



Northern Ireland
Assembly

Committee for Agriculture, Environment and
Rural Affairs

OFFICIAL REPORT (Hansard)

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

11 February 2021

NORTHERN IRELAND ASSEMBLY

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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:

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| 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 Chairperson (Mr McAleer): I welcome, by StarLeaf, David Reid, the director of finance; Lynda Lowe, the head of financial planning; and Roger Downey, the deputy finance director. I invite the officials to commence their briefing, and then members will want to ask some questions. You are very welcome, David, Lynda and Roger.

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

The Chairperson (Mr McAleer): Yes, David.

Mr Reid: That is great. Thank you.

Chair, thank you for the opportunity to provide an update on DAERA's draft budget for 2021-22. Apologies for the lateness in submitting the papers to you, but hopefully you have had a chance to go through them. I will draw out some of the key points in my opening remarks.

I will start with the main draft Budget document. The Chancellor announced a one-year spending review on 25 November, and that is the basis upon which the Executive have considered their draft Budget. On 18 January, DOF published a draft Budget document for 2021-22, which set out the Northern Ireland Executive's proposed spending plans across all Departments, and that can be accessed on the DOF website. That contains high-level information for DAERA. The paper that we

have provided in your briefing pack outlines the impact of the Budget on our spending proposals in more detail and will help to inform consultation responses. It will also be available on the DAERA website. The purpose of the DAERA document is to provide more detail on the draft Budget, and you will note that it confirms an initial allocation on both capital and resource. I have outlined shortfalls in capital and resource, and DAERA intends to press DOF for additional funding as part of the final Budget process to take forward the important work that the Department is carrying out on green growth and the bovine TB eradication strategy, in particular. Committee support, by responding to DOF's consultation, would therefore be most welcome.

On resource, DAERA has been allocated £544.2 million. That includes welcome confirmation of £315.6 million CAP replacement funding, £3.1 million for fisheries replacement funding and £18.8 million for EU exit staff costs. In addition, we have been advised that we will be allocated a further £10.9 million in year, and that will provide additional funding for protocol costs, including £7.1 million in staff costs, £2 million to support strategic environment programmes and £1.8 million for tackling rural poverty and social isolation (TRPSI).

Whilst the Department welcomes the allocations, there is a £22.8 million funding gap, which we have outlined in the document, and that includes £14.4 million in relation to EU replacement funding, £5.1 million in relation to the EU fund for disease eradication and £2.8 million in EU exit staff costs. There is also a shortfall of £0.5 million in relation to strategic environment programmes. The Committee will be aware from a recent briefing that DAERA is extremely disappointed that EU replacement funding is £14.4 million short of what was promised in the manifesto commitment because of the way in which Treasury has netted off current rural development programme (RDP) funding. That is exacerbated by the loss of the EU fund for disease eradication, which contributes to the cost of our TB programme. When added together, that creates a shortfall for next year of £19.5 million and impacts our ability to explore new options and measures in a future Northern Ireland agricultural policy framework.

We have identified a total staffing requirement of 475 to take forward our responsibilities arising from EU exit. The estimated cost of that is about £28.7 million, and, to date, the Executive have agreed to reinstate £18.8 million of funding for those costs. We have also been advised that a further £7.1 million from Treasury will be allocated to that later in the year. That still leaves a potential shortfall of £2.8 million against our full requirement, and it is also important to note that none of that funding has been baselined. That funding is important to ensure that DAERA has the resources that it needs to take forward the suite of new responsibilities that it has as a result of EU exit, and they are outlined in your briefing pack.

In addition to the funding gap, we are also managing pressures of £11.1 million in five areas. Those include the bovine TB eradication strategy, pay inflation, a drop in carrier-bag levy income, a £1.2 million shortfall in the environment fund and a shortfall in relation to operational costs. Again, details of those pressures are set out in your briefing document.

On resource, we have a concern about the overall shortfall of £33.9 million. We will continue to engage with DOF to secure additional funding, as part of the final Budget process, for EU replacement funding, the environment, and the bovine TB eradication strategy, in particular, and we would welcome your support through a response to the consultation.

The initial proposals for capital provide a net allocation of £95.5 million. That funding will allow DAERA to take forward priority investment in programmes at £48.1 million, IT systems at £21.6 million, estate transformation at £3.8 million and research and development at £22 million. When you add the £35 million that we hope to be able to draw down from the RDP, fisheries and INTERREG programmes, that takes the total capital requirement in the Department for next year to £130.5 million. The proposed capital allocations are outlined in the budget document in more detail, but, generally, we believe that our capital programme is fairly ambitious and offers a lot to rural communities, the economy and the environment.

Whilst DAERA has been successful in securing £95.5 million, which will lever in a further £35 million from the EU, we believe that more funding could help to enhance the allocations to green growth foundation programmes, estate transformation and recurring capital, in particular. The Department will continue to engage with DOF to secure additional funding as part of the final Budget process, and, again, we would welcome your support in response to DOF's consultation.

On equality, the Department's equality and human rights screening template has also been completed in relation to the draft Budget proposals. That is set out in the second document that we have provided in your briefing pack.

That concludes my opening remarks. My colleagues and I are now happy to take any questions that the Committee might have.

The Chairperson (Mr McAleer): Thank you for that, David. I think that it is the third week in a row that we have had you at the Committee. Thank you very much.

Mr Reid: I feel like a regular fixture at this stage, Chair.

The Chairperson (Mr McAleer): We are not complaining. We appreciate you coming here and providing so much important information.

I was looking through the notes that you provided to us. With regard to what we will lose as a consequence of Brexit, there is £5.1 million for TB and £14 million — well, it is actually £34 million over a number of years — for the rural development programme replacement. It was envisaged that funding that was lost as a result of Brexit would be replaced by the UK Shared Prosperity Fund. Has there been any information at all or progress made on the UK Shared Prosperity Fund? Obviously, it was the fund that was held up as being the replacement for what we will lose as a consequence of Brexit.

Mr Reid: Can I just check; Roger, do you have any information on that?

Mr Roger Downey (Department of Agriculture, Environment and Rural Affairs): The Westminster Department, the Ministry of Housing, Communities and Local Government (MHCLG), is taking the lead on that. Both we and DOF have been engaging with it to try to get more information on how that will be taken forward here and in the devolved Administrations. However, there is no clarity on that yet. We are still pressing for more information, but we have not got it at this stage.

The Chairperson (Mr McAleer): So there is no information as yet on the UK Shared Prosperity Fund.

Mr Downey: Not as part of the draft Budget document, no.

The Chairperson (Mr McAleer): I also note in the document that £2 million was allocated to the rural business and community fund. That is, effectively, a replacement for the LEADER priority 6 of the rural development programme. You will know that funding for the LEADER priority 6 of the rural development programme in the last multi-annual round was £80 million. However, that rural business and community fund, which is highlighted as a potential replacement, is sitting with a fund of £2 million. That is notwithstanding the fact that we have been netted the £34 million by the British Treasury. It is not letting us, effectively, roll that over. That is a huge differential. Do you have any concern about the impact that that will have on rural development? Where is the rural policy that was supposed to be out for consultation in the autumn of last year?

Mr Reid: At this stage, I could provide an update on that. For the next year, we have included, across resource and capital, about £12.7 million in relation to LEADER in addition to that. It reflects that a lot of support has been provided to rural businesses and communities by the rural development programme over the past 30 years. The Department agrees that it is important that it is provided into the future.

In planning for Brexit, the Department is developing a rural policy framework. That has been taken forward, since June 2019, through a number of working groups. There were five in total on tourism, innovation and entrepreneurship, training and skills, connectivity, social inclusion, and health and well-being. COVID has had an impact in slowing the development of the rural policy framework, but it has created the chance to test assumptions through a number of pilots, which include the rural microbusiness growth scheme, the web development scheme, the rural tourism collaborative experiences programme, and the rural social economy investment scheme.

The first draft of the rural policy framework is near completion. I think that the aim is to go out to consultation once the evidence from those pilot schemes has been incorporated. The next stage will be to develop the replacement for LEADER in rural tourism, which will be the rural business and community investment programme. The new rural policy framework will align to the five themes in the working groups, including rural tourism, innovation and entrepreneurship, health and well-being for rural dwellers, increased employment opportunities, and improved connectivity between rural and urban areas. However, we are not yet in a position to say how those future schemes will be delivered

or what level of funding they will receive as we still have the consultation and budgeting processes to go through.

The Chairperson (Mr McAleer): Why is that not open for consultation? I have written to the Minister about it. I know that we are veering slightly off finance, but why is that rural policy not yet open for public consultation? That was something that we expected to be open before Christmas.

Mr Reid: As I said, the information that I have is that it has been delayed as a result of COVID, but I understand from engagement with the business area that the first draft of the policy has nearly been completed. I can take that question back and pick it up with the business area if it helps, but I am afraid that I do not have any further information beyond that at this stage.

The Chairperson (Mr McAleer): The final thing before I move around members is TRPSI. We have seen the huge importance of the tackling rural poverty and social isolation programme over the course of the pandemic. Most recently, there was the very welcome joint initiative with the Department for Infrastructure around funding trips to vaccination centres for people. We saw TRPSI being used very effectively during the course of the pandemic to support rural groups in all the things that they did to fight it. I note that the funding has not been baselined or allocated in the draft Budget. Are you confident that that funding will be forthcoming? I think that we all know, especially those in the most isolated rural areas, about the potential implications of any diminution of the tackling rural poverty and social isolation programme.

Mr Reid: It has been a concern for the Department over the past couple of years that funding for TRPSI on resource has not been baselined. We have been pressing and pushing DOF to try to get that £1.8 million baselined. We have some certainty around TRPSI for next year; we are confident that we will receive the £1.8 million in 2021-22. From the Department's point of view, because of the importance of TRPSI and the impact that the funding has in rural communities, we will be pushing, as part of the next CSR period and Budget process, which we expect to launch at some point this year, to try to have TRPSI baselined. It continues to be a concern that the TRPSI budget is, basically, agreed on a yearly basis as opposed to having it baselined in our budget.

The Chairperson (Mr McAleer): The TRPSI programme is a really good example of a relatively little amount going a long way, particularly in the way in which the programme is used to tackle isolation and reach out to people in the most isolated areas during the pandemic. It is a shining example; the programme is very important to community health and well-being.

Mr Reid: Last year, we increased the allocations to TRPSI to help to deal with some of the effects of the pandemic. If opportunities such as that exist, we will also consider those through the Budget process and monitoring rounds.

The Chairperson (Mr McAleer): Perfect. Thank you. Harry?

Mr Harvey: Can you hear me, Chair?

The Chairperson (Mr McAleer): Yes, Harry; we can hear you loud and clear.

Mr Harvey: Thank you, David, Lynda and Roger. I appreciate it. On forestry, you have a £3.4 million programme that references woodland creation, which is:

"to help landowners to plant ... native woodlands".

How much of the £3.4 million will be used in 2021-22 for planting native woodlands? Is that counted in the £15.6 million that has been allocated to green growth?

Mr Reid: No, that funding is separate from green growth. The capital allocation of £3.4 million in relation to forestry is part of the RDP. It is our intention to spend out that funding in the next year.

Mr Harvey: Excellent. Thank you very much.

The Chairperson (Mr McAleer): Clare? I think that you are on mute; you might need to unmute yourself.

Ms Bailey: I am sorry, Chairperson; can you hear me now?

The Chairperson (Mr McAleer): Yes, loud and clear.

Ms Bailey: You would be glad of that, would you? *[Laughter.]* David, why was there such a delay in getting those papers? We only got sight of them quite late on yesterday. What was the delay in getting those papers to the Committee?

Mr Reid: There were a couple of things that had an impact on that. First, typically, when we go through a Budget process, we would get earlier announcements of the spending review allocations from the Treasury, whereas, this year, it was at the end of November. We had an internal process to go through in the Department, and then we had an engagement with the Minister to agree what the budget allocations would be and how they would be spread out across the Department for the next year. We had gone through a process with Minister Poots, but he had not had the opportunity to clear the budget before he had to leave as a result of ill health. When Minister Lyons came in, we had to take a bit of time to give him an opportunity to go through the allocations to ensure that they aligned with his priorities for the next year. As I said at the outset, I am sorry for the delay in getting the information to you. It has been unavoidable this year because of a number of factors.

Ms Bailey: OK. Is there any indication that the Minister's funding priorities have changed? Are Minister Lyons's priorities the same as those of Minister Poots?

Mr Reid: They are broadly the same, as far as I am aware. When we agreed the allocations with Minister Lyons last week, they broadly aligned with Minister Poots's priorities.

Ms Bailey: Do we know what those priorities are?

Mr Reid: It is worth reflecting in particular on the capital proposals in the budget. Both Ministers have been and are very keen to ensure that there is a significant amount of attention given to green issues, and that is reflected in the green growth allocations.

Ms Bailey: We know that DAERA is required to undertake a whole range of new roles as powers are transferred from the EU. Can we look at a wee bit of that as well? The document states that the Executive have agreed to reinstate the £18.8 million non-baseline funding but it has not been formally allocated at the draft Budget stage. What will that money be used for and why has it not been included in the baseline?

Mr Reid: The £18.8 million and the £7.1 million that we are getting from Treasury have been allocated to allow the Department to take forward responsibilities that will now be devolved as a result of exit from the EU. Previously, those matters would not have been devolved to the same extent. We are now responsible for taking forward significant roles in relation to agricultural policy, the environment and fisheries. The funding that is there is primarily aimed at staff costs at this stage. In the briefing, I highlighted that we have a requirement for 475 staff to take that work forward. There is a fairly significant amount of work that has to be done in relation to rural, agricultural and environmental policy, and the funding will, primarily, be geared towards that work.

Ms Bailey: Further staff costs are required to manage the work at the ports. That is separate. How much funding is necessary for that work? How many staff does that represent on the ground? Is that baselined or not? I do not think that it is, but please correct me if I am wrong.

Mr Reid: The funding for the sanitary and phytosanitary (SPS) checks at the ports and the work that the Department is taking forward at the ports is being funded through a separate process and a separate exercise with Treasury. I do not have the figures for that in front of me. I can come back to you with that information.

Ms Bailey: Are the staff working at the ports at the minute being funded by DAERA or by council budgets?

Mr Reid: The DAERA staff are being funded by money that will be drawn down from Treasury. A separate business case and approval process were carried out to secure that additional funding. We have confirmation from Treasury that it will fund any work associated with the implementation of the

Northern Ireland protocol, and that funding will be provided separately. I am not entirely sure whether that funds council staff. As I say, that is outside the 2021-22 budget process briefing that I am giving today, so I do not have exact figures for that. I cannot advise beyond that process, but I am happy to take that away and come back to you with a further answer.

Ms Bailey: Thank you. I also want to look at climate change and our mitigation works. Is there any indication of how much of the total resource and capital is allocated to climate change? Is that in the ministerial priorities? How much of that, potentially, will be allocated to staffing or programme costs? What type of programme costs have been identified?

Mr Reid: First, we have a capital allocation of £15.6 million for the green growth foundation programmes, and that money has been set aside to drive forward and support our green growth strategy. Proposals are very much in the development stage, and a further briefing will be provided in due course. However, it is not an insignificant amount. On top of that, when the additional funding is added to other areas, it will complement a fairly extensive investment in green issues by the Department. For example, there is £15.7 million for the farm business improvement scheme (FBIS); the environmental farming scheme (EFS) has £5.9 million resource and £5.6 million of capital; £0.7 million of resource and £3.4 million of capital is being allocated to forestry; INTERREG has £6.6 million of capital; household waste has £3.5 million of capital; and climate change research and development has £1 million. As far as I am aware, those funds, in the region of £60 million, are not directly funding departmental staff costs. On top of that, a number of departmental staff will be engaged in taking that important work forward. From the Department's point of view, there is a significant amount of work and effort in taking forward green issues and ensuring appropriate investment. It is also worth pointing out that, as the green growth strategy develops, we will look at other opportunities to invest and to collaborate with other Departments to tackle these very important issues.

Ms Bailey: is there any indication of when the Committee will get sight of the green growth strategy?

Mr Reid: The strategy is in development. I do not have a timetable. I know that we are taking it forward as a matter of urgency.

Ms Bailey: Thank you.

Mrs Barton: It is anticipated that DAERA will provide funding for the Office for Environmental Protection (OEP) as it starts to deliver in this jurisdiction. How much has been allocated to the office? When do you expect it to be up and running?

Mr Reid: Roger, will you answer that one?

Mr Downey: My understanding is that the Assembly has given its consent to extend the provisions of the UK Environment Bill, giving effect to the Office for Environmental Protection in Northern Ireland. The Department recently issued a discussion document to gauge stakeholder views on how it should deal with the environmental plans, principles and governance in the future. The consultation was issued on 10 December and has recently been extended to 26 February. I understand that the previous Minister committed to considering the implications of the New Decade, New Approach (NDNA) proposal for the establishment of an environmental protection agency as part of a future Programme for Government. Creating such an organisation is not done overnight, and consideration needs to be given to appropriate options. Those will require robust economic appraisals to determine the best option for Northern Ireland.

Many things need to be taken into account, including significant legislative, financial and human resource issues, before decisions could be made. At this stage, there is nothing within the draft Budget allocated directly for that, but that can be kept under review in the coming months.

Mrs Barton: As you investigate that, surely you can have some funding towards it.

Mr Downey: Many staff are still in the environment, marine and fisheries group (EMFG) and the Northern Ireland Environment Agency (NIEA), so those staff will look at the options. There is no direct bid at the minute for additional staff, because, I presume, some staff may move to the new organisation if they have similar roles, but, as I say, it is very early. Significant financial and human resource implications need to be worked through before there is clarity on that. At this stage, there is

no direct funding for it, but, if a pressure comes up, we can look to reprioritise during the year at in-year monitoring or, indeed, bid to the Executive for additional funding at that stage. However, it has not been flagged up as a pressure by the business areas to us, and that is why you do not see it as a funding gap in any of the tables in the briefing pack that we provided.

Mrs Barton: The funding for the eradication of bovine TB has been cut. What will be the drawbacks of that funding cut for the eradication programme?

Mr Reid: In terms of the £5.1 million that we have not had reinstated?

Mrs Barton: Yes.

Mr Reid: The drawback is that it gives us a challenge in having an additional pressure that we have to manage. Typically, our TB costs were running at £40 million a year. In the current year, they are in the region of £37 million a year, so there has been a bit of an easement, which reduces the overall pressure. That is one way in which we would try to manage it.

Additionally, as we progress through the year, we will monitor TB costs closely. Where we see that pressure materialising, we will engage with DOF to try to secure additional funds or reprioritise within the Department to make sure that the programme is funded. Managing the TB programme for the Department is a statutory responsibility. It is something that we simply have to do and fund, so we will ensure that it is funded. However, it gives us a challenge in how we manage through the year ahead.

Mr Irwin: In relation to the green growth and bovine TB eradication strategies, you said that you were pressing the Department of Finance for additional resources. How much in additional resources do you reckon is required?

Mr Reid: I will let Roger answer on the eradication of TB.

On green growth, at this stage, we have significant funding on the capital side. We are in the process of developing proposals against that, which we hope to move forward in the year ahead. As those proposals develop, our hope is that they will generate additional programmes that we will be able to take forward. As we go through monitoring rounds and refine those, we will work with the Department of Finance to try to secure additional funding. At this stage, we do not have an exact figure in our head.

Mr M Bradley: We spoke earlier this morning about the ports. Staffing costs have already been discussed, but what cost, if any, falls to the Department to cover council staff working at the port, or is that cost picked up through the council budget?

Mr Reid: The costs relating to the sanitary and phytosanitary (SPS) process have not been considered as part of this budget process, so I do not have the figures in front of me on the financial implications for the work at the ports. I can come back to you on that. It is part of a separate process. However, my understanding is that, as with all the additional costs arising from the implementation of the Northern Ireland protocol, we have agreement with the Treasury that it will fund them all. Any additional costs arising out of that work will be picked up by Treasury. I make the assumption — I need to confirm it — that additional costs to the councils should probably be considered in there too.

Mr M Bradley: I have one more question, Chair. Has the Department identified any major challenges from Brexit, the imposition of the Northern Ireland protocol and devolved responsibility for fisheries, forestry, agriculture and rural development, not to mention the important topic of the environment and its protection, which is often discussed here? Has the Department worked out the extra cost of implementing all these new devolved responsibilities?

Mr Reid: There are two sides to the specific costs arising out of the Northern Ireland protocol: the SPS costs and the non-SPS Northern Ireland protocol costs. We have secured funding from Treasury for wider policy work. We have been engaging very closely with Treasury through DOF, and, as a result of that, we have secured an additional £7.1 million, which is helping with overall Brexit staffing costs, and a further £2 million that we are using to help to take forward strategic environment programmes. That additional £9.1 million secured from Treasury is on top of additional funding that we are securing as a result of the SPS checks.

Mr M Bradley: Thank you very much.

The Chairperson (Mr McAleer): Thank you very much for answering a large number of questions in great detail. It was very much appreciated. David, Lynda and Roger, thank you for attending. No doubt, we will see you in the time ahead.