



Northern Ireland
Assembly

Committee for Agriculture, Environment and
Rural Affairs

OFFICIAL REPORT (Hansard)

Budget 2021-22 and January Monitoring
Round 2021: Department of Agriculture,
Environment and Rural Affairs

4 February 2021

NORTHERN IRELAND ASSEMBLY

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Budget 2021-22 and January Monitoring Round 2021: Department of Agriculture, Environment and Rural Affairs

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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:

Mr Roger Downey	Department of Agriculture, Environment and Rural Affairs
Ms Lynda Lowe	Department of Agriculture, Environment and Rural Affairs
Mr David Reid	Department of Agriculture, Environment and Rural Affairs

The Deputy Chairperson (Mr McGuigan): From the Department, I welcome, via StarLeaf, David Reid, the director of finance; Lynda Lowe, the head of financial planning; and Roger Downey, the deputy finance director. Will officials explain to the Committee, first, why no budget papers have been provided, and, secondly, why the Department made no bids in the January monitoring round?

Mr David Reid (Department of Agriculture, Environment and Rural Affairs): Thank you, Chair. Can I check that everyone can see and hear me OK?

The Deputy Chairperson (Mr McGuigan): Your picture is non-existent, David, but I can hear you.

Mr Reid: Apologies. I will turn my video off to ensure that the signal stays stable.

(The Chairperson [Mr McAleer] in the Chair)

Thank you for the opportunity to provide an update on the draft DAERA budget 2021-22. You will be aware that the Chancellor announced in a statement on 25 November 2020 that the spending review would be for one year only. That is the basis on which the Executive considered their draft Budget. Members will also be aware that the Executive have agreed draft budgets for Departments and that the Department of Finance launched a consultation on 18 January. The consultation closes on 25 February in order to have the Budget in place for the beginning of the new financial year.

On resource, the draft Budget has allocated £544.2 million for DAERA. That is mainly the rolled-over baseline from 2020-21, plus two additional elements, including EU CAP replacement funding of £315.6 million and EU replacement fisheries funding of £3.1 million. On capital, the draft Budget has allocated £95.5 million from a zero base for DAERA. That is only marginally less than the £98.5 million that we received at opening Budget for 2020-21.

Since the Executive's agreement of the draft Budget allocations, DAERA has been working extensively internally to firm up the implications of them with business areas across the Department and with Minister Poots. That has been an iterative process. We hoped that it would have concluded by yesterday to allow me to provide a more comprehensive briefing to the Committee and to allow us to publish a supporting document on our website, but, unfortunately, Minister Poots had to step aside for health reasons earlier this week, and the proposals had not been finalised prior to his departure. It is, therefore, for the new Minister — Minister Lyons — to consider and agree the proposals. The timing for that will, naturally, take a little longer as he has to be given time to get up to speed with the impact of the budget for next year. I intend to provide further information to the Committee after that has been agreed.

I will turn to this year. From my January monitoring briefing and the oral briefing last week, you will be aware that the Department did not make any COVID-19 bids in the last monitoring round of the year. Since then, we have engaged extensively across the Department to determine whether further funding will alleviate the effects of the pandemic on our stakeholders. You will be aware that DAERA secured an additional £41.7 million of COVID-19 funding from the Executive earlier in the year. Of that funding, £25 million was to provide market interventions in the agri-food sector; £15.2 million was to assist councils with higher waste disposal and collection costs; and £1.5 million was provided to the fisheries sector. A further £2 million was received from the Department of Health towards the cost of the Agri-Food and Biosciences Institute (AFBI) COVID-19 testing.

The Department has been proactive in re-prioritising its funding to help rural communities that have been affected by the pandemic. The Department is providing significant grant aid to rural businesses through three schemes to assist with COVID-19 recovery. The rural business development grant scheme is being delivered in partnership with all 11 councils, and 633 letters of offer have been issued to rural businesses to the value of £2 million. The grants are up to a maximum of £4,999 and will help businesses to adjust and to adhere to COVID-19 regulations, remain sustainable and help them to develop and grow. DAERA has also been working with DFI, DFC and the councils on the COVID-19 revitalisation programme, and £19.3 million has been invested to support the revitalisation of urban and rural villages, towns and city centres. DAERA has provided £2.3 million to councils to fund grant aid through the scheme.

In addition to that, the DAERA rural microbusiness growth scheme is a pilot that provides grants to existing microbusinesses to invest in innovation and new technology, which will improve efficiency and productivity, create growth in the rural economy and make a positive climate-related contribution. The scheme also funds new business start-ups that introduce new products or services to the marketplace. A total of 23 letters of offer have been issued to the value of £500,000, and they are expected to be delivered by 31 March 2021.

Over the year, the Department has been very proactive in securing additional COVID-19 funding. The Department has worked with a wide range of stakeholders to ensure that the funding reaches those most in need. The issue with making further bids at this late stage in the year carries two key considerations. First, we have to be sure that there is a demonstrable and evidence-based need to support any funding request. Secondly, we have to ensure that any funding can be allocated to recipients by 31 March, otherwise there is a significant risk that funding will be handed back to the Executive and, potentially, the Treasury if year-end has an underspend. The Department has not identified any additional bids to the Executive at this stage and is working to ensure that all existing COVID-19 allocations are fully spent this year.

Chair, that concludes my opening comments on the latest position with the draft budget and further COVID-19 bids. I am happy to take any questions.

The Chairperson (Mr McAleer): Thank you, David. That was very helpful. There are COVID and non-COVID bids in the annexes provided to the Committee by other Departments. I have an obvious question for you. The Department for Communities, for example, has got funding for *[Inaudible]* the estate, and there are examples of other Departments that have made COVID and non-COVID bids. The community will find it incredible that the Finance Minister is reaching out to Departments with available funding, and DAERA has not identified anything. All the other Departments are getting their

act together, identifying needs and putting in bids, yet DAERA cannot find anything. I find that incredible, given the pressures that we know about as MLAs in the local community. We know about pressures facing farmers, processors and food producers, but the Department cannot identify the needs and put a scheme in place to spend funding by the end of March.

Mr Reid: You asked what we have done across the year. DAERA was proactive in setting aside resources and establishing a pot for market interventions very early in the year. We effectively did the hard work earlier in the year in securing funds to meet what we anticipate will come up across the year. At this stage, we have not identified additional needs or requirements that we feel require us to make further bids. In addition to that, it is probably worth pointing out that, in relation to the tackling rural poverty and social isolation (TRPSI) programme, we initially had an opening allocation across capital and resource — I will ask my colleagues to confirm the figures in a minute — of about £4 million. That was increased to over £11 million, which has allowed us to carry out a number of interventions.

In the last number of weeks, we have engaged with councils and stakeholder groups, but we have not been in a position of being able to identify further requests or evidence-based needs that require us to make any additional bids for funding. On that basis, as I pointed out, we do not feel that we are in a position to submit further requests for funding at this stage.

The Chairperson (Mr McAleer): January monitoring happens every year; this is not the first year in which there has been January monitoring. Could the Department not have pre-empted that and identified schemes that could improve things? I gave an example last week. What would stop the Department making a bid to provide a single farm payment top-up, for example, to farmers in less-favoured areas? Why could you not identify that as a need? Clearly, it is a need, given the level of income that they receive and the fact that they are at the very beginning of the food production line. Why could that not be identified as a need and measures put in place? You have all the information there.

Mr Reid: In relation to less-favoured areas and hill farmers, the Minister consulted widely and regularly with a range of industry stakeholders and representatives across the year. They discussed concerns and considered proposals on which sectors should be supported and targeted the sectors where there was verifiable evidence of financial loss as a direct result of the pandemic. The impact of COVID-19 on market prices for finished cattle and sheep was largely between mid-February and late May, and a number of hill farming businesses sold eligible cattle in the period between mid-February and the end of June, and received payments from the COVID-19 beef sector support scheme. Some stakeholders and individuals indicated that hill farmers had received low prices for the produce in private sales during the time when the livestock markets were closed, but there is no verifiable statistical information available to allow us to support that. At the end of May, the impact of COVID-19 on market prices for cattle and sheep had largely dissipated, with prices rising above pre-COVID-19 levels, and those strong market conditions prevailed throughout the remainder of the year. As far as I understand it, the majority of hill farmers market their cattle and sheep from late summer through to the autumn, when grazing conditions deteriorate, so most sales took place outside that period when COVID-19 had impacted the market and during a time when market prices were actually very buoyant. That is the position that we are in at the minute with hill farms and less-favoured areas. At this stage, we have not been presented with verifiable evidence that will allow us to justify making a top-up on that basis.

The Chairperson (Mr McAleer): What about the non-COVID bids?

Mr Reid: In relation to non-COVID funding, we monitor our finances extremely closely across the year. Without looking back to previous years in any great detail, we typically do not submit significant bids in January monitoring because we work to ensure that our funding requirements for the year ahead are finalised and pinned down early in the year.

At this stage, as we approach January monitoring and as we engage with stakeholders and business areas, where we do not identify additional requirements for funding, we do not make bids. If the requirements are not there, we are not in a position to make bids.

Mrs Barton: I will carry on from the Chair's question about extra money. There is concern about the price paid out for wool fleeces. It has cost farmers more to have their sheep clipped than the price that they got for the wool fleece. Could they not have got additional help?

Mr Reid: Officials are aware of the challenges faced by wool producers. Minister Poots asked officials to reassess the case for support. As I understand it, officials are engaging closely with the sector. As I mentioned, we established a fairly robust pot to cover requirements for the remainder of the year. On the level of support that we anticipate coming out of those discussions, we are content that we have sufficient resources in the Department to cover that. That reflects the fact that we had established a strong pot for COVID interventions for the remainder of the year. That puts us in a position in which, for things such as interventions for wool producers, we do not anticipate a level of funding being required that would go beyond what the Department can currently cover.

Mrs Barton: Thank you. I want to look at ring-fenced resources for 2020-21. In the October monitoring round, you had £25.3 million. In the January monitoring round, that has gone down by £5 million. Will you elaborate on that and tell us why there is less money and from where the changes have come?

Mr Reid: I will pass that question over to Roger. I think that the question is about our depreciation on non-cash costs.

Mr Roger Downey (Department of Agriculture, Environment and Rural Affairs): Yes. That is correct. The ring-fenced resource is a particular budgetary category for depreciation, which, as David said, is non-cash. That followed a reassessment of the application of an accounting policy on our IT systems. We do an annual re-life exercise across our asset base each year. Less depreciation was required on a number of assets, which led to an easement in those areas. I think that it was £4.4 million as a result of that exercise. A further £0.5 million in order to bring it up to around the £5 million that you mentioned was to do with transfer of depreciation for Ballykelly House, and that transfer went to the Department of Finance.

Mrs Barton: Therefore, we have less money. That is OK.

Mr McGuigan: I know that we will be talking about the budget next week, and this session is about the monitoring round. Chair, to follow on from your question and Rosemary's, the lack of bids shows either a lack of preparedness or a lack of ambition. You and Rosemary identified groups, particularly in the farming and agriculture sector, which could have done with money beyond COVID.

Months ago, we had briefings about money for climate action being handed back. We are losing over £33 million from rural development programme (RDP) funding. Some environmental schemes will not go ahead. We are in the middle of a pandemic, and people have been complaining about litter problems and things like that. Money was available and there was a raft of issues, and, if a little more ambition had been shown, even engaging with councils, many good projects could have been found. I am thinking in particular of projects in the environmental sector and preparations for climate change, because we are way behind on all those issues. Chair, like you and Rosemary, I am aghast that bids were not prepared and money was not sought.

Mr Reid: You mentioned litter and waste. We secured an additional £15.2 million, which we provided to councils to support the additional costs that they are experiencing as a result of the pandemic.

We have engaged closely with councils to try to secure additional money for rural communities and projects. I refer to the fact that we have increased our TRPSI allocation in the current year from £4 million to £11 million, which is a significant amount of additional funding. I am not sure what else I can add on environmental matters and climate change at this stage. I will ask Roger and Lynda whether they would like to add anything.

Mr Downey: We looked across all business areas to see whether there were any more bids following January monitoring. There was engagement on the environment, marine and fisheries group (EMFG) side with our environmental stakeholders, and we already provide them with funding through the environment fund. We are caught a little because we are at a late stage in the year. We are already into February, so there are only six or seven weeks left in which to spend money. Those groups already have money to spend in this financial year. Given that everyone is in lockdown, there are difficulties in getting additional money spent on top of what they are already spending this year. That is part of the reason that no bids are coming forward in that area.

Mr Irwin: Has a bid been made for COVID support for zoos? There are not many zoos in Northern Ireland, but there is one in my constituency, and it is in a horrendous situation. Have any bids been made for funding for zoos?

Mr Reid: I am not aware of any specific bids at this stage, but I know that the issue is under active consideration in the Department. I am content that, if there is a funding requirement, the Department would be able to meet it from within existing resources.

Mr Irwin: That said, it would have to be got out before 31 March. Is that right?

Mr Reid: It would; yes.

Mr Irwin: OK. Thank you.

The Chairperson (Mr McAleer): Before we conclude, I still find this incredible. The Finance Minister issued a statement on Tuesday — two days ago — saying:

"Following these allocations there remains some £251.1 million Resource DEL, £25.9 million Capital DEL and £55.7 million Financial Transactions Capital available for allocation ... I continue to urge Ministers to come forward with proposals to spend this money".

He goes on to specify the "agriculture sector". Yet, the Department is saying, "Ah, we cannot identify need". I mentioned agriculture a minute ago. I still cannot understand why it is impossible to do a trawl right across the local action groups (LAGs) and council areas to find out whether there are any capital projects, for example, that are shovel-ready and ready to absorb money and spend it by the end of March; that goes for resource as well. I cannot understand why it is impossible to do that and turn it around before the end of March. This really undermines the Department's ability to make the case further down the line that there is a financial shortage or a resource shortage. We also have to bear in mind that, as a consequence of Brexit and the British Treasury's netting — "netting" is a fancy word for "robbing" — £34 million from our rural development programme, we are already going into the next rural development programme with £34 million of lost opportunities, yet we are not even looking for a way to help to mitigate that. I find it incredible that we are not working harder to put something in place now, when the call is being made.

Mr Reid: The impact of netting off begins in the next financial year. In the current financial year, netting has no negative impact on RDP spend. The Department has worked to engage with councils, local action groups and key stakeholders. We have been extremely proactive throughout the year in trying to identify additional areas to which we could allocate funding. Again, I refer to some of the specific things that we have taken forward. Those have allowed us to spend an additional £7 million in TRPSI. From our point of view, I am content that we have undertaken a lot of additional work in the Department, engaging very closely with stakeholders to ensure that, where needs have arisen, those are identified in an evidence-based manner and that the funding is secured to meet those needs. At this point in the year, I am not aware of anything that has been raised that we are not funding where there was evidence to suggest that it should be funded.

The Chairperson (Mr McAleer): No problem. Thank you very much, David, Lynda and Roger, for making your presentation and answering our questions.

The agenda item on the Budget will go back on the agenda for next week's meeting, which will start at 9:30 am to accommodate the briefing. The Committee will agree its response to the DAERA budget, which will be forwarded to the Finance Committee after the meeting.