going for Growth pilot scheme for the farm business improvement scheme. That bid is £1.4 million. I understand why people do pilot schemes, why people like to test waters and everything else, but is a pilot scheme for a farm business improvement scheme worthwhile and is £1.4 million enough funding to deliver the information that you really need to glean from that pilot scheme?

The second issue concerns the bids, as you mentioned, for the reservoir owners for the initial audit. It is down as being £100,000, but the Committee has been told £200,000 overall. What are the parameters and restrictions on the spend for that initial £100,000? Will that have to be spent before the end of the year? How will that work in a financial sense — in an operational sense — if we are up and going? Do you see pitfalls or pressures on that money and on spending that money in a year?

Mr Wilkinson: I will deal with the reservoirs question first. We have allocated £100,000 for the scheme. That is obviously subject to the various business cases. I know that Rivers Agency is currently working on that. That is the first thing that needs to be completed to ensure that the money can be spent. My understanding is that we are looking at having the scheme over a couple of years. Therefore, we have put £100,000 in this year and will potentially have another £100,000 next year. My understanding from talking to Rivers Agency is that that will be sufficient to meet the various requirements. The only pitfall, as you suggest, that I see is in making sure that we have the business case in place before the money can be spent. That is the one thing that I view as being urgent in order to make sure that money can be spent within the financial year.

Therefore, we are looking at £100,000 this year and potentially a further £100,000 in the next financial year to meet their requirements based on the needs assessment that has been done to date.

On your second question around the pilot scheme, I do think that it is necessary to make sure that we have all the bits and pieces in place before going forward with a capital programme of potentially up to £250 million. A lot of the preparatory work is on making sure that business plans are in place. I want to support farmers in making sure that they have robust business plans in order to ensure that any investment that they make and any funding that the Department will put in goes towards a sustainable, profitable business. That is very important, and that is why the focus is on making sure that farmers have the necessary tools to turn a business into a profitable one. That will help them make the decisions around what their investment will be in. It is very important to make sure that that is done correctly. That is what the investment is there to try to achieve.

The Chairperson: The investment of £1.4 million for the pilot scheme will be about making sure that businesses are in the right set-up mode to avail themselves of a bigger scheme. Who is looking at whether the Department's administrative processes are geared up for delivering the scheme? We know about the lead-in time that it took for the rural development programme (RDP) to get money out on the ground and the legal and bureaucratic minefield that we all had to go through. Can you assure us that this money will go some way to ensuring that the Department's infrastructure is in place?

Mr Wilkinson: I can give you that assurance, Chairperson, that those delivery options are currently being looked at in the Department. We are looking at whether it is done in-house, outsourced to a third-party provider, or a combination of both. One of the critical things that I see in this is making sure that the business plans are in place and that people are getting good, sound business advice. That might not necessarily be from within the Department; we may need to use external third parties to assist us in delivering the programme. We are looking at the delivery of the scheme, and it is something yet to be determined.

Mr Byrne: I welcome the report generally. On the face of it, it looks good.

I have two questions, the first of which relates to the £2.8 million extra for LPIS. Is there no budget line at all for LPIS? Is it a never-ending elongation or elasticity of demand? Secondly, on the £1.4 million for the pilot scheme, you mentioned, Graeme, a £250 million capital scheme. Is that the co-matched funding for rural development or is it purely Executive funds?

Mr Wilkinson: The £250 million that I mentioned concerns the Going for Growth report, which had suggested that up to £250 million should be invested in a farm business improvement scheme. That is why I mentioned that figure.

Mr Byrne: Will that be separate from the rural development moneys? Is it stand-alone money?

Mr Wilkinson: At this stage, we are looking at various options for delivering the farm business improvement scheme through the rural development programme, but no decisions have been made on the RDP's funding and financing.

As I said in my introductory comments, the LPIS funding had been in place for the first two financial years of the current Budget period. The project has continued on beyond when we had funding available, but the feedback that we are receiving from the European Commission is very positive, and we are in a good place now, with the new CAP in place. We have good systems, good controls and good maps in place. We estimate that, as a result, the risk to the fund is reducing, and our current assessment of the risk to the fund is around 2%. As you will recall, it had been approximately 5% previously, so that is good progress, and it has certainly reduced the risk of disallowance in the Department.

Mr Byrne: What is the total that has been spent so far on LPIS?

Mr Wilkinson: Since the start of the project —

Mr Byrne: Twenty-three million pounds?

Mr Roger Downey (Department of Agriculture and Rural Development): Nineteen million pounds up until the end of March.

Mr Byrne: Was there a budget line put on it at the start?

Mr Downey: No, we get funding each year. When we get the funding in the monitoring rounds — say, the June monitoring round — it is allocated to the budget line then, after which out-turn is reported against that.

Mr Byrne: Was there a quantum put against the totality of the LPIS project in a budget line or is it something that is annually going to seek more money?

Mr Wilkinson: No. An original business case was done at the time, and we have subsequently refined that business case. We have an overall project cost. The first stage of the project is due to end in March 2015. We have put a figure in and have a business case that has been approved by DFP. The cost is ring-fenced, and the project is due to finish in March 2015.

Mrs Dobson: I was going to ask you about LPIS as well, but the Deputy Chairperson has very eloquently touched on it.

There is a reduced requirement of £1.1 million for the relocation of the headquarters. Can you give us an update on the project and explain exactly why a reduction has been identified? Further to that, are you confident that your budget Estimates for the relocation of the headquarters are correct? How do you plan to manage the costs? I am thinking particularly about staff redundancies and the training for new staff that will be required.

Mr Wilkinson: There were quite a few questions there, Jo-Anne. I will try my best —

Mrs Dobson: It was one and a supplementary. *[Laughter.]*

Mr Wilkinson: The one question that I can answer pretty easily is on redundancies. We have no plans for any redundancies or any redundancy scheme as a result of the HQ project.

We have done a huge amount of work around the project and its costings. We are confident that our costings are correct. I suppose that the great uncertainty lies around the timings attached to all of this, and that is why the money is changing. The further to the right that we move and the further that the timescales move means that there is slippage in financing. Hence, we have an easement of £1.1 million, because the parameters have changed.

We have confidence in our figures. Ultimately, it is a decision for the Executive to make, and we await the outcome of that decision-making process.

Mrs Dobson: Will training of new staff be required for the relocation?

Mr Wilkinson: Yes, we have factored staff training into the costings. That is included in the costings and is subject to Executive approval.

Mrs Dobson: Can you give me an update on the project? Where are we with it exactly?

Mr Wilkinson: I added in a little bit about that. We are still awaiting the outcome from the Executive's decision.

Mrs Dobson: I missed that bit.

Mr Irwin: The £1.4 million that has been identified for Growing for Growth has been touched on. I know that you tried to answer that question, but your answer did not clarify the situation for me. You said something about wanting to make sure that farm businesses have a business plan. If there have been no applications, and if we have not got to the stage at which a scheme has been approved — I presume that the £250 million has not been approved at this stage — how do you know, or gauge, whether they have a business plan?

Mr Wilkinson: My colleagues in CAFRE are engaging with farmers regularly. We want to develop that a bit more through the discussion groups held. We want to make sure that they are working towards having business plans in place and having that regular engagement. There are schemes in place, but this is about making sure that there is a greater focus in and around business plans and a focus on making sure that farmers are doing the right things.

Mr Irwin: The £1.4 million is —

Mr Wilkinson: There are different elements to the £1.4 million. I will give you a flavour of three of the big elements. One is around the Preparing for Growth scheme. It is a scheme to do with designing, testing and evaluating the preparation of online business plans. It looks at how we can do business plans online, which is very helpful.

Mr Irwin: OK.

Mr Wilkinson: The other big area is around business development through knowledge transfer. Again, that is a scheme in which we have discussion groups with farmers. It helps them and provides them with information about how they might go about developing a business plan and putting it online.

There are also elements around the regional food programme, which is about extending the work that it does. Those are the three big elements to assisting us move forward with the Going for Growth programme.

Mr Irwin: Is that in anticipation of the farm business improvement scheme being announced?

Mr Wilkinson: We are certainly working towards that. It was a big part of the Going for Growth strategy. I accept that it depends on having that money available, but we have to continue with our preparations.

Mr Irwin: At this stage, are you in a position to say when, it is hoped, the scheme will be open?

Mr Wilkinson: It is dependent on —

Mr Irwin: I know it is, but at this stage, do you have any idea?

Mr Wilkinson: I cannot second-guess what decisions will be made.

Mr Irwin: OK. It is at least welcome that there is movement in that direction.

Mr Swann: Thanks for your presentation. Your savings delivery plan mentions specifically maximising revenue. Page 25. The wind farm development project has not yet developed sufficiently enough to generate at the projected savings of — well, 100; sorry, £1,000K it says here, so actually £1 million in 2014-15. Where is the failure there?

Mr Wilkinson: Sorry, Robin, could you —

Mr Swann: Page 25.

Mr Wilkinson: Yes.

Mr Swann: It states:

"The Windfarm Development Project has not yet developed sufficiently to generate the projected savings of £1,000k in 2014/15."

Now, £1,000K to me is £1 million. Where is that project?

Mr Wilkinson: The wind farm development project is looking at the various forest sites that we have right across Northern Ireland and seeing how we can develop wind farms in forest parks. The SIB has recruited a wind farm expert to support us with that project. He is working with the Department in taking that forward. So, it is being progressed, and we anticipate having income from that process. We have to make decisions around whether we want to go into joint venture-type arrangements or whether we want to lease the land to allow a third party to generate income. So, potentially significant amounts of money could come from that project.

Mr Swann: I realise that, Norman. Wind farm development is a long-term project, and it is something that a lot of MLAs receive lobbying on from those who are against it, but you have £1 million already projected as savings for the next financial year. To me, if you were saving £1 million in the next financial year, you would be building them now, not just looking at partnerships.

Mr Wilkinson: It depends what way you go with it, Robin. It could be advantageous for us to lease the ground and have a contractual arrangement as opposed to building the wind farms. I totally accept that building them is a longer-term thing, and there are planning and all sorts of issues around all that. So, it may be more advantageous for government to lease the ground and let a third party take it.

Mr Swann: Do you have leases in place?

Mr Wilkinson: No, we do not have those leases in place, but there are contingency plans in place. So, if that £1 million does not come in through the wind farm receipts, Forest Service has other ways of generating additional income to cover that.

Mr Swann: Just to clarify, I am looking at the "Contingent Actions" column, which states:

"Forest Service intends to use additional income from the sale of timber to mitigate this risk."

Mr Wilkinson: Yes.

Mr Swann: Does that mean that, because your wind farms are not in place, you are cutting down trees?

Mr Wilkinson: I do not know whether that would be through additional deforestation or how they would do that. I am not sure what impact that would have on the overall forest, but they are advising me that they are able to generate an additional £1 million.

Mr Swann: You know where I am —

Mr Wilkinson: I can see your point.

Mr Swann: Can you get me clarification on that, Norman? You are looking at an environmental issue of wind farms, but, on the other hand, if the Department of Agriculture and Rural Development is not generating money from green energy, to mitigate that, you are going to start deforestation programmes to balance the books.

Mr Wilkinson: Yes. We will come back to you on that point.

Mr Swann: Under the same heading of "Maximising Revenue", AFBI is included in that savings measure. Following up on the recent PAC report on AFBI's finances, is there anything there in the financial reports either through savings delivery or —

Mr Wilkinson: What I will say about AFBI is that its performance has improved over the past couple of years, and its provisional out-turn this year was within £300,000 of its budget. That was a significant improvement on where it had been a number of years ago. It has also invested in its financial team, so there is more finance, experience and knowledge in the team. It has developed a fairly comprehensive strategic costing model, which, I believe, will help to inform the decision-making process in the Department and in its own organisations. I see its finances having improved significantly over the last couple of years.

Mr Swann: But it has nothing specifically under the savings delivery plan.

Mr Downey: It has. You can see that the overall target is £1,060,000.

Mr Swann: Sorry, where are you?

Mr Downey: On page 24, where the figure work is. The overall target is £1,060,000, and £1 million was attributable to the wind farm, so only £60,000 is attributable to the other areas. I think £30,000 of that is for AFBI, and that is where it is hoping to draw down INTERREG funding to cover that.

Mr Swann: So, AFBI's target is a saving of £30,000.

Mr Wilkinson: For this —

Mr Downey: For that one measure, but, overall, it is higher than that.

Mr Swann: For 2014-15?

Mr Downey: Yes.

Mr Swann: What is the budget?

Mr Downey: The overall resource budget —

Mr Wilkinson: We give £42 million a year to AFBI.

Mr Swann: Forty two million, and its target is to save £30,000.

Mr Wilkinson: No, it is a higher figure than that, Robin. That is for just that one measure. It has a number of —

Mr Swann: OK. I just saw that under "Maximising Revenue".

The Chairperson: Graeme, with your financial hat on, what do you know of TVR?

Mr Wilkinson: TVR?

The Chairperson: The wildlife intervention research project. How much is it going to cost and why have we not seen it here in the Main Estimates?

Mr Wilkinson: The TVR project is estimated to cost approximately £7.5 million over the next five years, so between £1 million and £1.5 million a year. We do not have a bid here because we are able to meet that cost from within the animal health budget. I do not know, Chair, whether you want me to say any more than that about TVR.

The Chairperson: We are looking for as much information as you can give us.

Mr Wilkinson: Those are the figures.

The Chairperson: I am not going to be hard on the TVR. It is action, something good and something that we have been calling for, but I want to know how we are paying for it and, if it is in-house, what the consequences are for other areas. This is new money and a new project. This is people doing something differently with an additional cost and pressure. If it is in-house, something somewhere along the line has to give, and I am wondering where that give is.

Mr Wilkinson: I am not aware of it causing pressure anywhere else in the Department. The veterinary service is assisting and AFBI is doing some work on it. As I said, £1.5 million a year is being invested in it, and that is coming from money that we have around research, so it is part of the research funding that is available to the Department.

The Chairperson: Can we get a detailed breakdown of veterinary service's budget and where this sits with the rest of the work it does or undertakes and any consequences of that? This is money that was not spent last year. It is not as if it is a budget line; it is a continuum.

Mr Wilkinson: The veterinary service element to it is using existing staff to help with the fieldwork.

The Chairperson: Again, if it is existing staff, what were they doing last year before TVR? It is just to see where the pressure is and what is happening financially or in man-hours.

Mr Wilkinson: OK. I understand the point.

Mrs Dobson: William Irwin and you, Chair, touched on the pilot of the farm business improvement scheme. William tried stealthily to find out a bit more detail about it and when it will be rolled out. Why did the Committee not hear about it before? Reading the Committee Clerk's notes is the first we heard about it. How long has it been in the planning?

You maybe touched on this earlier, Graeme, so apologies if I missed it. You highlighted the potential of the £1.4 million. What will it go towards, are posts being created and what are the timelines?

Mr Wilkinson: There are no posts being created. This has all to do with preparatory work and materials. The farm business improvement scheme was a recommendation in 'Going for Growth' and the Department has been working on it, I suppose, since 'Going for Growth' was produced. A lot of thinking has gone into it —

Mrs Dobson: But you will appreciate that it has been difficult for us, as a Committee, to get detail. As William mentioned earlier, we are still not much clearer on when it is going to be rolled out and the details of it. What else can you tell us?

Mr Wilkinson: A lot of thinking has been done around it. When you have potentially up to £250 million, how do you roll that out against the various sectors? So many sectors will be looking for investment. That is still being developed. At this stage, we are preparing a strategic outline case. That needs to go to DFP, particularly given the quantum involved. After that, we will be looking for an outline business case. That is where we are at with the process. We had hoped to have the strategic outline case completed this month, but it has not been completed as yet.

Mrs Dobson: So, there are no new posts, but timelines —

Mr Wilkinson: There are no new posts from the £1.4 million.

Mrs Dobson: But there will be new —

Mr Wilkinson: I suspect that, whenever you roll out a programme of that size, there are going to be resource consequences and consequences for the Department.

Mrs Dobson: OK, so there will be new posts. What about the timelines involved?

Mr Wilkinson: At this stage, we are completing the strategic outline case. We hope to get that to DFP in the next few months.

Mrs Dobson: It would be very useful to get more detail as that is developed.

Mr Wilkinson: I am not directly involved in preparing for it. It may be useful to have a briefing from one of the other officials.

The Chairperson: We will write to ask for all the details, including a strategic timeline and all the practicalities.

Mrs Dobson: We also need the projections. As Graeme said, no new posts are being created through the £1.4 million —

Mr Wilkinson: Yes.

Mrs Dobson: But, as things progress, there will be new posts. We need the costings around those, too.

Mr Irwin: I welcome the fact that we are now moving on that. Others said that it would not happen, so we welcome the fact that, hopefully, it will now happen. It is vital for the industry and the Going for Growth programme. I certainly welcome that.

Mr Swann: Graeme, you mentioned the £100,000 for the reservoirs inspection. You said that the business case is there but that the legislation needed Royal Assent before that.

Mr Wilkinson: The Estimates, rather than the Reservoirs Bill, require Royal Assent. The Estimates give us the legal authority to pay the £100,000.

Mr Swann: Theoretically, is there any other way, without Royal Assent, in which the Department could put that money in place for a project like that or for development work, investment or resource?

Mr Wilkinson: It is the Budget Act legislation, not the reservoirs legislation.

Mr Swann: So, it is the Budget Act.

Mr Wilkinson: Yes, we are using the Budget Act as the legislative cover to pay the £100,000.

Mr Swann: To get it into the Budget Act, do you not need the Reservoirs Bill?

Mr Wilkinson: No.

The Chairperson: Do any other members want to come in? If not, I thank —

Mr Wilkinson: Sorry, Chair, can I relay the Committee's approval?

The Chairperson: Is the Committee content with the June monitoring round proposal?

Members indicated assent.

The Chairperson: Is that a shake of the head or a nod of the head, Robin? *[Laughter.]*

Mr Swann: It is subject to the answers. *[Laughter.]*

The Chairperson: Members are content. Thanks very much, Graeme and Roger, for your time.