Northern Ireland Assembly

Committee for Agriculture and Rural Development

OFFICIAL REPORT (Hansard)

Rural Development Programme 2014-2020: Department of Agriculture and Rural Development Officials

14 October 2014

NORTHERN IRELAND ASSEMBLY

Committee for Agriculture and Rural Development

Rural Development Programme 2014-2020: DARD Officials

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Members present for all or part of the proceedings:
Mr William Irwin (Chairperson)
Mr Sydney Anderson
Mr Thomas Buchanan
Mr Declan McAleer
Mr Kieran McCarthy
Mr Oliver McMullan
Mr Ian Milne
Mr Edwin Poots

Witnesses:

Mr Brian Ervine	Department of Agriculture and Rural Development
Mrs Lorraine Lynas	Department of Agriculture and Rural Development
Mrs Colette McMaster	Department of Agriculture and Rural Development

The Chairperson (Mr Irwin): I welcome Colette McMaster, assistant secretary, and Lorraine Lynas and Brian Ervine, who are principal officers. I ask you to take no more than about 10 minutes to do your presentation, please, and then we will ask some questions.

Mrs Colette McMaster (Department of Agriculture and Rural Development): Thank you, Mr Chairman and Committee members, for the opportunity to provide you with a further update briefing on the development of the 2014-2020 rural development programme (RDP). Lorraine Lynas is leading on developing the new programme, and Brian Ervine is from the environmental policy branch. Our colleague Gareth Evans, who is from the rural development division, had hoped to join us following another meeting with the Minister this afternoon, but I understand that he has not yet become available.

The document that we sent to the Committee is the final draft of the new rural development programme, which is now ready to be formally submitted to the EU Commission. The document is drafted in the format required by the EU Commission and is a technical document that will be assessed by the EU Commission for admissibility and approval. The structure and required content of the rural development programme are set out in the EU implementing regulation.

As you are aware, the Minister announced on 26 June that the Executive had agreed a proposed budget for the next rural development programme of up to £623 million. That is made up of approximately £186·5 million of EU funds, which will be matched with funding from the DARD budget, giving a total of £373 million, compared with the size of the current programme, which is approximately £540 million. The package of support agreed by the Executive for rural development also includes additional funding of up to £250 million for a farm business improvement scheme. Subject to uptake from industry, DARD will bring forward bids to the Executive for that additional funding of up to £250 million to fund the farm business improvement scheme, which will meet the request of the Agri-Food Strategy Board (AFSB) in 'Going for Growth'.

The Minister made a further announcement on 23 July setting out the proposed allocations to individual schemes within the programme. Those were indicative allocations that will be subject to EU approval, completion of proportionate business cases and delivery considerations. Scheme indicative allocations have now been adjusted to take account of programme technical assistance. There is an indicative allocation of up to £200 million pounds for capital investment in farms. The indicative allocations for other measures include £163·2 million for a range of environmental actions to support farmers and land managers to carry out environmentally beneficial farming practices; £17·1 million for forestry; and £65 million for areas of natural constraint.

Knowledge transfer, innovation and cooperation will be an important element of the programme, with an indicative allocation of £33·1 million for a range of schemes. Eighty million pounds will be allocated for a range of measures aimed at encouraging the economic development of our rural areas. That includes a business investment scheme for rural businesses with an indicative allocation of £27 million, village renewal and basic services with £23 million, and rural tourism with £10 million.

The funding for the programme is contingent upon securing the necessary EU match funding, and that will be managed through the various budget exercises and associated in-year monitoring rounds, which the Committee will have input to. That programme will straddle a number of Budget periods; however, the most significant of those will be Budget 2016-2020.

One element of the programme that has still to be finalised is about how it will be delivered. You are aware of the challenging fiscal environment facing all Departments, and members will be aware that the Executive agreed to reduce most Departments' resource funding by 2·1% in June monitoring. The financial pressures that the Department is facing may not only affect scheme allocations but the staff resource available to deliver the RDP. In the current RDP, DARD absorbed the costs of delivery for 73% of the programme budget. However, the financial situation at the start of the new RDP is somewhat different from the situation in 2007. The Minister has agreed that the maximum amount of programme technical assistance must be utilised to assist DARD to deliver the programme. A technical assistance allocation of £37·2 million has therefore been created for this purpose.

A final decision on the activities that that technical assistance will be used for is yet to be taken. We do know that we will use the funds for managing the monitoring committee and funding the rural network support unit. Over the next few weeks and months, we will carry out an analysis of the costs and benefits of in-house delivery against external delivery options.

We are going to submit the programme to the EU Commission based on the financial assumptions presented here today. However, there may well be some amendments to the programme finances before the programme is finally approved, or we may make a programme modification at a future date.

The RDP stakeholder consultation group met for the last time on 24 September to consider the programme documentation. That included not just the draft programme document but the strategic environmental assessment, the equality impact assessment and the draft ex ante evaluation report. The stakeholder group has met nine times over the last two years and has provided valuable input at every stage of programme development. We propose to set up a new programme monitoring committee from December, which will have a role in the current rural development programme until its closure in 2016 and in the continuing development of the new programme.

I will move to the next steps. We are going to formally submit the programme to the EU Commission after this meeting today. The Commission is required to provide its formal comments on the programme draft within three months of submission, which would be mid-January. DARD will then work with the Commission to finalise the programme. Depending on the nature and extent of the comments, we hope to have the final programme ready for formal Commission approval by April 2015. We intend to place all the programme documentation on the DARD website following the submission of the programme to the EU Commission.

As I explained earlier, the draft document presented today is a technical document that requires EU approval in order to access the EU funding allocation of £186·5 million. The present document is not in a form that will be used to communicate the content of the next RDP to potential applicants. We have also developed a summary document setting out key elements of the potential support available.

That document states that the programme is still subject to change up to the point when it is formally approved by the Commission.

As well as seeking EU approval on the overall funding package, DARD officials are continuing to work to design the detail of the schemes. The date for the opening of any future calls will depend on the programme being approved by the European Commission and on getting the necessary business case approval.

That is all that I want to say at this point. We are happy to answer any questions or provide further clarification, and we would welcome any comments that the Committee would like to make on the draft programme at this stage.

The Chairperson (Mr Irwin): Thank you very much for your presentation. I declare an interest as a farmer. I have a unique interest in the business investment scheme in particular. In the past, there has been a lot of red tape associated with some of the schemes. I think it is very important that farmers are not put off applying to the scheme and that it is not over-bureaucratic. What can you tell us about how it will be rolled out so that it is not too bureaucratic?

Mrs McMaster: The first point is around the communication of it and how we will do that. As I said in opening, the huge document that you have is a technical document. That is not what we plan to present to farmers or to potential applicants. An important part of it will be developing the communication. We want to make that a simple and straightforward process for people so that they understand what support is going to be available to them.

The farm business improvement scheme came up earlier this afternoon when we talked about Going for Growth. It is really something that the Agri-Food Strategy Board has recommended. It is a package of support within the rural development programme. It is support that will be directed and targeted at farmers. It is a package of measures that includes not just capital investment. The business investment scheme, which you mentioned, will involve a considerable part of the moneys allocated to the farm business improvement scheme. Up to £200 million will be allocated to the capital investment element but, in addition, there will be a range of measures that will help guide farmers to make the right choices before they invest. So, there will be training measures and support-for-business discussion groups, where farmers can share best practice in groups with their peers. There will be a range of other elements.

All that is geared to farmers making the right choices. It is so that they have done that thinking in advance and are not doing this without having thought through what they may want to do in their business. What we are saying is that a basic eligibility requirement of the farm business investment scheme will be that farmers have a business plan for their farm showing how the overall performance of the business will be improved. So, they will have done that thinking before they come to that stage.

What we also want to provide in designing the farm business improvement scheme is a way of signposting farmers through the support. Every farmer will be in a different situation. Some people may feel that they want the training before making decisions. Others may not and may be ready to make investments. The signposting through that scheme will help farmers know at which point it would be suitable for them to come in for support. We hope to keep the communication simple and straightforward. That is what we will be doing over the next period while the Commission is looking at the technical document.

The Chairperson (Mr Irwin): OK. There are two tiers, tier 1 and tier 2, with two different proposed amounts of grant aid. How much has been allocated to each? Has that been decided yet?

Mrs McMaster: We have not made a decision on that as yet. There are two tiers there. When we consulted on the draft programme, we talked about potentially ring-fencing in there. We have not made that decision as yet. We want to see what the levels of uptake are going to be for the business investment scheme before determining that. It is something that we can decide locally. It does not have to be written into the programme that goes to the Commission that we would ring-fence. It may be something that we do. We talked to stakeholders about it. Stakeholders are aware that we have not decided to ring-fence at this point, but it is something that we may do.

The Chairperson (Mr Irwin): One would have thought that it would almost be too late to do it after there has been a flood of applications. I would have thought that you would need to do it at an earlier stage.

Mrs McMaster: Before we go out for applications, we will be thinking through how we will do that: whether we will be going in tranches; whether it is one tier or the other tier; how much is there; and so on.

Mr McAleer: The Minister has stated that she wants to have the local action groups (LAGs) set up soon as possible, preferably by Christmas. I am aware that they have to thrash out their own local strategy, which has to be in tune with the councils' community plans. What has been the level of engagement between yourselves and the councils? Bearing in mind that the shadow councils will not come into operation until the springtime and that the LAGs' local government strategy has to be in tune with the community plan, are you confident that their community plans will be thrashed out in time?

Mrs McMaster: There was a series of discussions over the summer between DARD officials and the chief executives of the new councils to talk through the timing of the process. It has been agreed that DARD will continue to work closely with the councils on this. That includes looking at whether a draft element of the community plan that relates to rural can be developed at an earlier stage but finalised later. Our colleagues in the rural development division are continuing to work with councils on that so that they will be able to manage that time frame.

Mr McAleer: So, you are confident that it is doable.

Mrs McMaster: At this stage, it is my understanding that it is possible and that the chief executives feel that they could work within that time frame. However, that is something that we will keep under review as well.

Mr McAleer: I have a wee supplementary about the £80 million that has been set aside for priority 6. Will the fact that the Department has allocated individual amounts to individual schemes restrict LAGs' ability to manage their own budgets?

Mrs McMaster: I do not think that it will necessarily. Each LAG will have its own local strategy. These are the overall allocations. I will bring in Lorraine on this. In the current programme, there has been a similar sort of arrangement whereby there were budgets for particular schemes and, later, for rolling delivery.

Mrs Lorraine Lynas (Department of Agriculture and Rural Development): In the programme document, you have to do a certain amount of assessment yourself to look at the need in rural areas across agricultural and non-agricultural areas. We set those indicative allocations based on the need that is set out in this document. I know that LEADER is a bottom-up approach, but it cannot be totally bottom up. It has to meet somewhere in the middle. So, you have this overarching document that sets out the key aims and objectives for that EU funding. The local development strategies will then look at the need within their local areas. They will get an allocation, whatever that allocation key is that they use to allocate money to each of the LAGs. However, they have to come into line with this strategy as well. It is not a totally bottom-up approach. There has to be a certain amount of direction within it. That direction is being provided by us saying, "This is what we think the budget allocations are".

Now, that is not to stop the programme being amended in the future should the demand require that. This is a seven-year programme that can actually run to 2023. Over that time, needs will change. In the current programme, money has moved between measures to where we felt that the demand was higher. There has to be an overarching strategy that says, "Here is where we think the need is. Fit in with this, but bring to us your needs and how you are going to fit in beneath, through your local development strategies".

Mr McAleer: So, the programme is sufficiently robust until it can be amended.

Mrs Lynas: It can be amended, yes. We have done that in the current programme. We are on version 10 of the programme, so we have changed it as we have gone along.

Mr Buchanan: What percentage of the money going into tiers 1 and 2 do you estimate it will take to roll out the programme?

Mrs McMaster: Are you are talking about the delivery cost?

Mr Buchanan: Yes, administration and that type of thing.

Mrs Lynas: DARD has never really quantified exactly what it costs DARD itself to deliver the programme. In the current programme, we have delivered up to 73% of the entire budget. A certain element was then used for external delivery through an axis 1 delivery agent and the LAG administration. We are maximising the technical assistance that can be capped at 4% of the European agricultural fund for rural development (EAFRD) element within the programme — the EU element plus the national match. So, we are using the full £37 million.

We have not yet decided which of those measures we will spend it on. We are going to do an internal review looking at the effectiveness of external delivery versus internal delivery. Even if we put it out to external delivery, we are still ultimately responsible for that money. There is still a checking function required of DARD. So, it is not a case of us giving it out and forgetting about it; that just does not happen. Those are the last stages that we have yet to decide on in terms of what we spend that £37 million on.

You will see in the costs that, when you add the knowledge transfer and the £200 million for the business investment to the £250 million that had been earmarked for the farm business improvement scheme, the £250 million comes down to £231 million. So, we are earmarking some of that £250 million to help DARD deliver this. If we did not, we simply would not be able to get the schemes off the ground. Now, as I say, we have yet to decide what we use that money for.

Mr Buchanan: Will these schemes be delivered with less bureaucracy than the last schemes?

Mrs Lynas: We would like to hope so. One of the key things that the Commission is pushing quite a lot this time is the use of simplified costs and standard costs. This will be particularly useful for the knowledge transfer and the cooperation measures. There would be no need for procurement. We do the work up front. We work out how much it costs for meeting rooms, putting in expenses for mileage and so on. The individual is then reimbursed without them having to produce the invoices.

It also reduces the error rate for the Commission quite considerably. It recognises that procurement is one of the main problems. Now, it will help in some areas of the programme but not in all. For the large capital, you will still be required to go through public procurement, which is onerous at the best of times. That is just something that we cannot do anything about, but we would have to look further at every stage of the development of this programme in trying to reduce bureaucracy and red tape. The Commission will probably be expecting us to report in the annual report each year on what we have done to reduce bureaucracy.

Mr McMullan: Thanks for the presentation. I want to go back to the funding aspect. There is a lot of talk about European banks or European financial institutions being used by the new councils this time; they could not use them before. If the present system of banking here is not favourable to lending money for schemes to get off the ground, is there any way that we can get round that? That is one of the arguments that the managers had the last time: they blamed everybody but, to my mind, the people who were responsible. Can groups be told that they can apply to Europe for funding if the local banking system will not support them?

Mrs Lynas: There was the opportunity to use financial instruments in the programme, but that was discounted quite early because we had to do a separate ex ante review of it. We could not demonstrate a market failure or a need because it is not cheap money. You have to lend at the same rate. We could not come up with the evidence across the rural development programme that there was a need to have a financial loans scheme in place in the programme.

One thing that we looked at beyond that was the use of advances within the programme, particularly in and around community and voluntary groups and their access to capital, so we have included that. There were some limited advances in the current programme, but we have included that this time for those particular groups. Beyond that, you can look towards phased projects: trying to break projects down to enable one stage to be completed so that there can be access to the funding and then move beyond that.

We will keep an eye on the European bank. There have been some moves by the EU Commission around the European Investment Bank (EIB) getting more of a foothold into the likes of the rural development programmes, so that is certainly where the Commission would like to go. It would like to see the money recycled, and that is why it introduced financial instruments to the programme. I am aware that the European regional development fund (ERDF) is introducing a loan fund within its programme as well. We simply lack the expertise to undertake a loan fund and, taking into account information from stakeholders and the stakeholder consultation group, we decided early on that it was not a route that the programme should take. However, if the evidence became available later in the programme, it does not stop us from introducing a loan fund later at some stage.

Mr McMullan: Could those advances be made to the new super-councils, which, in some cases, will be the funding body for village renewal, for example? They will be looking after such groups.

What role does Invest NI have to play? Can it play a role in advancing money or could it play a bigger role in finance?

Mrs Lynas: I will take your first question on the councils. We have not made provisions for them to get advances, only for voluntary and community groups. We would not have seen the evidence there that the councils could not have brought the match funding to the projects as they are.

Invest NI has a role in the agrifood producer investment scheme. Colette has been talking to Invest NI about what it can possibly bring to the programme, particularly in relation to processing.

Mrs McMaster: We have had some discussion with Invest NI, and I know that it is keen to help contribute towards the agrifood processing investment scheme. There was investment from Invest NI in the current RDP in relation to the processing and marketing grants scheme. It is something that it is keen to continue to do in the future. We have had discussions and will continue those discussions. It is keen to be involved in the future programme.

Mr McMullan: I welcome that, but should we not be getting it to show its hand earlier? If this programme is getting under way and we are not going to waste time, we would need to know that at an early stage so that anybody who wants to use it or would feel comfortable in working with it would know that it is involved.

Mrs McMaster: It is not something that needs to be written into the programme before going to the Commission, but it is something that we will be working through over the next months.

The Chairperson (Mr Irwin): In the last programme, I was one of the LAGs. I was critical of large, strategic projects that were willing to apply for the money at the end. In this programme, will every effort be made to ensure that rural businesses and communities will receive more of that money and that it will not all go into strategic projects?

Mrs McMaster: If you look at the breakdown of the schemes, you will see that priority 6 includes the rural business investment scheme, the village renewal scheme, the rural broadband scheme, rural basic services and the all-island cooperation scheme. An element of priority 6 is rural tourism, which is outside LEADER. DARD would see itself being involved with managing that in terms of the strategic aspect of rural tourism. The other schemes are intended for delivery through LEADER.

The Chairperson (Mr Irwin): As you are aware, in the last programme through LEADER, there were fears of money not all being spent. The time frame and getting the programme up and running led to fears that large amounts of money would go back to Europe, so a number of strategic programmes were rushed forward at the last minute. It is important that we do not end up in the same position again.

Mrs McMaster: There were certainly lessons learned from the existing programme. When preparing for this programme, we did a review of LEADER approach in the last programme. This time round, colleagues are developing and building in arrangements for local action groups to take account of good practice or lessons that we learned.

The Chairperson (Mr Irwin): There are two tiers to the agrifood processing investment scheme. Of tier 2, the programme document states:

> *"Overall grant assistance not to exceed £500,000 for any one application and not more than £1 million over the lifetime of the Rural Development Programme."*

I am told that that is out of step with other regions of the United Kingdom — Scotland and Wales. Is that right?

Mrs McMaster: I am not sure what the arrangements are for other areas or whether they are offering something similar in their new programmes. I will explain how we have gone about developing the programme here. The good thing about a rural development programme is that you can design it to meet the specific needs of your own area. The rural development programme proposals that we have are built on identifying the needs in the Northern Ireland situation and then designing measures that would address the needs that we found.

In relation to the need for capital support for the food processing sector, we identified a clear need for support in continued innovation in the sector, including the artisan sector. That recognises that support is needed for agrifood processing companies of all sizes to develop their long-term competitiveness.

We have talked to stakeholders and have a wide range of their views on this. We have been seeking to address the needs of the smaller companies as well as the larger companies. We have a relatively limited budget allocation for that, so it is about finding the best way of using that in a way that addresses everyone's needs in the best way possible.

There has been quite a bit of discussion with stakeholders about the idea of a cap. You heard Tony giving the Agri-Food Strategy Board's point of view that it is not something that it would support. Equally, a range of stakeholders is opposed to the idea of not having a cap. Farming stakeholders and those from the rural communities are concerned that larger companies could possibly access most of the grant support assistance and that would then not be available for smaller processors or artisan companies.

We have been trying to balance the needs across the range of stakeholders, being aware that not all have supported having a cap. We have sought to address and respond to comments from various stakeholders. Following the most recent stakeholder meetings in July and September, we made changes to the proposed range of grant assistance under that scheme. We will continue discussions on this with stakeholders.

The Chairperson (Mr Irwin): The processing industry has large amounts of money invested. It is important that those who want to avail themselves of it and are in a position to do so are not at a disadvantage to their competitors in England, Scotland or Wales if people there can avail themselves of higher grants.

Mrs McMaster: I am just not sure what the position is in Scotland and Wales for any processing schemes they are offering. In the previous programme, the processing and marketing grant scheme was not open to large companies. In this programme, we extended that to include large companies. So, there are things we have been seeking to do to go towards addressing the issue.

The Chairperson (Mr Irwin): It is something that you will keep under review or look at in more detail.

Mrs McMaster: We are aware that issues were raised by stakeholders, and it is something we will continue to discuss.

The Chairperson (Mr Irwin): Did I pick you up wrongly or rightly that there is £37 million for third-party delivery of the rural development programme? Am I wrong on that?

Mrs Lynas: No, it is £37 million. If you include the up to £14 million that is earmarked for LEADER, that is £51 million that will go towards administration and delivery.

The Chairperson (Mr Irwin): It seems quite an amount.

Mrs Lynas: It is probably a fraction of what DARD pays in real costs in delivering the programme, but it includes, for example, possibly £1 million or £1·5 million towards a network support unit, which we funded outside of the programme.

Mr Poots: What percentage is that?

Mrs Lynas: I think that works out at 8% in total out of the entire budget. *[Interruption.]*

The Committee Clerk: Are there any more questions for the officials? Do you want to come back?

The Chairperson (Mr Irwin): Is everyone happy? We have a Division now and have to leave. Does anyone have any more questions?

Mr McMullan: I would just like to know what checks are done on councils regarding them getting their community plans in on time. I think that is vital.

The Chairperson (Mr Irwin): We can get a written answer to that. Is that OK? Thank you very much for your presentation. Sorry for the rush at the last second.