Northern Ireland Assembly

Committee for Agriculture and Rural Development

OFFICIAL REPORT (Hansard)

Department of Agriculture, Environment and Rural Affairs Budget 2016-17: DARD Officials

26 January 2016

NORTHERN IRELAND ASSEMBLY

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Department of Agriculture, Environment and Rural Affairs Budget 2016-17: DARD Officials

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Members present for all or part of the proceedings:
Mr William Irwin (Chairperson)
Mr Seán Rogers (Deputy Chairperson)
Mr Sydney Anderson
Mr Declan McAleer
Mr Ian McCrea
Mr Oliver McMullan
Mr Ian Milne

Witnesses:

Mr Roger Downey	Department of Agriculture and Rural Development
Ms Tracey Teague	Department of Agriculture and Rural Development
Mr Graeme Wilkinson	Department of Agriculture and Rural Development

The Chairperson (Mr Irwin): I welcome Graeme Wilkinson, acting deputy secretary and senior finance director; Tracey Teague, assistant secretary and corporate services director; and Roger Downey, acting assistant secretary and finance director. I welcome you along to the Committee. I ask you to take up to 10 minutes for your presentation, and then we will ask some questions.

Mr Graeme Wilkinson (Department of Agriculture and Rural Development): Thank you, Chair and members, for the opportunity to brief you today on the Department of Agriculture, Environment and Rural Affairs (DAERA) budget for 2016-17. As you will recall, we briefed the Committee in early December. However, since then, a number of things have changed, not least that the Executive have now agreed the Budget for 2016-17, in line with the Fresh Start Agreement. I have provided members with an overview of the implications for the Department. I am sure that you will have questions for us, so I will keep my introductory comments brief.

At the block level, funding was determined as part of the 2015 spending review and the associated application of the Barnett formula. The resource allocation received by Northern Ireland in 2016-17 represented a nominal increase of £84 million, bringing the total resource allocation to £9·7 billion or a real-terms reduction of 0·8%. On capital, there is an allocation of £1 billion for the Northern Ireland block, which represents a £52 million nominal increase or a real-terms increase of 3·7%. The Executive agreed the budget for DAERA on 17 December, which included resource allocations of £197·9 million across all three Departments. Although the Executive received an £84 million increase in allocation, Departments such as Health were protected as part of that process. As a consequence, DAERA's allocation included a cut of 5·7% or an £11·9 million reduction to its resource. On capital, we received an allocation of £48·8 million.

As you will appreciate, the budget allocation for the new Department represents a significant challenge for us, not least because we delivered savings of £40 million over the 2010 Budget period, as well as £29·9 million in the current financial year. Put quite simply: we will have to deliver our business differently in the future if we are to meet our customers' expectations, as well as delivering the administrative controls required of a paying agency for EU funding.

In the paper that you have, you will see that I have given you some analysis of the £11·9 million. As part of this process, we agreed that the cut was to be allocated pro rata across the three areas that will be joined together. That includes the current DARD functions, the environment and marine group (EMG) coming from DOE and inland fisheries from DCAL. That equates to a cut of £10 million for DARD, £1·7 million for the environment and marine group and, finally, £0·3 million for inland fisheries.

Table 2, in your briefing pack, shows how that is broken down against the constituent parts. The largest element of our savings in the DARD part is in respect of the voluntary exit scheme (VES). As part of the 2015-16 Budget process, you will recall that we had forecast savings of £5·6 million from our staffing. That equated to around 300 staff leaving on 30 September. Now that we have run the VES in its totality, we are able to generate a further £4·9 million of savings in the 2016-17 financial year, having made an adjustment for Rivers Agency moving to the Department for Infrastructure. In summary, the total cost of VES is around £12·6 million for DARD. In turn, that will deliver an annualised saving of £11·6 million. Therefore, the payback is just over one year.

Turning to the various programmes in the Department, the two largest savings relate to the Agri-Food and Biosciences Institute (AFBI) and the Tackling Rural Poverty and Social Inclusion (TRPSI) programme, both of which will be offset using a capital allocation. The smallest saving that you will see in your table relates to the new contractual arrangements for the private veterinary practitioners (PVPs). Regarding the other Departments, the environment and marine group will deliver its savings from the voluntary exit scheme, and that will equate to £1·7 million, as I said. DCAL's savings of £0·3 million will be delivered from reductions in a number of small programmes. Those are the savings.

We are aware that we have other financial pressures. As I advised the Committee in December, we have pressures of around £17·1 million. Those pressures include things like employers' national insurance contributions increasing. We have programmes under Going for Growth and the rural development programme (RDP) where we have pressures. We bid for those as part of this Budget process but were unsuccessful. I will just give you a few numbers on that. Under the rural development programme, we have a pressure of £1·5 million in relation to the knowledge transfer through business development groups (BDG) scheme that we have launched. We have pressures of £1 million for our HQ relocation programme; around £4 million for the TB compensation scheme; and around £3·9 million for CAP disallowance. Those are significant amounts of money that are unfunded as we enter the new financial year. However, we intend to re-present those pressures as part of the June monitoring process, and we will continue to firm up exact figures between now and then.

Turning to capital, as in previous years, this was done using a zero-based exercise. As I said, we received an allocation of £48·8 million as part of the Budget process. Specifically, we have an allocation of £21·1 million to take forward various investment schemes in our programmes and £11·3 million for our IT systems. We also have various recurring capital requirements of £16·5 million. You will see the detail of that set out in table 5 in your briefing pack. Certainly, that will allow us to take forward some priority schemes such as HQ relocation. I have mentioned TRPSI, RDP, Going for Growth and inland fisheries. On the IT side, allocations have been made to the CAP reform ICT systems and the Northern Ireland food animal information system (NIFAIS). Recurring capital includes things like plant, vehicles, machinery and building improvements.Finally, annex A of your pack sets out the budget chapter that was included in the Executive's published document on the Budget. This includes the latest position in relation to the projected vision and strategic goals for the new Department. We will continue to refine our strategic document between now and May, when a new Minister will be in place after the Assembly elections. Also, the new Minister will have an opportunity to look at priorities and move funding around as part of the June monitoring process.

That concludes my introductory comments. I am more than happy to take any questions that the Committee might have.

The Chairperson (Mr Irwin): OK. Thank you for your presentation. There are resource bids that were not funded by the Executive in this exercise: £1·5 million for knowledge transfer; £1 million for headquarter relocation; £4 million for TB compensation.

Mr Wilkinson: Yes.

The Chairperson (Mr Irwin): And £3·9 million for CAP disallowance. If they are not funded in this round — obviously, the TB compensation has to be a pressing area, and money has to be available —

Mr Wilkinson: Indeed it is, Chair. I would suggest that they are all very pressing. With the business development groups, we are well along the road in rolling out the knowledge transfer scheme. We are progressing our HQ relocation, as well. They are pressures, and we will present them as part of the June monitoring round process.

TB is a volatile disease, as we all know, and the cost and incidence of it can fluctuate quite significantly. It would be unusual for us to have TB compensation met in the June monitoring round. Certainly, we want to have it flagged up, and we will put a marker bid in as part of that process. However, we are looking to have it funded in October/November. That is usually how the process operates. Certainly, DFP is aware that it is a pressure for us. We have some funding in there —

The Chairperson (Mr Irwin): It is a statutory obligation, of course.

Mr Wilkinson: Absolutely. It has to be funded, and we continue to make DFP officials aware of that.

The Chairperson (Mr Irwin): The CAP disallowance is £3·9 million. Do they charge interest on that? I ask out of curiosity. I do not know.

Mr Wilkinson: No. Usually the way the process works is that we wait for the EU auditors to come in and carry out their audit and verification of the risk to the fund. Once they have done their audit work, they send us the bill.

The Chairperson (Mr Irwin): Is this then a suggested amount?

Mr Wilkinson: It is an estimate. What we do each year is that, once we make out all our payments, we carry out a calculation on the risk to the fund, and then the EU Commission bases its charge on that calculation. So, we will have a fairly good approximation or estimate of the likely bill. Based on trends and on the information that we have to date, we are able to make a fairly reliable estimate of the risk to the fund and the disallowance charge.

Mr Roger Downey (Department of Agriculture and Rural Development): The Executive concluded the Budget exercise with no overcommitment on resource, so we are hopeful that there will be scope to meet these pressures in-year at monitoring rounds.

The Chairperson (Mr Irwin): OK. That is good.

We received correspondence from the Committee for Finance and Personnel indicating that there would be a fifth tranche of voluntary exits in the Civil Service in 2016-17. The papers indicate that certain Departments will make use of that, but DARD or DAERA is not one of those named. Is that because you feel that you cannot afford to lose any more staff, or what is the situation?

Mr Wilkinson: The senior management team in the organisation has taken that judgement. We have come down significantly not just through VES but as a result of careful management of our staffing. We have an ambitious programme of work over the next number of years, including the largest ever rural development programme. We are relocating our headquarters. We continue to deliver our CAP payments, with very stretching targets. Given the pressures that we have in the business, the feeling is that, at this stage, we have come down far enough and would not be able to deliver our commitments were we to do a fifth tranche.

Ms Tracey Teague (Department of Agriculture and Rural Development): We set out a target of around 300 full-time equivalent staff and reached it with 318. We made a significant number of offers. We had a lot of interest from staff, and, of the 918 interested and 645 offers made, 392 accepted, which worked out at 318 full-time equivalents, producing the pay bill savings that we needed to put forward.

The Chairperson (Mr Irwin): I see that £5 million is allocated to the rural development programme, Going for Growth. That must be spent in-year.

Mr Wilkinson: Yes. That is the farm business improvement scheme.

The Chairperson (Mr Irwin): Going for Growth.

Mr Wilkinson: Yes. That is the intention. There is a profile of investment going to 2023. We are really looking at the start of the scheme launching in the 2016-17 financial year.

The Chairperson (Mr Irwin): There are two tiers to the scheme.

Mr Wilkinson: That is right.

The Chairperson (Mr Irwin): Is that all opening at this stage?

Mr Wilkinson: There will be a phased introduction to the scheme, you are quite right. Tier 1 is £0 to £30,000, and the tiered scheme is up to £250,000. That is the largest —

The Chairperson (Mr Irwin): Is it anticipated that tier 2 will not open until later in the year?

Mr Wilkinson: Yes, there will be a phased opening of the schemes. A significant amount of work will be required to develop and launch them. It is also important to say that a lot of thought will have to go into them from the farmer's perspective about what they want to do —

The Chairperson (Mr Irwin): Absolutely.

Mr Wilkinson: — particularly given where we are in relation to the markets and the financial climate that we are in. Making any investment —

The Chairperson (Mr Irwin): It could be a slow start.

Mr Wilkinson: Yes, it will have to be considered.

The Chairperson (Mr Irwin): Of course, there have to be business plans.

Mr Wilkinson: There is a lot of work to be done on the farmer's side to get those plans developed and have a good think about what they want.

The Chairperson (Mr Irwin): At this stage, are you able — I know that you are not here to do that — to say when the schemes will be open?

Mr Wilkinson: We are still working through the business case process.

Mr McAleer: In relation to priority 6, I am aware that councils will take the financial administration lead in rolling that out. Is there any update on the service level agreements between the Department and the councils? Are they in place yet? I know that some of the local action groups (LAGs) are hoping to open up similar schemes in the next few months.

Mr Wilkinson: I am not aware of where they are with the service level agreements. I know that there is a big push to get the thing up and running and to get the schemes open, but I am not aware of —

Mr McAleer: I appreciate that I am probably deviating a wee bit from the finance. That is no problem, thanks.

Mr Anderson: Thank you for your presentation. I keep coming back to this. How do we see research and development going forward? I am looking at some of the figures here compared with what we had before for AFBI and others. Will the funding be there to ensure that, in the years ahead, research and development will be —

Mr Wilkinson: I certainly —

Mr Anderson: Are we losing out in this?

Mr Wilkinson: No. What I said in my introductory comments was that the reduction applied to AFBI will be offset by capital grant funding, so we are not reducing any of the research funding in the 2016-17 year.

Mr Anderson: At the moment. Are you telling us that the money is coming out of capital?

Mr Wilkinson: Treasury has changed the rules for how research funding is accounted for and how it scores in public expenditure, which is a positive thing, in that it is not going to be subject to resource cuts in future years. I see that as positive and beneficial. When you look at our figures, you see that we are putting additional funding into collaborative research. Certainly, these figures show that we are looking to invest in research going forward, and it is not something that will be subject to resource cuts in the future.We need to focus on the research that will give us the biggest return. We may need to take more of a focus, as opposed to spreading ourselves too thinly where we do not get that sort of a return. In answer to your question, we are investing in research, but we will have to take a more focused approach to what we spend our funding on to make sure that we maximise the return on that.

Mr Anderson: It will be a positive focus, and, going forward, you see that as a —

Mr Wilkinson: Absolutely. Research and education have to be two important pillars for the new organisation, going forward. Those are things that we need to invest in.

Mr Anderson: That is good.

Tracey, you talked about 900, was it?

Ms Teague: Yes, we had 918 —

Mr Anderson: Roughly 600 did not progress. Were they happy with that?

Ms Teague: Out of the 918, 645 people were given offers.

Mr Anderson: Did they not accept the offers? Is that what happened?

Ms Teague: A lot of people did not accept the offers. The attrition rate was around 33%; they are the people who got an offer and said no. We have a lot of staff who got an offer and did not take it. Equally, we have staff who were waiting for an offer and never got one, because we reached the number that we needed.

Mr Anderson: The 318.

Ms Teague: Yes, that is what we needed. We have people who would have liked to get an offer and did not get one.

Mr Anderson: It is closed now.

Ms Teague: It is closed.

Mr Anderson: There is no way that any of those could come back in the future and say, "Maybe I should've taken an offer". That has gone.

Ms Teague: There is an appeals process. You can appeal, but there are quite tight guidelines around it.

Mr Anderson: Your resourcing in staffing is set now, and that is what you need to move forward in the new set-up.

Ms Teague: Absolutely. We had to balance the need between payroll savings and business continuity. As Graeme alluded to, there is so much to deliver that we keep doing our robust workforce planning and have robust controls around managing vacancies as they arise, and we bank what we have achieved through the voluntary exit scheme. It was unprecedented; it has never been at this scale before.

Mr Anderson: Of those 318, was there any crossover between Departments?

Ms Teague: Only minor numbers. Those 318 were, more or less, DARD staff, because there had not been a lot of movement in the last year of staff in and out of Departments. Broadly, that is definitely a position that we can stand over: they are our own staff. Equally, on the DOE side, we know how many are coming into DAERA and the number of staff that it has lost through voluntary exit. A lot of this is around restructuring, reprioritising and making sure that you have staff in the top priority areas.

Mr Anderson: In your case, was it a relatively easy process?

Mr Wilkinson: I would not say that.

Ms Teague: No, it was not easy. In people terms, the figure was close to 360. Obviously, you are not going to let that number of people walk out the door and it not be painful.

Mr Anderson: I ask that question then: what is the pain?

Ms Teague: The pain is around the restructuring and the reorganising and redeploying people. People are being transferred from what they were doing to a higher priority area of work. That is all within DARD. A lot of work had gone on beforehand to think through what the impact would be and what we should do to reduce back-office functions. We took forward a number of reviews, such as the corporate services reviews. As you know, the advisory review is under way, as is the inspection review, which will lead to a different operating model at some point in the future. Hopefully, it will come together. I would not say that it has been easy. We are assessing it as we go through. The third group of staff will leave at the end of January, and the fourth will leave at the end of March. We will see that happen as they walk out the door.

Mr Anderson: But you are getting there.

Ms Teague: We are getting there.

The Chairperson (Mr Irwin): This is a farmer thinking out loud: if you could do with 300 fewer staff, does it not mean that you had too many staff in the first place?

Mr Wilkinson: No. I would not underplay the difficulties that we are in. If you look at where we are, you will see that tranche 2 and tranche 3 have gone and we have a fourth tranche to go. We are telling you how the figures will end up, and, as I said in my opening comments, we will clearly have to do things differently. You will see a different organisation at the other end. We have certainly talked at the Committee about the need to complete forms online. We cannot, in the future, have dual systems, with a paper-based system and an online system; that will have to change. We will have to prioritise. We cannot do the broad spectrum of things. We are working through that, and you will not see the full outworkings of that until into the 2016-17 financial year. No doubt we will come back to the Committee with more detail of what that looks like. I would not underplay the difficulties. Tracey has been very kind; it has been very difficult to manage all of that. It has been unsettling for staff. There are those who did not get it and those who did go.

The Chairperson (Mr Irwin): I understand that.

Mr Wilkinson: It is hard work to manage an organisation through that transition.

The Chairperson (Mr Irwin): It almost seems unfair that someone who really wants to take it does not get the opportunity.

Mr Wilkinson: Yes.

Ms Teague: It became almost a list, and you were on it or not on it. You have to manage that, so leadership was critical.

Mr Anderson: Tracey, you mentioned appeals: how many have appealed?

Ms Teague: The appeals process will not kick in until the fifth tranche is over, but there have been appeals from people who maybe just changed their mind. You can count the number on one hand. The numbers are very small.

The Chairperson (Mr Irwin): I have one final question. AFBI is close to my heart. I see that AFBI is subject to a resource cut of £2·4 million: what percentage of its overall budget is that?

Mr Wilkinson: That money will be replaced by capital. In total funding terms, there is no cut to its budget.

The Chairperson (Mr Irwin): That is good. I am glad to hear that. I thought that that was what you meant earlier.

There are no further questions. Thank you very much.