Northern Ireland Assembly

Committee for Agriculture, Environment and Rural Affairs

OFFICIAL REPORT (Hansard)

Future Agriculture Funding: Department of Agriculture, Environment and Rural Affairs

28 January 2021

NORTHERN IRELAND ASSEMBLY

Committee for Agriculture, Environment and Rural Affairs

Future Agriculture Funding: Department of Agriculture, Environment and Rural Affairs

28 January 2021

Members present for all or part of the proceedings:
Mr Declan McAleer (Chairperson)
Mr Philip McGuigan (Deputy Chairperson)
Ms Clare Bailey
Mrs Rosemary Barton
Mr John Blair
Mr Maurice Bradley
Mr Harry Harvey
Mr William Irwin
Mr Patsy McGlone

Witnesses:

Dr Rosemary Agnew	Department of Agriculture, Environment and Rural Affairs
Mr David Reid	Department of Agriculture, Environment and Rural Affairs

The Chairperson (Mr McAleer): I welcome, by StarLeaf, Rosemary Agnew, director of Brexit; and David Reid, the finance director. I invite Rosemary and David to commence their briefing, following which members can questions. Rosemary and David, you are very welcome to the Committee. Please feel free to start.

Dr Rosemary Agnew (Department of Agriculture, Environment and Rural Affairs): Thank you, Chair, and good morning everyone. Can you hear me?

The Chairperson (Mr McAleer): Yes. I can, anyway.

Dr Agnew: Thank you, Chair, and thank you very much for the opportunity to discuss future agricultural funding, as the Committee had raised a number queries about it at the last session. As you say, I am joined this morning by David Reid, who is DAERA's finance director. As you mentioned in your introduction, the Committee has received a written update on this issue. I will give you a very brief overview of what it contains. Afterwards, David and I will be happy to answer as many of the Committee's questions as we can.

The background is that HM Treasury circulated a replacement of the common agricultural policy (CAP) funding paper in October 2020 setting out its view on the UK Government's 2019 manifesto commitment to maintain the current annual budget to farmers in every year of this Parliament. That paper advised that Northern Ireland would be entitled, in cash terms, to budgetary ceilings of £293 million for pillar 1; £8 million for common organisation of the markets (CMO); and £29 million for pillar

2. That totalled £330 million in each year of this Parliament to replace the funding that would otherwise have been derived from the EU budget.

That paper also advised that as the devolved Administrations will still be receiving some carry-over pillar 2 funding from the EU throughout the next comprehensive spending review (CSR) period, the UK Government would net off that funding to ensure that the composite annual funding for each nation or region met the same level as the 2019 ceiling, which is £330 million for Northern Ireland.

Like the Scottish and Welsh Governments, DAERA fundamentally disagreed with that approach, as the Treasury was using the 2014-2020 pillar 2 funding from a prior budget period to reduce the level of funding that it should have been providing in the coming budget period. Had the UK had remained in the EU, Northern Ireland would have received further funding from the 2021-2027 EU budget in addition to the funds carried forward from 2014-2020.

In effect, Northern Ireland, Scotland and Wales were penalised for using the flexibility that existed under the n+3 rules of the 2014-2020 rural development programme (RDP) to spend EU funding over a longer period in a prudent manner. As a result of the Treasury's approach to using the 2014-2020 pillar 2 funding from a prior budget period to reduce the level of funding that it should be providing in the coming budget period, Northern Ireland will lose out on £34 million of funding over the 2020-2021, 2022-23 and 2023-24 period.

That was the case whenever these calculations were done. The loss of £34 million over the three-year period — this is a very important point, Chair — will not impact at all on the 2014-2020 rural development programme, which will continue to run to its completion in 2023. It will, however, affect DAERA's ability to explore new options and measures in a future agricultural policy or rural strategy framework. The Treasury has confirmed that the replacement funding for pillar 1, CMO, and pillar 2 will be ring-fenced in its totality, instead of individually, and that the proposed allocation would be flat cash in line with the manifesto commitment and not subject to an inflationary uplift.

The spending review outcome was announced on 25 November 2020. DAERA is to receive £315·6 million to support farmers, land managers and the rural economy. The spending review allocation reflects the current position from the Treasury and is, based on the discussions that we had had with the Treasury, what the Department expected to receive.

Chair, that is all that I want to say by way of introduction. I am happy to take any questions.

The Chairperson (Mr McAleer): Perfect. Rosemary, thank you very much for that briefing. This is something that I have raised in the Chamber on a number of occasions as I think that it is mean that that £34 million is being netted off our rural development. You will know better than I do that one of the reasons that some rural development projects were delayed during 2020 was because of COVID-19. Having the £34 million might have made a difference to those delays. Not allowing us to carry that over is mean. It sets a bad precedent. It is also an indication of how we will be treated by the British Government with regard to replacing lost EU funding. That is very regrettable.

With regard to the £330 million ceiling set here, I note that the South of Ireland has got a €10·5 billion share of the new CAP budget and is starting to thrash out its national programme for spending that. Do you have any concerns about the huge differential between North and South with regard to the level of support available and the impact that that may have on the ability of farmers and rural communities in the North to compete with their counterparts in the South?

Dr Agnew: At least in the short term, farmers should receive broadly the same level of funding as they would have under the common agricultural policy. I have not been following the detail of the CAP allocations from the EU in detail, but I understand that member states may have received slightly less than they had previously as a result of the UK leaving the EU.

In answer to your question about the difference between farmers North and South, we recently set up a series of engagements — the last one was yesterday — with colleagues from the Department of Agriculture, Food and the Marine to discuss support arrangements and the detail of the schemes that will be offered under CAP in the Republic of Ireland. We discussed our thoughts on how to move forward, and you will have heard the Minister outline some of them in the House.

Discussions are ongoing, and we have agreed to continue them at official level to ensure that there are no unintended consequences of Northern Ireland's leaving CAP while the Republic of Ireland remains part of it. Equally, discussions are ongoing across the UK with the English, Scottish and

Welsh Governments at official level about their proposals. That is because Northern Ireland is still part of the UK internal market.

All I can say, Chair, is that we are trying as far as possible to have discussions to ensure that there are no unintended consequences — or disadvantages as a result of unintended consequences — for farmers, not just in the United Kingdom but across the island of Ireland.

The Chairperson (Mr McAleer): Before I bring in members, there are a couple of other things. CAP is a multi-annual budget, so there will presumably be a big impact on future planning because we have no certainty beyond next year on what funding will be for the North. Yet in the EU and the South of Ireland, you are dealing with a seven-year multi-annual budget period. Therefore, they can at least have some certainty for a seven-year block to plan ahead.

Rosemary, because it is not index-linked, are we talking about a real-terms cut? I know that the flat figure stays the same, but prices increase, and with Brexit we will be seeing that. Are we talking about a cut, despite the figures remaining flat?

Dr Agnew: Chair, I will hand over to my colleague David to respond.

David, we cannot hear you.

The Chairperson (Mr McAleer): We can come back to David. We can come back to that question.

Dr Agnew: I will give you a bit of an answer, and, hopefully, David will answer the more financial aspects.

You are correct, Chair, that these are annual budgets that have no carry over into a future financial year. Therefore, it does, in many ways, change how we need to operate these schemes. These are budgets for an annual period, and they must be spent in year. We have no flexibility to carry forward because n+3 has disappeared. The Conservative Government have said, in a manifesto commitment, that they will maintain the same level of funding. Therefore, somehow or other we expect, either via the allocation that we receive from the Treasury or the tail of the RDP, to maintain €330 million over the current Parliament to cover what in the past would have been pillar 1 and 2. However, it is a very different scenario from what we had been used to with regard to managing budgets. It is not for a complete period.

David has just said that he is going out and coming back in again and, if it is OK, Chair, we will come back to him later to talk about the flat cash issue.

The Chairperson (Mr McAleer): That is OK. I will move around the room here. Rosemary Barton. Rosemary, can you hear me?

Patsy, we will go to you and then we will come back to Rosemary. Patsy McGlone, can you hear me? Patsy? No.

John Blair —.

Mr McGlone: *[Inaudible.]*

The Chairperson (Mr McAleer): Sorry, who is that?

Mr McGlone: It is Patsy, Chair.

The Chairperson (Mr McAleer): Yes, Patsy, go ahead.

Mr McGlone: Thank you very much for your presentation, Rosemary. Point 9 may be David's bailiwick, but I will ask you in the meantime. Point 9 says that replacement funding will be ring-fenced and that the flat cash allocation will not be subject to an inflationary uplift. That is surely a cause for concern. Do you have any projections as how much — I am asking you to look ahead with inflation — that, in real financial terms, might cost people here and the budget?

Dr Agnew: At this stage, Patsy, to be perfectly honest, we do not have those projects. That is probably the point at which I would have handed over to David Reid, had he been on the call.

Mr McGlone: Yes.

Dr Agnew: You are right: it is ring-fenced, so this budget must be spent on support for farmers, land managers and the rural economy. Should an underspend occur, there is no opportunity to transfer that money to another portion of the DAERA budget. The allocation is in flat cash.

David, I see that you are back. We just had a question about funds not being subject to an inflationary uplift and the impact of that inflationary uplift in real terms. David, can I bring you in?

Mr David Reid (Department of Agriculture, Environment and Rural Affairs): Can everyone see and hear me?

The Chairperson (Mr McAleer): Yes.

Mr Reid: That is great. Apologies for the technical issues.

You are absolutely right that a flat cash allocation presents inflationary pressures, as every 1% in inflation that is not met due to a flat cash allocation equates to approximately a £3·3 million cut in real terms. That needs to be considered, and possibly raised again with Treasury.

Mr McGlone: Are all the budgets that come through the Treasury to the Department of Finance ring-fenced? In other words, *[Inaudible]* back to Treasury about this? That is significant. You have to add that to the £34 million drop in funding on rural development. I am also aware of a scheme for TB where there has been a substantial drop in funding that has not been substituted or replaced. You are looking at *[Inaudible]* in the departmental budget.

Mr Reid: Another difficulty is that there is no replacement funding for the vet fund receipts that we received previously from the EU. Over the next three years, that will present us with a further financial challenge of £15·3 million. That has not yet been replaced by DOF or Treasury, so it presents us with a shortfall. The extent of that will depend on what level of spend we incur as a result of the TB programme, which is subject to fluctuation. You will be aware that, in recent years, it has topped £40 million. We anticipate that, in the current year, it will finish at about £36 million or £37 million. However, you are absolutely right that it presents us with another financial challenge.

Mr McGlone: That is a financial challenge on issues such as animal welfare and the control of TB. They are major concerns for people in general but especially for the industry.

Mr Reid: The Department is managing its resources extremely carefully to ensure that its key priorities will be met. We are in the process of finalising our budget position for next year, based on the initial allocations from DOF. I will update the Committee on that in more detail next week.

Mr McGlone: Thank you very much for that. We look forward to hearing that next week.

The Chairperson (Mr McAleer): Rosemary Barton, can you hear me now?

Mrs Barton: Yes, can you hear me?

The Chairperson (Mr McAleer): Yes, Rosemary, go ahead.

Mrs Barton: Under article 10(2) of the Northern Ireland protocol, agriculture products other than fishery and aqua-products should have received £382·2 million, yet you said that we will get £330 million. Can you explain the deficit and how will that be made up?

Dr Agnew: Rosemary, we are perhaps confusing two different issues. Article 10(2) of the protocol is about state aid and the state-aid carve-out for agricultural support. Previously, under the EU, there was a state aid carve-out for agricultural support as well. That carve-out is set at a fairly high ceiling.

The overall carve-out, which would not require state aid approval, is set at — you are right — £382·2 million. That will always be higher, and has probably always been higher, than the actual allocation of funds that we receive from the EU.

It is set higher to give additional flexibility. For example, should a case arise where we need to make a further case to Treasury for additional funding, it provides flexibility for that. It is the amount of funding — the ceiling of the funding — that does not require a state-aid approval. Therefore, no state-aid approval is required up to a ceiling of £382·3 million to be spent on agriculture.

Mrs Barton: OK. That is it. I share the concerns of Declan and Patsy in relation to the money not linked to inflation or anything like that. There are major concerns there.

Dr Agnew: We note that. Thanks, Rosemary.

The Chairperson (Mr McAleer): John? John Blair? We will come back to John.

Clare, can you hear me?

Ms Bailey: Thank you for your presentation, Rosemary. It is good to see you again this week. We are expecting a huge chunk to be taken out the budget this time round. I know that the majority of it goes on sectoral support, or support for farmers, but the rural economy has been identified as well.

We know that women, in particular, do not benefit from the majority of CAP funding. Will there be equality impacts, depending on where the funding cuts come from? If the Department has to make cuts in funding, where will they come from, and what are you looking at, at the minute?

Mr Reid: I am happy to take that question, Chair. At this stage, looking at the next financial year, we do not anticipate that we will need to apply any cuts to any particular budget lines. At this stage, we do not expect there to be any significant equality impacts for the budget in 2021-22. However, that could change in future years, and we will have to keep it under review and monitor it. If we found ourselves in a position where we were having to consider cuts, it would have to be subject to consultation.

Ms Bailey: Is nothing being mooted in the Department at the minute as a backup plan?

Mr Reid: For the next financial year, at this stage, we do not anticipate that we will need one.

Ms Bailey: Are there any schemes in the priority 6 stream that you think will be affected? Are there any projects in it that could get an underspend?

Mr Reid: I am not specifically aware of those, individually. It is a question that I could take away to get you an answer. However, I reiterate what I said: we are not anticipating any cuts. However, I am happy to take away your question on those specific schemes, in case there is something that I have missed.

Mr Blair: Clare has covered what I was going to ask. I apologise if I have missed some of it while trying to find my audio controls. I am reminded of another pledge of £350 million, once released to something else. However, at least this pledge of £330 million was not written on the side of a bus, to be ignored at a later point.

We covered the prospect of this coming from other budgets, although we do not know what that might be. David mentioned that it might not have to happen in the first year. Nevertheless, there is a £34 million gap, over three years, and I expect that it will have to come from somewhere, or we will have to cut the resource for this funding stream.

Mr Reid: It is worth referring to what Rosemary said in her introduction about the impact that that £34 million has on the Department. It does not affect what we plan to spend on current schemes, but it impacts on our ability to develop future schemes and allocate additional funding to programmes that we typically would have expected to fund under a new multi-annual financial framework. On that basis, it is more a case of the money not being there, as opposed to the money having to be cut and found from other budget lines.

Mr Blair: OK.

Dr Agnew: Sorry, John, we are not the only region. As you may have seen in the media, the Scottish and the Welsh Governments are in a similar position in respect of the tails of the RDP being deducted from their potential allocation.

Our Minister has been vocal in his disagreement with how the calculations were done, as have the Scottish and Welsh Ministers. Collectively, they have issued letters to the Treasury. It is important to say to the Committee at this stage that all of that has been, and is still, ongoing.

Mr Blair: OK. So we will wait and see the outcomes of ministerial processes, but remain mindful that there could be budgetary impacts elsewhere if we want to maintain what is currently there for RDP. Yes. OK. Thank you both.

The Chairperson (Mr McAleer): Before we move on, the more that I think about it, the more that that looks like an attack on rural communities. The Department and communities have been good and made prudent use of the money for the rural development programme. For that £34 million, effectively, not to be allowed to be carried over is shocking. That is money that our new rural programmes will be deprived of. Had the Department known this earlier, it could have looked at not having £34 million. It is absolutely appalling that, under the n+3 rules, we are not allowed to carry that over into the new budget period.

William? William, can you hear us?

Mr Irwin: Can you hear me now?

The Chairperson (Mr McAleer): Yes, William, we can hear you now.

Mr Irwin: I have a couple of issues. It was mentioned that, for TB, they were not sure if the money was available. Is it not a legal obligation for Government to cover the costs of TB?

Dr Agnew: William, I think that I have lost David. He may come back. He would, perhaps, be best placed to answer your question on TB funding. If we could hold that question until he rejoins. He is back now. David, did you hear the question on TB?

Mr Reid: No, sorry. I have just got back in after some technical issues. That comes from living in a rural community, I am afraid.

Mr Irwin: Hello? Can you hear me now? Hello?

Mr Reid: Yes. I can hear you now.

Mr Irwin: Do the Government not have a legal obligation to cover TB costs?

Mr Reid: Absolutely. The TB programme is an area of spend that we ensure funding is made available for —

Mr Irwin: That is what I thought.

Mr Reid: — and that the programme itself will be properly resourced. There is absolutely no intention to impact on it negatively.

Mr Irwin: I do not think that, in the past under EU direct payments, payments to farmers were ever linked to inflation. Were they? For instance, if it was linked to inflation *[Inaudible]* DAERA would not be cut by half a per cent this year. It was obviously not linked to inflation in the past.

Dr Agnew: William, can we take that question away and come back to you? We will need to check it out. You are probably correct, but I would like to take the question away and come back to the Committee with an answer.

Mr Irwin: It is unfortunate that there has been a £34 million cut in rural development, although I am pleased to hear that the Minister has been fighting the case. I hope that there can be a resolution to it.

On the £330 million that was promised for the lifetime of this Parliament, that is not a cut; it is keeping with what we have had in the past for direct payments. If we were still in Europe, we could have less than this if we look at this year.

Dr Agnew: Yes *[Inaudible.]*

Mr Irwin: *[Inaudible]* down South. Do you know what I mean?

Dr Agnew: Yes, you are correct, William: the £330 million was the 2019 ceiling. The manifesto commitment is to maintain that same level of funding for farmers, but Treasury has deducted from that the tails of the RDP spend. That was to be kept almost at a flat ceiling during the period of this Parliament. Our challenge and disagreement at the minute is how that calculation is being done. Had we remained in the EU, with the budget cuts in the EU budgetary period, we could have, moving forward, seen a reduced ceiling. It is probably not dissimilar to what is happening in practice with the tails of the RDP spend being reduced. There may be a relationship between the two as we move forward. Again, we cannot give you figures, because we are no longer part of the EU and do not know what our allocation would have been, so this is all a bit hypothetical.

Mr Irwin: Of course, but if you look down South, you will see that there has been a cut. Our position is being maintained, other than that for rural development. That is for the lifetime of this Parliament, but no one knows for how long that will be, and that is, of course, the difficulty.

Dr Agnew: I will pick up on the previous queries about inflation. Inflation still reduces the real-time value of any funding, particularly as we move forward.

Mr Irwin: OK. Thank you.

The Chairperson (Mr McAleer): OK, we will move on to Philip. We are moving from County Armagh up to County Antrim.

We will come back to Philip.

Mr McGuigan: My apologies. I went to put myself on mute and instead ended the call.

To be honest, this is probably getting a wee bit repetitive at this point, but I share the views that have already been expressed. It is a case of another day, another broken promise, or, at the very least, there has been sleight of hand from the British Government when it comes funding issues and promises made about Brexit. I share your views, Chair, about it being an attack on the rural community. We all can point to projects using rural development funding that communities and rural groups have used to enhance areas across the North. The reduced funding from the British Government, despite the promises made, is an attack on that good work and on our rural communities. We have exhausted the funding issue, so my question is about the next steps. We have this pot of funding, so what are the next steps for determining which programmes or policy positions the money will be spent on moving forward? Rosemary or David, is there a timescale for some of the issues? When are we likely to see a bit more detail?

Dr Agnew: I will take that one, Philip. The majority of the funding will be spent on what we call the direct payment scheme to farmers. After the Minister's oral statement to the House in November, Norman Fulton and I gave a presentation to the Committee about the Minister's and the Department's thoughts on what future agricultural policy will look like. We are moving quite quickly, and the Minister is very keen that we do so to start a conversation about the detail of what that future support will look like. You have the detail of the simplifications that we wish to bring forward for the 2020-21 scheme year, and that is to simplify and to have a baseline from which to move forward. Hopefully, in the very near future, you will be considering the statutory rules to bring effect to that.

On the further steps as we move ahead, the Minister has started to outline some of his thoughts on a basic income support payment, which is very similar to, but a simplified version of, the basic payment scheme. It would be a basic resilience payment. He has also outlined his thoughts on bringing forward a coupled support payment for suckler cows and breeding ewes and future agrienvironment schemes. Linked to that are capital support, succession planning, the whole knowledge agenda and continuing professional development (CPD). We will, over the next number of months, bring to the Committee various proposals on which we would like to consult in order to seek further views on them. All of that, however, must be done in a logical and transitioned way in order for farmers to be able to understand the changes that are being brought forward. We are just beginning to start a conversation around that.

On the rural policy side, I understand that the Committee received a presentation in November about the Department's future rural policy. I will defer to colleagues on that, but my understanding is that a number of pilot projects are being taken forward, on which, again, the Committee has received an update. The simple answer, Phillip, is that work is at an early stage to look at what the new schemes will be. As I explained earlier, in response to a query from the Chair, we have started that by having conversations with other regions of the United Kingdom and with the Republic of Ireland on what they are doing so that we do not cause unintended consequences by bringing in very different schemes here. As we move forward, probably going into the next Assembly session, we will be bringing forward a number of those proposals to take the Committee's views on them.

Mr McGuigan: Grand job. Thank you, Rosemary.

The Chairperson (Mr McAleer): Rosemary, this may not be within your remit, but we have been expecting a public consultation on the new rural programme. Is any progress being made on that?

Dr Agnew: Honestly, I do not have a timeline. All that I know is that it is expected to go out to public consultation early in the new year, but I do not have a timeline. That may be something that we can take away and get the Committee an answer on.

The Chairperson (Mr McAleer): Yes. We have been expecting the consultation since the autumn of last year. I am conscious that the South of Ireland is moving ahead and has a public consultation out now to tailor its rural development programme, so I do not want us to be seen to be being left behind.

Dr Agnew: Sorry, Chair, but I am not in a position to give you a timeline, but I am happy to take the question away and get you one.

The Chairperson (Mr McAleer): Clare, are you wanting back in for a follow-up question?

Ms Bailey: It is on what I was asking about earlier. Taking £34 million from rural development is hugely significant, and it is impossible to see from where that could be cut in budgets without its having a serious impact on local communities. I go back to priority 6 stream projects and the gender equality issues or, rather, the gender disparity issues. You have given us the commitment that budgets will be ring-fenced until 2022. Have I got that right?

Dr Agnew: Until 2023-24, which is when the current Parliament ends.

Ms Bailey: Thank you. Sorry for getting the year wrong. Can we be assured that any future budget cuts will not come from current priority 6 projects? That £34 million, which was carried over, is being taken out of the next allocated budget. We will not replicate that system, so, if there are then ring-fenced budgets, by the time we get to 2023-24, can you guarantee that, if there is an underspend on particular projects, we will not be punished by seeing that money reallocated in new budgets? The cuts will come from somewhere and will be felt somewhere at some stage, so can you give us every assurance that the Department will continue to carry out equality impact assessments (EQIAs) on everything in the future?

Dr Agnew: As David said quite clearly — I will bring him in when I finish — the £34 million and the reductions that we face over the next three years will not impact at all on the 2014-2020 rural development programme. That is fully funded. The reduction in funding will reduce our ability as a Department to explore new options and measures in a future agricultural policy or rural policy framework. It will reduce our options as we move forward, but it will not impact on any of the current schemes or programmes.

On EQIAs, it is a mandatory requirement that we undertake screening exercises on all new policies and all new schemes so that the Department endeavours, as far as possible, to ensure that they are completed. That is as large a commitment as I can give you. I can assure you that, in any area of work in which I am involved, all of those are completed. David, is there anything that you wish to add?

Mr Reid: I agree with everything that you said, Rosemary. We will see the current rural development programme through to completion in 2023-24. EQIAs are an essential part of any budget process. Any potential negative implications for spending in any area will be considered.

We cannot give any assurances beyond the current spending review period. At this stage, we are working through the budget for next year, but, beyond that, we have no certainty about the funding that we will receive from the Westminster Government through the Northern Ireland Assembly or what it will look like. We will assess the implications when we go through the next CSR process.

I reassure the Committee that we are absolutely committed to finalising our spend on the current RDP, which takes us through to 2023-24.

Mr Harvey: I welcome the fact that ministerial talks are taking place in the inter-ministerial group for environment, food and rural affairs, which involves our Minister, and that every opportunity is being taken to highlight to the UK Government our priorities and challenges at this time so that they fully understand them.

Rosemary, what capacity of the DAERA funding operation is ring-fenced for its legal obligations in relation to TB testing etc?

Dr Agnew: I cannot answer that question, because I am not involved in TB. David, are you able to help?

Mr Reid: We do not have any specific ring-fenced budget for TB or a majority of the areas that the Department is responsible for.

Mr Harvey: OK. Thank you.

The Chairperson (Mr McAleer): OK, Harry. Maurice?

Mr Reid: We do that to ensure that we have appropriate flexibilities in place to allow us to *[Inaudible.]*

Mr M Bradley: Hello?

The Chairperson (Mr McAleer): Sorry, David; you cut out there. He was just finishing off his answer, Maurice.

Mr M Bradley: All right, David?

The Chairperson (Mr McAleer): Maurice, do you want to go ahead?

Mr M Bradley: Yes. David talked about £34 million cuts and said that no physical cuts were required this year. Are any of the cuts that are needed likely to come from new programmes proposed, or will the shortfall mean that the new programmes will not be sought or that existing programmes will be tailored down to suit the reduction in funding? What are your thoughts about the pathway that is needed in negotiations through ministerial meetings with Westminster regarding future funding? I am thinking of new schemes that may draw down additional or new funding from Westminster that may make up that shortfall.

Dr Agnew: On your first question, we have been clear that current schemes will not be affected by the allocation of funding; it is our ability to explore and take forward options under new policies that will be impacted. That said, we, as a Department, continue to bid for additional funding. I will bring David in at this point; he might want to comment about the ministerial groups. Funding remains a standing item on every agenda of the inter-ministerial group; the AERA Minister raises it with his colleagues at every meeting, as do the other devolved Administrations.

I should have said earlier that England faces the same approach; the tails of its RDP are reduced from its allocation. The Secretary of State for Environment, Food and Rural Affairs has accepted that as England because it is a UK Government decision, but it is certainly not accepted across the devolved Administrations, and it continues to be raised.

David, do you want to say anything about other bidding processes? Perhaps that is best left until your update next week.

Mr Reid: I will pick that up in more detail next week when we are specifically updating on the budget. In terms of where we find ourselves in the current year, we work closely in the Department to establish financial requirements for the year ahead, and we work closely with our colleagues in the Department of Finance to secure resources for those programmes and projects. At this stage, we are not aware of anything massively significant that we will not be able to take forward in the next financial year. However, as Rosemary mentioned, our ability to consider what programmes we would like to take forward in the year ahead is in the context of the £14 million reduction that has been applied to the £330 million. That inhibits our ability to do that. In addition, we are putting significant resource into basic payments, CMO and the RDP. However, that £14 million has an impact on our ability to develop new programmes for projects.

Mr M Bradley: Thank you.

The Chairperson (Mr McAleer): I have no other members indicating, so I will conclude. In terms of the bids for the *[Interruption]* That is currently available, is the Department working on any bids for any of that?

Mr Reid: I am not sure that the Department has considered whether or not there are any additional requirements. We have carried out a number of exercises within the Department to identify additional requirements that we could fund but have been unable to establish any significant need that would require us to submit further bids to the Department of Finance.

The Chairperson (Mr McAleer): Do people not find it unusual that the Department feels that there are no requirements? Surely the likes of rural community groups and others that have faced the worst excesses of COVID during the year, with all the work that they had to do and the pressures that they were under, there is bound to be something that the Department can identify to try to address those issues. I know that there are certain sectors in farming that are carrying a loss from COVID.

Mr Reid: Across the year, we allocated significant resources and sought funding for a number of things in relation to COVID. We have issued and allocated funding. I will provide a more detailed update on that next week in terms of specific figures. I do not have them in front of me, but I know that it was in excess of £40 million.

There has been a strong evidence base to support the need for the funding that has been paid out. At this stage in the year, however, we have not been presented with any additional needs. It is also extremely late in the year, so there would be a concern that, if we drew down money without having properly established the need for that money, that money would not be spent by the end of the year and would effectively generate an underspend for the Department.

I reassure the Committee that we have worked extremely diligently and very hard in the Department, and that includes the rural development side. The folk involved there worked closely with councils to see whether any additional funding could be allocated to community groups or whether there was any additional need. Unfortunately, that was not forthcoming, so on that basis we were not able to bid for additional funds.

The Chairperson (Mr McAleer): As constituency MLAs, we know the pressures that, for example, rural community organisations experience with the shutdown of their premises and their inability to hold events or carry out their functions, and there are still capital and running costs that put pressure on them. Those organisations were at the forefront of the COVID response; indeed, our producers, processors and farmers are bearing the brunt of the lockdown of the hospitality industry, of hotels and restaurants, which is impacting on the value of their carcasses. It is astounding that the Department has not identified some need emanating from the impact of COVID in the wider agricultural and rural communities. We need to revisit that. It is astonishing that you say that.

Mr Reid: On the specific issue of market fluctuations and changes in prices and the value of carcasses, that was one of the key factors considered when we were providing support. Again, I do not have the exact figures, Chair, because I was not expecting to brief on that today. Apologies for that. The scheme ran at about £25 million, and the payments that have been made have been based specifically on evidence of market fluctuations and changes in prices. I can pick that up with colleagues in the Department and provide a more robust answer, but we are content that we have done everything that we can to fund the areas that have been presented to the Department.

The Chairperson (Mr McAleer): Yes. We will need to pick that up next week. There are pressures. We will move on to the next item shortly, and the likes of the Lough Neagh fisheries are still waiting. Thank you for addressing that issue, David, which was not necessarily part of the briefing.

David and Rosemary, thank you for attending the Committee.

Sorry, Philip, I see that you have sent a message. Do you want to ask David and Rosemary a question before we move on to the next item?

Mr McGuigan: Yes, Chair. It may strictly be not to be asked, but it is just on the point that you made about the additional requests for funds. The Executive are going through a spending review, and there is a substantial amount of money. You clearly made the point that the Department could and should have requested additional funds for COVID support. It would be useful, if not today then very soon, for us to get information about what the Department has done to make additional submissions during the spending review.

Chair, you made a slip of the tongue and said "Brexit" instead of "COVID". Brexit has had a serious impact on businesses in the agri-food sector. We hear day and daily about the increased impact on that sector. Rosemary or David, have you submitted any bids for additional funding, not just for COVID but for Brexit-related issues or other much-needed departmental issues?

Mr Reid: I can take that one. Across the financial year, there have been exercises on COVID and Brexit. Again, I do not have the full details of everything that we have done in front of me, but, on the Brexit funding, we have at times engaged directly with Treasury alongside DOF to secure additional funding for things like protocol costs and have engaged robustly on the £330 million and Treasury's move to cut that by £14 million. We have also submitted additional bids to secure funding for the additional costs that the Department is incurring as a result of Brexit. There have been exercises over the past 12 months. We —.

Mr McGuigan: David, I do not want to interrupt you, but I think specifically about the latest review process that is going on. We heard the Finance Minister talking about £500 million in the Assembly. Some of that is COVID-related, but not necessarily all of it. I am asking specifically whether the Department has, in the last number of days or weeks, made any submissions to the Finance Minister for programmes or funding that could help with or compensate for the issues that we have talked about.

Mr Reid: Again, we in the Department have considered that in great detail over the past number of weeks to see whether there are additional requirements or whether we have been able to identify further need to request additional funding. The additional requirements that we have been able to identify have been very limited, and we have not identified anything significant enough to allow us to make additional bids to the Department of Finance.

To reiterate, we are very late in the year. With about eight or nine weeks left in the financial year, our ability to spend that money would be extremely limited because of the processes that we would have to go through, if we identified anything significant, to get things approved and spend the money in time. Any request for funding at this time carries with it a huge risk of underspend.

The Chairperson (Mr McAleer): David, is that not the case for every Department? Are Departments not all in the same position?

Mr Reid: I would assume so, but the other aspect is that we have not identified any additional needs that would justify requesting funds. There are two sides to it: the risk of underspend and the fact that we have not identified additional needs.

The Chairperson (Mr McAleer): OK. Thank you very much for coming back on that for me, David. We will definitely need to revisit that. David and Rosemary, thank you for your attendance.

Dr Agnew: Thank you.

Mr Reid: Thank you.