



2017-18

Resource Accounts

For the year ended 31 March 2018



Department of
**Agriculture, Environment
and Rural Affairs**

www.daera-ni.gov.uk

Annual Report and Accounts for the year ended 31 March 2018

Department of Agriculture, Environment and Rural Affairs

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4 July 2018

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**DAERA - a living, working,
active landscape,
valued by everyone.**

Introduction

The Department of Agriculture, Environment and Rural Affairs (DAERA) presents its Accounts for the financial year ended 31 March 2018.

Performance Report

Overview

Permanent Secretary Overview

I am very pleased to present the Department of Agriculture, Environment and Rural Affairs (DAERA, the Department) 2017-18 Annual Report and Accounts.

I look at our work in DAERA in simple terms:

“We want a living, working, active landscape, valued by everyone”.

By working together - government, communities and industry, we can achieve a thriving economy, a healthy environment and rural communities where people can live, work and grow.

Our environment is essential to our economic prosperity and it is a foundation for the health and well-being of the people of Northern Ireland. Improved environmental outcomes can be achieved through a proactive approach to education and highlighting key issues and we are committed to providing readily accessible, high quality and timely information and guidance to the wide range of customers and sectors served by the Northern Ireland Environment Agency (NIEA).

The agri-food sector remains one of our most successful industries with a proven track record for growth. 2016 saw sales of an estimated £4.4bn, employee numbers in excess of 22,000 and value added generated by the sector up by nearly 10%. The success of the sector impacts not only on farmers, fishermen and their families, but also on the wider community, sustaining jobs and business across rural areas and making a major contribution to the economy, our natural environment and our way of life.

NIEA signed three prosperity agreements with local companies during 2017-18, bringing the total to date to seven. These companies have gone ‘beyond compliance’ and made a real commitment to environmental improvement which also brings commercial success for the business.

NIEA also made excellent progress during 2017-18 in ensuring a fully compliant regulated industry with over 90% of the authorisations issued having met the conditions set by the Agency in order to protect the environment.

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The household waste recycling rate continues to improve - provisional figures indicate an annual increase of 3.2%, from 43% in 2016 to 46.2% in 2017. This is a significant increase and provides a realistic prospect of Northern Ireland meeting the EU 2020 50% target.

The Exceptional Adjustment Aid Soil Sampling and Analysis Scheme was introduced in 2017-18 which is delivering one of the largest publically funded soil testing and analysis schemes in Europe. This EU funded scheme provided over 1,000 farmers with nutrient advice information on their soils in order to apply nutrients in line with crop requirements, which is making an important contribution to sustainable agricultural land management.

DAERA has had notable success in the last 23 months with key new markets achieved in China and Australia and strengthening of significant markets in the Philippines, Canada, USA and South Korea. In 2017, DAERA hosted government inspectors from the Republic of South Korea, China and Japan. In 2017, opening up access for Northern Ireland pork to the huge Chinese market was a major boost to the local agri-food industry, worth in excess of £10m and in December 2017, the Australian government announced new market access for our pork products.

New bovine Tuberculosis (bTb) programme measures have been introduced to detect and remove the spread of infection and these measures represent the most significant enhancements to the TB programme in many years. We are committed to the establishment of a new partnership structure to provide advice and ongoing review of the Northern Ireland TB Programme.

In striving to be an efficient, lean and modern organisation, we continued the development of digital services. 99.2% of Single Application Forms were completed online in 2017, up from 61.5% in 2016 and well ahead of the target of 85%. 97% of active farm businesses transacted on line (directly or indirectly) during 2017-18, well ahead of the target of 80%.

The target to pay 90% of Direct Payment applicants an advance was surpassed with 94% of eligible applicants receiving payment. 97% of eligible farmers received full payment in December, exceeding the target of 95%.

DAERA has developed guidance, training and reporting arrangements to support Public Authorities in fulfilling their duties under the Rural Needs Act.

The UK's decision to leave the European Union (EU) brings uncertainties for the agri-food industry and environment sector, as well as opportunities. Engagement has been central to our approach at all levels within the industry and sectors and with Whitehall, other Devolved Administrations and the Republic of Ireland. DAERA is in the process of developing thinking on future Agricultural Policy and Environmental Principles as well as a long term strategy for our rural Society.

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While these were some of the challenges and achievements during 2017-18, the content of this Report sets out in considerable detail all of the issues addressed by DAERA in the last financial year.



Dr. Denis McMahon,
Permanent Secretary
28 June 2018

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Departmental Aims and Objectives

DAERA's Vision is for "A thriving and sustainable economy, environment and rural community". In pursuit of this Vision, the four key Strategic Outcomes of the Department are:

1. Sustainable agri-food, fisheries, forestry and industrial sectors;
2. A clean, healthy environment, benefitting people, nature and the economy;
3. A thriving rural economy, contributing to prosperity and wellbeing; and
4. DAERA aims to operate as a well led, high performing organisation focused on outcomes.

The Department's Business Plan,¹ along with Business Unit Plans, set out the more operational detail which not only contributes to the higher level aspirations through the achievement of annual targets but also provides staff with a clearer view of where their personal contribution fits with the Department's task to deliver an improved service to the customers and stakeholders.

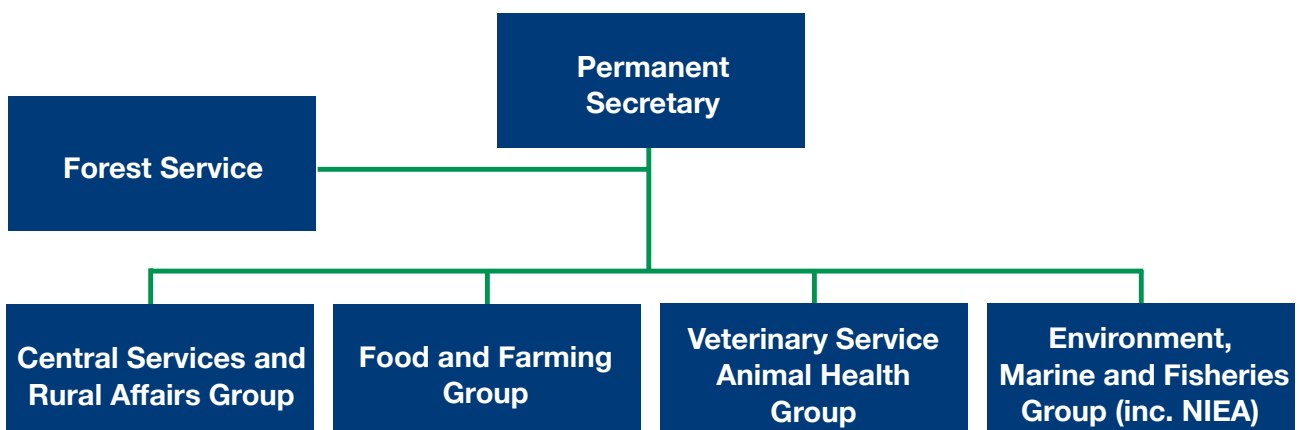
Pursuit of this vision complements achievement of the Draft Programme for Government and the outcomes defined in the Draft Strategic Plan².

DAERA has lead responsibility for the PfG Outcome:

- "We live and work sustainably - protecting the environment"

Organisation

The Department is structured into four groups to support the delivery of its strategic objectives:



¹ In the absence of a Minister the Department's 2017-18 Business Plan was not published and remained a 'draft'.

² In the absence of a Minister the Department's Strategic Plan was not published and remained a 'draft'.

Purpose and Activities

Principal Activities

The Department's principal activities include:

- A business development service for farmers and growers.
- A veterinary service for the administration of animal health and welfare.
- The Department's College of Agriculture, Food and Rural Enterprise (CAFRE) to deliver training and further and higher education courses in the agri-food sector.
- The administration of UK wide schemes on behalf of the Department for the Environment, Food and Rural Affairs in Great Britain; and
- Overseeing the application of European Union agricultural, environmental, fisheries and rural development policy to Northern Ireland.
- The Northern Ireland Environment Agency (NIEA) within DAERA has responsibility for safeguarding the quality of the environment through effective regulation of activities that have the potential to impact on air, water and land, as well as promoting, supporting and managing the protection of and access to the environment.
- DAERA also has specific responsibilities as the Statutory Nature Conservation Body in Northern Ireland, delivered through NIEA on behalf of the Department. This involves securing compliance with the requirements of the Habitats Directive, providing advice to competent authorities on how to fulfil obligations arising from the Directive and ensuring management of protected sites.

The Department's key activities are encapsulated within the detail of this Performance Report.

The following are the bodies for which DAERA had some degree of responsibility during the year:

On-Vote Executive Agencies

During 2017-18 the Department had two Executive Agencies, the Forest Service and the Northern Ireland Environment Agency (NIEA), which operated in accordance with a Framework Document that describes the relationships and responsibilities between the Agencies, the Department and the Minister.

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Executive Non-Departmental Public Bodies (NDPBs)

During the reporting year the Department sponsored the following Executive Non-Departmental Public Bodies (NDPBs): -

Agri-Food and Biosciences Institute (AFBI)*#
Livestock and Meat Commission for Northern Ireland (LMC)*#
Northern Ireland Fisheries Harbour Authority (NIFHA)*#
Agricultural Wages Board for Northern Ireland (AWB)

Advisory NDPB

Council for Nature Conservation and Countryside (CNCC).

North South Body

DAERA is a co-sponsoring Department (with the Department of Communications, Climate Action and Environment in the Republic of Ireland) for one North South Implementation Body, the Loughs Agency of the Foyle, Carlingford and Irish Lights Commission*#, for which funding is provided.

Governance of Arm's Length Bodies

To promote sound working relationships, all Arms' Length Bodies work in close conjunction with a designated Sponsor Branch within the Department. It is the responsibility of the Sponsor Branch to ensure that the Arms' Length Body is working in accordance with Government rules and regulations.

In addition, all Executive NDPBs, and the North South Body below, have agreed a Management Statement and Financial Memorandum with DAERA in accordance with Managing Public Money Northern Ireland guidelines.

Other Bodies

DAERA has an ex-officio representative on the Board of Gangmasters Licensing Authority (GLA), a UK-wide body sponsored by DEFRA which aims to curb the exploitative activities of labour providers (gangmasters) in agriculture, horticulture, forestry, shellfish gathering and the related food processing and packaging sectors. DAERA funds GLA enforcement in Northern Ireland.

Notes:

1. *Separate Reports and Accounts are produced for these entities.
2. # These entities have been consolidated, only to the extent of the inclusion of grants paid in the Consolidated Statement of Comprehensive Net Expenditure.
3. There is no grant-in-aid funding provided to NIFHA and the LMC.
4. Expenditure on the Agricultural Wages Board relates to general expenses e.g. travel expenses of members and has been consolidated within the Departmental Accounts.
5. The Loughs Agency of the Foyle, Carlingford and Irish Lights Commission is funded jointly by DAERA and the Department of Communications, Energy and Natural Resources.

Business Plan Monitoring and Reporting Arrangements

The Department has established monitoring and reporting arrangements in place in relation to its Business Plan targets. In the first instance, each target is assigned to a Senior Responsible Officer (SRO) who will have responsibility for monitoring progress on a regular basis.

During the course of the financial year, detailed progress against each Business Plan target was reported to the Departmental Board for the periods ending 30 September, 31 December and 31 March. Progress is reported in accordance with the methodology previously adopted for the Programme for Government (PfG) Commitment reports to the Executive.

The Performance Analysis Section below identifies the outcome at 31 March 2018 in relation to each of the targets included in the Department's 2017-18 Business Plan under each of the four Strategic Outcomes. Of the total 38 targets, 24 were achieved, 6 partially achieved and 8 not achieved.

In addition, the Performance Analysis Section details all the key issues facing the Department during the 2017-18 financial year.

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Corporate Risks

A Corporate Risk Register has been prepared on the basis of an assessment of the key risks impacting on the achievement of DAERA Key Performance targets. During the year the Department had 11 Corporate Risks covering the following key issues:

1. Budget alignment;
2. Staff resourcing;
3. Information assurance;
4. Preparedness for Brexit;
5. Trans-boundary animal disease;
6. Plant disease;
7. Delivery and governance in respect of the Agri-Food and Biosciences Institute;
8. Financial corrections arising out of EU conformity audits;
9. The environmental impact of illegal landfill;
10. Bovine TB eradication; and
11. Implementation of EU Exceptional Adjustment Aid (EAA) measures.

Performance Analysis

The following is a summary of the outcome at 31 March 2018 in relation to each of the targets included in the DAERA 2017-18 Business Plan:

Strategic Outcome 1: Sustainable agri-food, fisheries, forestry and industrial sectors.

TARGET	POSITION AT 31 MARCH 2018
<p>By 31 March 2018:</p> <ul style="list-style-type: none"> • issue all Letters of Offer for Tier 2 of the first tranche of the Farm Business Improvement Scheme (FBIS) Capital; • open the second tranche of the FBIS Capital (Tiers 1 and 2); and • issue all Letters of Offer for Tier 1 of the second tranche of the FBIS Capital. 	<p>Not achieved.</p> <p>Whilst the target was to issue all Letters of Offer for Tier 2 by 31 March 2018, this was not possible as it took longer than anticipated for some applicants to progress through the planning process and for DAERA to complete a comprehensive assessment of each application to ensure that projects are financially viable, justified and will not cause environmental damage.</p> <p>Decisions on any future tranche 2 of Tier 2 will be subject to a review of the lessons learned from tranche 1, budget availability and, where appropriate, the views of an incoming Minister. The review of tranche 1 of Tier 2 will begin when all Letters of Offer have been issued.</p>
<p>By 31 March 2018, open the first Tranche of the Food Processing Scheme, subject to the necessary approvals.</p>	<p>Not achieved.</p> <p>Preparatory work has been advanced as far as reasonably possible in advance of taking the views of any incoming Minister. It has not been possible to obtain the necessary Ministerial approvals to finalise and open a new Food Processing Grant (FPG) by 31 March 2018. Decisions on the final scope and design of the FPG and the allocation of budget will be subject to the approval of an incoming Minister.</p>
<p>By 31 March 2018, have completely implemented the EU Exceptional Adjustment Aid package of measures worth £4m, subject to farmer uptake.</p>	<p>Achieved.</p> <p>The package of measures has been successfully implemented by 31 March 2018.</p>

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<p>By 31 March 2018:</p> <ul style="list-style-type: none"> • open phase 2 of the European Maritime Fisheries Fund (EMFF) for applications; • approve the Fisheries Local Action Group (FLAG) sustainable development strategy; and • commit £2 million funding to eligible projects consistent with the UK's Operational Programme priorities. 	<p>Partially achieved. All targets have been achieved other than the opening of measure Union Priority 4 (UP4) for applications under Phase 2 of the EMFF. Where it was due to open by 31 March 2018 this has now been revised to 19 June 2018.</p>
<p>By 31 March 2018, agree within DAERA actions for the implementation of the Sustainable Agricultural Land Management Strategy (SALMS), including consideration of advisory structures.</p>	<p>Partially achieved. An initial implementation plan has been developed and agreed by DAERA and discussed with the Expert Working Group. Individual actions, including an EU funded pilot soil sampling and analysis scheme have been completed with further assessment of these actions being undertaken to assist with the evaluation for any future roll-out of the SALMS recommendations. Discussions on the consideration of advisory structures have not been completed in 2017-18.</p>
<p>By 30 September 2017, publish the Minister's response to the TB Strategic Partnership Group's (TBSPG) TB Eradication Strategy and Action Plan.</p>	<p>Not achieved. The achievement of this target was not possible in the absence of a Minister. Following legal advice the Department issued a consultation on the TBSPG Strategy and Action Plan.</p>
<p>By 31 March 2018, progress relevant actions set out in the Review of the Welfare of Animals Act 2011 Action Plan.</p>	<p>Achieved. As of March 2018, over 60% of the recommendations have been implemented. The majority of the outstanding recommendations are classified as long-term and relate to legislative reform. The ability to implement these recommendations is dependent upon an Assembly being in place and resource requirements.</p>
<p>By 31 March 2018, publish an Animal Health Strategy.</p>	<p>Not achieved. Consultation on the draft strategy is now expected to commence in July 2018.</p>
<p>Establish joint DAERA/InvestNI agri-food of animal origin export operating principles by March 2018.</p>	<p>Achieved. Operating Principles formally signed on 12 March 2018.</p>

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<p>By 31 March 2018, facilitate a third country, industry priority, beef market access mission to Northern Ireland.</p>	<p>Achieved. This target was achieved by the successful Chinese mission of May 2017.</p>
<p>By 31 March 2018, have:</p> <p>(i) 3,000 farmers developing their business through benchmarking, peer learning and knowledge and technology transfer, within Business Development Groups; and</p> <p>(ii) 2,700 farmers receiving training in Farm Family Key Skills (FFKS).</p>	<p>Partially achieved. Up to 31 March 2018, 3,049 farmers are developing their business through benchmarking, peer learning and knowledge and technology transfer, within Business Development Groups.</p> <p>By 31 March 1,759 people had received training in FFKS. While the 2017-18 target was not met, the programme target (to 2021) is still expected to be met.</p>
<p>By 31 March 2018, have 2,200 people achieving nationally validated qualifications at Level II and above and deliver a suite of education and industry training programmes to 8,000 people.</p>	<p>Achieved. Up to the 31 March 2018, 2,233 people achieved nationally validated qualifications at Level II and above, and 10,776 people have participated on education and industry training programmes.</p>
<p>By 31 March 2018, have a safeguarding partnership with industry to reduce the risk that a new plant health pest will cause significant damage to the productivity of agriculture or forestry.</p>	<p>Achieved. A range of work streams demonstrating a safeguarding partnership approach with industry have been implemented during 2017-18.</p>
<p>Assist in the delivery of DAERA's strategic outcomes through the commissioning of up to £7.5 million of new R&D work by March 2018 from Northern Ireland research organisations within international collaborative projects with an overall value of up to £33 million.</p>	<p>Partially achieved. This target was originally based on an assumption that both the US-Ireland R&D Partnership Call in Agriculture and the DAFM Competitive Call would be held annually. However, the timescale between open calls has been longer than anticipated (18 months +) and the timing of these calls is outside of the Department's control.</p> <p>Whilst the target of £7.5 million has not been met, the success rates of Northern Ireland applicants in both calls has been higher than anticipated in these first early rounds.</p>
<p>During 2017-18, direct, monitor and evaluate the assigned AFBI work programme to meet the Department's research, surveillance, diagnostic and analytical service needs within budget and on time.</p>	<p>Achieved. AFBI has delivered the surveillance, diagnostic and analytical service work programme according to requirements.</p>

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Strategic Outcome 2: A clean, healthy environment, benefiting people, nature and the economy.

TARGET	POSITION AT 31 MARCH 2018
By 31 March 2018, revise the Implementation Plan of the Biodiversity Strategy.	Achieved. Review of the Implementation Plan is complete.
By 31 July 2017 have issued Environmental Farming Scheme (EFS) agreements to all successful wider level applicants and by 31 January 2018 have issued EFS agreements to all successful higher level applicants.	Partially achieved. Whilst all wider agreements were issued by the target date there were a number of higher agreements that issued after 31 January 2018. The delay in issuing these higher agreements has not adversely impacted on the strategic outcome.
Complete input into the Cross Departmental Mitigation Action Plan on climate change by 30 June 2017, and review progress of the Plan by 31 March 2018.	Achieved. Delivery Plan on Greenhouse Gas (GHG) emissions agreed with Mitigation sub group of Cross Departmental Working Group on climate change. Plan contained actions from government departments to reduce emissions from main emissions sectors in NI. All government departments undertook a review of their actions in the delivery plan in February 2018.
By 31 March 2018, increase household recycling by >1% point over 2016-17 levels and ensure that no more than 250,000 tonnes of Biodegradable Local Authority Collected Municipal Waste (BLACMW) is sent to landfill.	Achieved. The increase in household recycling has been achieved. DAERA provided support to local councils to deliver two phases of a food waste communications campaign to support the implementation of the Food Waste Regulations (NI) 2015. The results of the first two quarters show that the campaign has delivered a significant increase in the household waste recycling rate, diverting household food waste from landfill. The BLACMW target was achieved.

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<p>By 31 March 2018, consult on the draft Marine Plan for Northern Ireland.</p>	<p>Not achieved. Although this target was substantially achieved by year end, final agreement to commence the public consultation was not received by 31 March. Secretary of State gave agreement to the consultation on 4 April 2018 and the consultation launched on 18 April 2018.</p>
<p>By 31 March 2018, have agreed a remediation strategy for the illegal waste deposits at Mobuoy Road.</p>	<p>Achieved. Delivery of this target has been achieved - remediation strategy and associated staffing resource agreed by the DAERA Departmental Board.</p>
<p>Provide effective and efficient regulation and enforcement to regulated businesses and industry by aiming for 90% compliance with all authorisations and regulatory requirements using agreed compliance assessment methodology by 31 March 2018.</p>	<p>Achieved. Delivery of this target has been achieved, with 94.10% compliance.</p>
<p>By 31 March 2018 initiate Conservation Management plans for 40 terrestrial designated sites.</p>	<p>Achieved. 54 management plans have been initiated.</p>
<p>By 31 March 2018, have 200ha of new woodland supplying a range of ecosystem services and supply at least 400,000m³ of sustainable timber to industry.</p>	<p>Achieved. Grant on 210ha of new woodland paid in 2017-18 year. Sale lot schedules issued to the end of March 2018 = 406,003m³.</p>
<p>Establish a procurement strategy for the delivery of wind energy projects on the Forest Service Estate.</p>	<p>Not achieved. The Strategic Investment Board (SIB) Energy Management Strategy will assess in detail how NI central government buys its energy, what type of energy it buys, who it buys this from and the associated risk profile, including the Forest Service estate. The SIB Energy Management Strategy is due to be presented to the NICS Board for approval in September 2018.</p>

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Increase the number of water bodies achieving “good” status by delivering 80% of the actions identified for each catchment project in the 2017-18 catchment work programme.	Achieved. Delivery of this target has been achieved, over 80% of actions delivered.
By 31 March 2018, develop an NI Air Quality Strategy for consultation.	Achieved. A draft Strategy has been developed and the process for consultation is being progressed.

Strategic Outcome 3: A thriving rural economy, contributing to prosperity and wellbeing.

TARGET	POSITION AT 31 MARCH 2018
By March 2018, in partnership with government bodies and organisations, 40,000 rural dwellers to benefit through the development and implementation of measures to tackle rural poverty and social isolation.	Achieved. Target has been achieved with over 40,000 beneficiaries from a suite of activity under the Targeting Rural Poverty and Social Isolation (TRPSI) programme which includes: micro-capital investments in over 500 community and voluntary groups and capacity support for rural groups and communities benefitting over 35,000; support for 2,500 individuals to avail of and access concessionary transport; and delivering 2,700 rural health checks.
By March 2018, create 150 full time equivalent jobs in rural areas using the LEADER component of the RDP.	Achieved. To date 157 letters of offer have completed and these were targeting the creation of 340 FTE jobs.
By 1 June 2017, develop guidance, training and reporting arrangements to support Public Authorities in fulfilling their duties under the Rural Needs Act.	Achieved. Guidance, training and reporting arrangements have all been put in place.

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<p>By March 2018, have 240 DAERA staff headquartered in a new office at Ballykelly.</p>	<p>Not achieved. Although we have exceeded our target in terms of having staff ready to relocate into the new office, the delay to the completion of the new building meant that the target of having 240 staff relocated into a new headquarters building in Ballykelly was not met until mid-May 2018.</p>
<p>By 30 June 2017, prepare a strategy for the economic development of the equine industry in NI.</p>	<p>Not achieved. Following contract award to undertake an analysis of the NI equine industry, it is hoped that a final report will be available to DAERA from the consultant in September 2018. This will then inform the development of Strategy in 2018-19.</p>

Strategic Outcome 4: A well led, high performing organisation focused on outcomes.

TARGET	POSITION AT 31 MARCH 2018
<p>Make advance payments to 90% of eligible Direct Payment applicants and, by 31 December 2017, make payments in full to 95% of eligible Direct Payment applicants.</p>	<p>Achieved. Advance Payments were issued to 94% of eligible businesses and full/balance payments were issued to 97% of eligible businesses in December 2017. By 31 March 2018, full payments had been issued to 99.5% of eligible businesses.</p>
<p>By March 2018 the error rate for area-based schemes to be limited to 3%.</p>	<p>Achieved. Article 9 error rate for Pillar 1 was below 2%.</p>
<p>During 2017-18:</p> <ul style="list-style-type: none"> • 85% of annual Single Application Forms to be received on-line (including assisted digital); • 68% of animal births, deaths and movements notifications to be received on-line (including assisted digital); and • 80% of active farm businesses transacting online (directly or indirectly with DAERA). 	<p>Achieved. 99.2% of Single Application Forms were completed online in 2017. 68.2% of bovine births (365,044 out of a total of 535,573) were registered online in the 12 months to the end of March. 97% of active farm businesses transacted on line.</p>

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<p>By 31 March 2018, establish the DAERA Science Transformation Programme and deliver the first key initiatives:</p> <ul style="list-style-type: none"> • a scoping study to consider the delivery of science across the Department; • the Department’s review of AFBI; and • establishment of the project to deliver new veterinary science laboratory facilities including the design specification for the new building. 	<p>Partially achieved. The overall target has been achieved with a few caveats.</p> <p>A scoping study report was submitted by the Project Team to the Steering Group on 30 March 2018.</p> <p>While the target to complete the AFBI Review by March 31 2018 has not been achieved, it should be complete by the end of June.</p> <p>The Animal Health Sciences Building Project has been established with project and governance structures in place.</p>
<p>Provisional Resource and Capital outturn to be between 99% and 100% of Final Budget for 2017-18.</p>	<p>Achieved. The Provisional Outturns for both Resource and Capital are within the target range.</p>

BREXIT preparations

TARGET	POSITION AT 31 MARCH 2018
<p>Develop and represent DAERA’s policy position in relation to the UK’s exit from the EU as negotiations progress, providing advice and analysis to Minister to enable decisions on options to be made.</p>	<p>Partially achieved. Significant work has been undertaken to identify those areas of policy/service delivery impacted by exit from EU. Following impact analysis these areas have been prioritised and solutions developed to ensure that DAERA’s services can function on Day 1. Subsequent analysis has determined that all of DAERA’s identified projects fall within the key Day 1 Operational Readiness projects listed by DEFRA.</p> <p>The project planning phase for Day 1 Operational Readiness has commenced and proposals for revised governance arrangements made.</p>

The following were the key issues for the Department during the 2017-18 year:

Brexit

There has been an increase in the volume of Brexit related work across the Department which intensified when the UK and the EU launched formal Article 50 negotiations. A small team has been established to proactively react to phase 2 negotiation issues as they arise.

Work has also been ongoing to establish common approaches in some areas that are currently governed by EU law, but that are otherwise within areas of competence of the devolved Administrations or legislatures. The common frameworks will set out a common UK, or GB, approach and how it will be operated and governed.

Work is on-going to ensure that DAERA can make all changes necessary to address operability issues and deficiencies in legislation relevant to DAERA arising as a consequence of the EU Withdrawal Bill.

DAERA has been engaging with DEFRA and the other devolved regions as well as extending and developing our relationships in Brussels and Dublin. We have also established new structures with our counterparts across the UK to co-ordinate the work at a national level.

Under the guidance of the Executive Office, Brexit Division has co-ordinated the examination of all policy areas for Day 1 Delivery issues, identifying those that are EU Exit sensitive against a range of scenarios, prioritising them and identifying solutions. Initial project delivery planning has also commenced but is tempered by the fact that DEFRA has identified a significant number of operational readiness projects under which the Department's projects lie.

In July 2017, DAERA reviewed and enhanced the governance arrangements that were in place to ensure that the Department could respond to the UK/EU negotiations. Four new stakeholder groups (Environment, Trade and Agriculture, Fisheries and Rural Society) were established to lead industry through the Brexit process, meet and react quickly during the negotiations and provide the UK Government with a definitive and unambiguous view as and when proposals are presented.

The Department has met regularly with the stakeholder groups and these groups have been instrumental in helping to develop Strategic Priorities for the Agri-food sector, Environment and Fisheries in Northern Ireland.

The Department has also developed a Northern Ireland Agricultural Policy Framework Proposals paper in collaboration with the DAERA Trade and Agriculture Committee and

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the DAERA Environment Stakeholder Group. Engagement with stakeholders on this paper is expected to expand and continue in 2018.

Work has continued in support of Brexit preparations in terms of legislation, policy frameworks, operational readiness and understanding of north-south issues.

North South Co-operation

The Department engaged with its counterparts from the Republic of Ireland across a range of mutually beneficial cross-border issues. Co-operation takes place on both a formal basis under the auspices of the North South Ministerial Council (NSMC) and more informally on routine/operational matters through various Working Groups.

DAERA has responsibility for three NSMC Sectoral meetings - 'Agriculture', 'Aquaculture and Marine' and 'Environment'.

Topics discussed at 'Agriculture' Sectoral meetings include Animal Health, Plant Health, International Trade, Rural Development, EU Funding, Farm Safety and Common Agricultural Policy.

Matters raised at 'Aquaculture and Marine' meetings relate to the Foyle, Carlingford and Irish Lights Commission (The Loughs Agency), a cross-border implementation body with responsibility for the promotion and development of Lough Foyle and Carlingford Lough for commercial and recreational purposes, conservation and protection measures, the licensing and development of aquaculture and the development of marine tourism. The Loughs Agency continues to focus on specific actions that enhance and develop the angling potential and marine tourism appeal of the Foyle and Carlingford catchments.

The 'Environment' Sectoral meetings include topics such as EU Funding, Fuel Laundering, Cross Border Movements of Waste, Waste Management and Water Quality. There was separate engagement on the issue of waste repatriation relating to waste that had been illegally deposited in Northern Ireland, which is the subject of a framework agreement between Northern Ireland and the Republic of Ireland.

All 3 meetings cover the implications of the UK Referendum on EU membership

Whilst there were no full NSMC Sectoral meetings held during 2017-2018 departmental representatives of the NSMC met twice in 2017. Officials in both jurisdictions have continued throughout 2017-18 to work closely to promote sustainable social and economic development of rural communities, improve the all island response to any developing epizootic disease risks, combat rural crime and on a range of accountability and governance issues associated with the Loughs Agency. The DAFM Chief Plant Health Officer attended the UK Plant Health Coordination meeting which included DEFRA and the devolved administrations. Recently cross border cooperation led to the successful

prosecution of two individuals who were convicted of handling stolen livestock; one in NI and one in ROI.

The close working relationship between the two jurisdictions has continued throughout the year.

Environment

DAERA's work recognises the primacy of sustaining the environment that we all share. This is reflected in the draft Programme for Government's second outcome: we live and work sustainably - protecting the environment. Key indicators on climate change, recycling, sustainable transport, water and air quality and biodiversity are set out to assess how we are doing.

Climate change is a global threat and the need to address it is reflected in international agreements like the Paris Agreement of 2015 which seeks to limit global temperature rise this century to less than 2 degrees Celsius above pre-industrial levels. Prior to this the UK Climate Change Act 2008 has committed us to a target of an 80% reduction in greenhouse gas emission (GHG) over 1990 levels by 2050. The latest emission figures available for Northern Ireland show a long term decrease in GHG emissions of 17.8% since the 1990 base year. The main sources of emissions in NI are agriculture, transport and energy. The energy sector has played a large part in delivering the reductions that have been achieved in NI. Going forward DAERA and Government generally faces challenges of how to promote long term policies to reduce our emissions.

Reducing our emission is only one aspect of addressing climate change. Adapting to the consequences of the changes that are already taking place is another significant challenge. DAERA has been working with other Departments to respond to the latest risk assessment produced by the Adaptation sub-committee of the independent, expert Climate Change Committee.

The Department continues to work towards meeting the requirements of the European Union's (EU) Waste Framework Directive and Landfill Directive. Results for 2016 show that Northern Ireland has already met the 2020 target of 'reducing the amount of biodegradable municipal waste (BMW) going to landfill to 35% of that produced in 1995'. For 2016 Northern Ireland had reduced BMW to landfill to 27% of the 1995 baseline, with further significant tonnages of waste being diverted from landfill in 2017. For instance, the provisional data for 2017 shows that 33,880 tonnes less household waste went to landfill - a reduction of 10.4% compared to 2016. The EU household waste recycling target has been more challenging. It requires that at least 50% of 'waste from households' is recycled by 2020. The Department has worked collaboratively and in close partnership with District Councils during 2017-18, especially in relation to food waste recycling, in order to increase recycling. The provisional 'waste from households' recycling rate for 2017 is 46.2%; an increase of 3.2 percentage points from the 43% reported for 2016.

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This is a significant annual increase and now provides Northern Ireland with a realistic prospect of meeting the 2020 target.

During 2017 China announced that it was putting in place tighter waste import controls for early 2018. This has been a particular challenge for the UK because China is the UK's top export market for recovered materials destined for recycling. Northern Ireland recyclers and exporters have been active in seeking out new end markets for some of the affected recovered material, including diverting it to alternative UK and export markets. The resultant uncertainty and competition for alternative markets has had a dramatic effect on global commodity prices. China's actions have emphasised the need to promote higher quality recycling to offset the volatility of the global commodity market rather than a sole focus on meeting the EU weight based targets. Over the last year the Department has worked with a wide range of stakeholders to improve market development, accessibility and recycle quality, and thereby work towards realising the economic potential of recycling for the local economy.

The media publicity surrounding food waste and then plastics from the latter half of 2017 has underlined the importance of waste prevention and recycling to supporting a sustainable society. The importance of promoting a sustainable society and the circular economy concept has been taken forward by the EU with the Circular Economy Waste Package (CEWP). The CEWP is in its final stages of the EU legislative process. It is anticipated that the CEWP will come into force in June 2018. The CEWP amends 6 existing Directives: The Waste Framework Directive; The Packaging and Packaging Waste Directive; The Landfill Directive; Batteries and Accumulators Directive; End of life Vehicles Directive; and Waste Electrical and Electronic Equipment Directive. Transposition of these Directives will generally be required within 24 months of the date they are entered into the EU Official Journal (OJ), with a number of specific Articles requiring transposition by 1 January 2020. The key impacts of the CEWP will be revised definitions and revised packaging, recycling and landfill targets.

Regulation of the waste sector continued to be a key challenge for the Department and we continued to work with the waste industry, councils and other partners, to deliver a compliant and crime free waste industry. Enforcement activities tackling criminality range from education and prevention to deterrence, disruption and detection.

Numerous challenges are faced within the realm of biodiversity; such as agricultural intensification or abandonment, and planning development. During the year the NIEA sought to address these through targeted actions on priority habitats and species and in partnership with eNGOs landowners and other third parties.

The Department is currently implementing a 6 year programme which aims to have 70% of all water bodies within Northern Ireland classified as achieving 'Good Status' or better by 2021. Further to this several key pieces of local environmental legislation in respect of the Water Framework Directive and the Drinking Water Directive were updated.

Clean air is vital for human health and wellbeing. The Department monitors levels of air pollutants to assess compliance with EU Directives and works with other government departments such as DfI and with other stakeholders to find ways of addressing the sources of air pollution. Last year, DAERA, through the Environment Fund, provided more than £180k to district councils in Northern Ireland to support local air quality monitoring.

Our environment is essential to our economic prosperity and it is a foundation for the health and well-being of the people of Northern Ireland. The Department recognises that improved environmental outcomes can be achieved through a proactive approach to education and through highlighting key issues. During the financial year the Department's Agency (Northern Ireland Environment Agency - NIEA) worked with the College of Agriculture, Food and Rural Enterprise (CAFRE) to ensure key environmental issues feature as part of education and awareness programmes.

Agri-Food Strategy

In recognition of the importance of agri-food to the local economy, the Executive's Programme for Government 2011-15 included a commitment to develop a Strategic Plan for the sector. An industry-led Agri-Food Strategy Board (AFSB) was appointed to provide advice to the then DARD and DETI Ministers on the sustainable development of the sector. The Board's Report "Going for Growth" was launched in May 2013. It set out a wide range of recommendations addressed to both government and industry to deliver ambitious and challenging growth targets for the sector, including 60% increase in sales, 75% increase in external sales and 15,000 additional jobs.

The Executive Response to "Going for Growth" was published in October 2014, and included a detailed action plan showing how the Executive intended to progress 125 actions to address over 80 recommendations.

The AFSB came to the end of its tenure on 31 August 2017. At that stage, the vast majority of agreed government actions as detailed within the Executive Response were either complete, or on track for delivery. Key achievements during 2017-18 include:

- the launch of a second tranche of Tier 1 of the Farm Business Improvement Scheme-Capital in December 2017;
- a number of actions based on the DAERA initial response to the recommendations of the Sustainable Agricultural Land Management Strategy including a pilot soil sampling scheme;
- securing Bovine Spongiform Encephalopathy (BSE) negligible risk status to help improve our global image as a disease-free area and facilitate access to new markets across the world; and
- the establishment of over 150 Business Development Groups, bringing together over 3,000 farmers to discuss and improve their technical efficiency, improve their business management skills, and learn about new technologies and innovative ways of working.

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In addition, DAERA continues to engage with InvestNI and industry in the outworkings of the Agri-Food Quest Competence Centre, which currently has 32 industry members. To date 19 industry-led research projects have been approved at a cost of £4.5m. DAERA also continued to work with the Department for Economy and industry representatives to develop the model for a new Northern Ireland Agri-Food Marketing Body (NIAFMB), to provide strategic leadership and direction to the marketing of local agri-food and drinks produce and the development of an associated Business Case for government funding.

Following the UK's decision to exit the EU, the Department has developed a Northern Ireland Agricultural Policy Framework Proposals paper in collaboration with the DAERA Trade and Agriculture Committee and the DAERA Environment Stakeholder Group. Engagement with stakeholders on this paper is expected to expand and continue in 2018.

Agri-food Strategy - Third Country Market Access

DAERA's Veterinary Service Animal Health Group (VSAHG) plays a key role in facilitating and developing international (ie outside the EU Single Market) trade of products of animal origin from Northern Ireland. Although DEFRA in London is the Central Competent Authority for international trade to and from the UK, VSAHG undertakes key official controls and stakeholder engagement in Northern Ireland that supports and underpins international market access for our livestock primary producers and the meat and dairy processing sectors through:

- Competent authority for the delivery of Sanitary & Phytosanitary (SPS) official controls for animal health & welfare, feed safety and marketing standards.
- Competent authority for veterinary export health certification (required documentary assurance for international trade of products of animal origin) and responsible for verifying compliance by food businesses with official controls and third country requirements.
- Developing market access opportunities, with DEFRA, Dairy UK and the UK Export Certification Partnership, by hosting inspections, completing questionnaires, agreeing SPS requirements underpinning export health certificates with international government officials.
- Establishing and maintaining international markets through approval, verification and audit of exporting establishments and engagement with international inspectors.
- Service delivery on behalf of the Food Standards Agency (FSA), under a Service Level Agreement, for a range of food hygiene official controls.
- Excellent working relationship with agri-food industry partners (eg Meat Exporters Working Group, Dairy UK) and other regulatory, and government partners (eg FSA, InvestNI, District Councils, DAERA-Department of Agriculture Food & Marine Dairy Export Working Group).

Meat Exports

There has been notable successes for market access this year with key new markets achieved in China and Australia (detailed below) and significant markets in the Philippines, Canada, USA and South Korea further developed. In 2017 VSAHG officials welcomed to Northern Ireland government inspectors from the USA and the Republic of South Korea (both maintenance inspections for pork exports), and China and Japan (both BSE study visits for beef exports).

China

In August 2017, opening up access for the Northern Ireland pork industry to the huge Chinese market (particularly for ‘fifth quarter’ products like trotters) was a major boost to the local agri-food industry, worth in excess of £10m per annum. The trade deal with China followed concerted efforts by DAERA over time working closely with DEFRA in London, the British Embassy and the NI Bureau in Beijing, the Agri-Food and Biosciences Institute, FSA in Northern Ireland, Invest NI and the industry. The approval to export pork represents a significant outcome in DAERA’s long-term engagement strategy with China and also represents achievement in securing access to one of the primary new markets outlined in the “Going for Growth” initiative.

Australia

In December 2017, the Australian government announced new market access for pork products from Northern Ireland and stated that trade could commence once health certification had been agreed. The negotiation of this deal was different from most non-EU trade deals in that DAERA officials, rather than DEFRA, conducted the lengthy negotiations directly with Australian officials and the agreed certificate is a Northern Ireland (UK) certificate, distinct from the Great Britain (UK) certificate already in place. This reflected the desire by the Australian authorities to distinguish the different production and SPS measures in Northern Ireland, from those in Great Britain.

Dairy Exports

Dairy exports continue to be a major proportion of agri-food exports from Northern Ireland. VSAHG officials have been working closely with the Dairy Council for Northern Ireland and their EU funded export support and sustainability programme. A key element of this programme is inward missions by overseas buyers to Northern Ireland and meeting local dairy companies and government officials. In 2017 DAERA officials gave presentations on official controls and SPS measures in Northern Ireland to visitors from Singapore, Thailand, China, and Saudi Arabia. The Dairy Council has reported that this market access programme has generated additional sales of £7m to date.

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Measurable Outcomes

Since the launch of “Going for Growth” in 2013, DAERA has supported and worked with DEFRA trade colleagues in facilitating international (non-EU) access to 184 new agri-food markets (including 68 for the export of meat and meat products).

Sectoral Issues

The 2017 year showed an upturn in prices for many farm commodities from their relatively low levels of the previous year. This upturn in prices can mainly be attributed to improved global markets conditions and the weakening of Sterling which occurred following the referendum on EU exit. Provisional figures indicate that the ‘Total Income from Farming’ (TIFF) in Northern Ireland rose by 87% in 2017 (82% in real terms) to £473 million from £253 million in 2016.

In response to the very difficult global market conditions that continued to affect farming across Europe at the start of 2016, the EU Farm Commissioner announced a Farm Support package in July 2016 which included temporary financial aid for the dairy and livestock sectors. This comprised €350million Exceptional Adjustment Aid (EAA) for measures to be implemented by individual Member States and €150million funding to support a voluntary reduction in milk deliveries at EU level. NI secured an enhanced share (£4.08m) of the UK allocation of EAA funding, given the particularly extreme fall in milk prices here.

A package of four measures funded under EAA was implemented during the year. One of these measures, the Bovine Viral Diarrhoea (BVD) PI Incentivisation Scheme, provided financial assistance to cattle farmers who had humanely destroyed BVD infected calves within four weeks of an initial BVD positive test result (or within 6 weeks when a confirmatory blood test had been undertaken).

EAA assistance was also provided to help farmers improve pig meat quality and manage soils and nutrients more effectively. Direct financial support was also provided to small scale dairy farmers.

Common Agricultural Policy

The Department administers Direct Payments to farmers under the Common Agricultural Policy (CAP) support schemes. These schemes, which include the Basic Payment, the Greening Payment and the Young Farmers Payment, are fully funded by the European Commission. During 2017 we maintained our focus of maximising technology by increasing the number of applications made online from 62% to 99%. Advance payments of Direct Payments were issued for the first time in 2016, making Northern Ireland the first region of the United Kingdom to deliver advance payments. In 2017, the target to pay 90% of applicants an advance was surpassed, with 94% of eligible applicants receiving a

payment. 22,493 farm businesses received advance payments amounting to £182.7m in October 2017.

Balance payments (or full payments for those not eligible for an advance) could be made from 1 December 2017. £95.5m in payments were made to 23,395 farmers in December. This represented 97% of eligible farmers, exceeding the target of 95% set.

We have now made full payments to 99.5% of eligible claims for Basic Payment and Greening. Where successful application to the Young Farmers Payment has been confirmed, this has also been paid. This is a significantly better payment performance than any other region within the United Kingdom.

1,733 businesses (1,724 for Basic Payment Scheme [BPS] and 891 for Areas of Natural Constraint [ANC]) were selected for the 2016 controls campaign and these inspections have been completed. In 2017 the target to have at least 50% of On the Spot Checks (OTSC) cases paid by December was exceeded, with 85% of OTSC cases being paid by this time. As of March 2018, payment has been released to 98% of OTSC cases.

Following a Ministerial decision taken in December 2016, the ANC scheme ran for one final year as a transitional arrangement. Applications were made in 2017 and payments of approximately £8m were made in March 2018.

Relatively minor changes to the Greening Payment and other aspects of the CAP were introduced in 2017 and 2018 scheme years. Attention at EU level is now turning to towards reforming the CAP for the period post 2020. The EU Commission presented a communication on 29 November 2017 outlining ideas on the future of food and farming and is expected to publish budget proposals in May 2018 and CAP legislative proposals by the end of June 2018. However these proposals will relate to a period after the end of UK membership of the EU and the end of the implementation period.

Area Aids Disallowance

An EU Commission Area Aids audit in 2016 identified weaknesses in three key controls in relation to Pillar 1 schemes. Consequently, the Commission had proposed a flat rate correction of 10%. The Department challenged the Commission's findings, and in 2017 the Commission decided not to impose a financial correction. The audit is therefore closed subject to some agreed remedial actions.

Maintaining a compliant Land Parcel Identification System (LPIS)

The LPIS is a key control for area based schemes and ongoing work is necessary to ensure that the farm business map data remains accurate and up to date, thereby reducing the risk of future disallowance. DAERA and Land & Property Services (LPS) are, therefore, continuing to work together to ensure the LPIS data is refreshed on a 3-4

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year cycle and to maintain compliance with EU Regulations as implemented through CAP reform. LPS has also further enhanced the data to reflect modern GPS technologies (positional improvement).

The quality of the LPIS has improved and been maintained over recent years and this is evidenced by passing the main test within the annual EU LPIS Quality Assessment.

Map information to support the Single Application (SAF) process

In line with EU targets to have all SAF-related transactions completed online by 2018, farmers are encouraged to use DAERA's online services. Paper LPIS scheme maps have not issued to farm businesses since 2015. Instead, online systems have been developed and enhanced annually to allow farmers to view and amend their maps online and to facilitate more accurate claims. If farmers face difficulty in amending their maps they can contact the SAF Advisory Team for support.

The use of remote sensing to conduct on-the-spot checks

Remote sensing involves careful examination of a satellite image or aerial photograph of the land in a Farm Business and comparing this with the area declared on the Single Application Form. As part of the control, DAERA introduced Remote Sensing in 2012 to complement classic OTSCs. In 2017 Remote Sensing comprised 96% of OTSCs with only 4% of OTSCs being performed via the classic method.

Supporting Local Industry and Rural Society

Tackling Rural Poverty and Social Isolation (TRPSI)

The Department also manages a Tackling Rural Poverty and Social Isolation (TRPSI) Programme. During 2017-18 intervention on the ground continued through a number of initiatives including:

- Provision of concessionary travel for smart pass holders on rural community transport partnership vehicles, enabling over 200,000 trips to be undertaken;
- Funding the Rural Support charity to provide assistance to rural families and farmers facing difficulties and providing for a social farming support service;
- Development and delivery of a micro-capital grants scheme to 500 community and voluntary sector organisations, benefitting over 50,000 rural dwellers;
- A Farm Family Health Checks Programme which provided health screening to over 2,500 clients at marts and rural community venues;
- The Rural Youth Entrepreneurship (RYE) Connect transnational programme which developed 30 business action plans;
- The Step Up to Sustainable Employment programme (SUSE+) which promotes employment and progression towards employment through education and

- training, engaging over 240 rural participants;
- A Social Farming Capital Grant Scheme that provided grants up to £5,000 to assist farm businesses;
 - A joint initiative by the Health and Social Care Board, Public Health Agency and DAERA to increase Social Farming activity by promoting the Trusts to actively refer individuals toward Social Farming Support Service sessions, with over 60 sessions delivered;
 - Support to develop forest infrastructure, walkways, paths and facilities to increase outdoor participation in recreational and sporting opportunities and address rural isolation issues;
 - Development of a heritage site which will provide increased opportunities for those living in the rural area to access, participate in and engage with an important rural resource while encouraging increased social interaction;
 - In partnership with Department for Communities (DfC) and Sport NI provide capital support for 9 projects to improve facilities in rural areas which provide opportunities to participate in physical activity; and
 - Through the TRPSI Community Development Support Programme, support has been provided through 8 contract holders to some 1,200 rural community groups operating across the region. This has included support for individuals and communities, including farmers and farm families. The Community Development programme also provides assistance to individuals and groups to engage with the social economy sector as a means of achieving the economic and social sustainability of rural communities; and developing capacity and leadership in rural communities along with proper governance as a means of supporting community involvement and maintaining strong rural communities.

A number of these Tackling Rural Poverty and Social Isolation initiatives were developed in conjunction with a range of other government Departments. This illustrates the strength in partnership working to resolve rural issues but also the ability of this work to lever in additional funding for rural areas. Work continues to develop existing and new initiatives.

Rural Development Programme (NIRDP) 2014 - 2020

Implementation of schemes under the Northern Ireland Rural Development Programme 2014 - 2020 continued during 2017.

Objective 1 - Competitiveness

The Farm Business Improvement Scheme (FBIS) is an important element of the NIRDP and includes a portfolio of measures aimed at knowledge transfer, co-operation, innovation and capital investment, which will help to support sustainable growth in the sector. The FBIS is continuing to be rolled out in a phased way. The first phase, Knowledge Transfer, was launched with Business Development Groups (BDGs) in November 2015 and there have been two further calls for applications. At 31 March 2018,

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3,049 farmers and growers were enrolled in 153 groups. BDGs provide a training forum that allows sharing of knowledge and technical skills with the aim of improving technical efficiency and profitability of businesses.

FBIS Farm Family Key Skills (the second Knowledge Transfer element of the FBIS) was launched in March 2016. Since then training has taken place on topics including business planning, first aid, animal health and health and safety. By 31 March 2018, 2,455 farmers had participated in Farm Family Key Skills training programmes since the programme began.

The capital component of the FBIS, which is worth up to £40 million over the first two tranches of its initial phase is being managed as two tiers and includes capital investment support linked to the needs of the farmer's business plan at 40% of eligible costs.

The first tranche of Tier 1, which provides grant for on farm investment projects from £5,000 up to £30,000 (in project costs), has offered support to over 1,500 farmers since it opened on 31 October 2016. At the 22 March 2018, a total of 1,520 Letters of Offer were accepted and 1,470 claims with a value of £7.13 million have been received by DAERA's delivery agent. Building on the success of tranche 1, the second tranche of Tier 1 was launched in December 2017. It closed for applications on 2 February 2018 and DAERA has received almost 3,000 applications from farmers and growers.

In the first tranche of Tier 2, which provides for on-farm investment projects in excess of £30,000 project costs (to a maximum grant of £250,000), the applications received totalled 189, worth in excess of £21m. The assessment process for these applications is ongoing. At the 22 March 2018, 43 Letters of Offer had been issued, amounting to £4.19 million of total grant support. This grant support will lever capital investment in rural communities of at least £13 million.

Objective 2 - Environment

Management of Northern Ireland's natural resources to improve biodiversity, water quality and to mitigate climate change remains a high priority for the 2014 - 2020 Programme through the agri-environment programme and forestry schemes.

Under the Forest Expansion Scheme 210 hectares of new woodland were created by 22 business owners in 2017, while 7 applications were received for replanting of 10 hectares affected by Ash dieback under the Forest Protection Scheme. In addition, 9 applications were authorised for replanting of 79 hectares under the Woodland Investment Grant.

Management of Northern Ireland's natural resources to improve biodiversity, water quality and to mitigate climate change remains a high priority for the 2014 - 2020 Programme through the agri-environment programme and forestry schemes.

The Environmental Farming Scheme (EFS), which is the new agri-environment scheme under the 2014-2020 NIRDP, opened for applications in 2017, and as of March 2018 there

are 1,388 agreements in place. Further application tranches are scheduled for 2018, and DAERA plans to have 6,200 agreements in place by 2020. The scheme has three levels:

- a Higher Level, primarily for environmentally designated sites;
- a Wider Level, to deliver benefits across the countryside outside of environmentally designated areas; and
- a Group Level, to support co-operative action by farmers in specific areas such as river catchment.

The scheme has been designed to address specific environmental needs, primarily relating to biodiversity and water quality. Successful applicants undertake a five year agreement to deliver a range of targeted environmental measures.

The Areas of Natural Constraint Scheme provides dedicated support to beef, sheep, deer and goat producers who farm in severely disadvantaged areas in order to compensate them in part for the additional costs and income forgone related to the constraints on agricultural production in that area. In December 2016 it was decided that the scheme would be extended for one final year for payment in 2018 with a budget of £8 million.

Objective 3 - Rural Development

This objective includes the LEADER measures, a “bottom up” approach being delivered by Local Action Groups (LAGs) with administrative support from Councils. LEADER will focus on:

- supporting the creation and development of micro and small enterprises in the broader rural economy;
- the provision of more and better basic services;
- regenerating villages and their surrounding area;
- provision of community based solutions to broadband black spots in rural areas; and
- projects which tackle rural poverty and social isolation.

Up to 23 March 2018, 796 applications worth £25.6m were received, and 421 Letters of Offer were issued worth £13m with £10.7m having been committed to projects who had accepted the terms and conditions of the LoO's. Payments have been made to projects totalling over £6.3m with 665 Full Time Equivalent jobs to be created from these projects. LAGs continue to hold funding workshops to progress through the schemes.

Rural Network Support Unit

The Rural Network website was launched on 5 August 2016 and is populated with information relating to all aspects of the Rural Development Programme. Membership of the network has grown considerably and is now in the region of 3,500. Members receive regular e-mail alerts and Departmental press releases on the opening of schemes.

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In November 2017, the Rural Network Support Unit organised and hosted the first UK Rural Networks' conference under the 2014-2020 programme. The "Through a Rural Lens" conference focused through presentations and workshops on issues such as rural trends and opportunities, sustainable and inclusive communities, enterprise and employment, land use and environment and infrastructure and connectivity. The conference was attended by over 130 delegates, including Northern Ireland, GB and Ireland stakeholders, LAG members, academics and Managing Authorities, the other UK Network Support Units and the European Network for Rural Development (ENRD).

The Network Support Unit has conducted awareness sessions with councils and government departments on the implementation of the NI Rural Needs Act and will also provide training to other public authorities affected.

Rural Needs Act

The Rural Needs Act (Northern Ireland) 2016 (the Act) came into operation for government departments and district councils on 1 June 2017. The Act requires policy makers and public authorities to have due regard to rural needs when developing and implementing policies and when designing and delivering public services.

In order to fulfil its obligations under Section 1 of the Act, four Rural Needs Impact Assessments have been completed by policymakers within the Department for the year 2017-18. The Department will list these assessments within the Rural Needs Annual Monitoring Report 2017-18. With no Executive in place, policy development and implementation within the Department has been limited.

The Department has a number of additional responsibilities under the Act such as providing advice, making arrangements to secure co-operation and exchange of information between public authorities and publishing an Annual Report. In order to fulfil its obligations under Section 2 of the Act, the Department produced guidance and shared this with all departments and district councils. In addition an e-learning package is available to all public authorities and the Department facilitated a series of awareness sessions across all government departments and district councils.

To meet its obligations under Section 3 of the Act, the Department will collate information from other departments and district councils and publish this in the Rural Needs Annual Monitoring Report 2017-18. In order to fulfil its obligations under Section 4 of the Act, the Department has reviewed the first phase of the Act to assess implementation and has also held a co-operation event involving other departments and district councils to ascertain their views, share learning and experience.

Evidence & Innovation Strategy

To ensure that DAERA's policy and operational activities are designed and targeted to achieve the Strategic Vision, sound scientific evidence is informed by strategic policy drivers and research needs. The Department also recognises, the vital role of innovation in developing a sustainable and profitable regional economy.

DARD's Evidence and Innovation Strategy updated for 2015-2017 described the overarching framework for research and development to underpin evidence-based policy and delivery, and to promote innovation in agri-food, fishing, forestry and other rural businesses. It provided the framework for funding DARD policy-relevant and industry-relevant research and innovation during the period prior to the establishment of DAERA and for a period of 1 year following the establishment and bedding in of the new Department.

The Department's evidence and innovation programme is directed by four Programme Management Boards (PMBs) which are broadly aligned to the strategic goals of the Department. During 2017-18, the PMBs commissioned 18 new research and development projects within the DAERA-directed AFBI work programme as follows:

PMB1	To promote the sustainable economic development of the local agri-food sector	6 projects
PMB2	To build the evidence base to inform the Department's broad rural policy agenda, including the fishing sector	4 projects
PMB3	Strategic approach to protecting animal and plant health and animal welfare supported by sound scientific evidence	2 projects
PMB4	To underpin improved environmental outcomes which are major factors in health and well being	6 projects

Details of the DAERA-directed AFBI work programme are published at:

<https://www.daera-ni.gov.uk/publications/daera-directed-afbi-research-work-programme-201718>

Developing local scientific expertise and training scientific leaders for the future are key objectives of the DAERA Postgraduate Studentship Programme. In 2017-18, 12 new studentships were awarded to address research priorities for DAERA, including the development of systems to improve utilisation of forage and grass in beef production systems, maximising the benefits of cover crops and measuring the impacts of Social Farming.

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The Department recognises the very significant advantages to be gained through a collaborative approach to research for the agri-food sector. Collaboration with government funders from other regions and countries can lever significant additional scientific expertise and research capacity for the benefit of all. A Collaborative Research Fund was established in 2016-17. DAERA is currently collaborating with the DAFM through its national “Competitive Call for Research” and via the “US Ireland Fund” a tripartite arrangement with the US National Institute of Food and Agriculture (NIFA). Through the first commissioning cycle of this ‘DAFM-DAERA Competitive Call for research’ eight projects have been commissioned to the value of £9.6 million, with DAERA funding of £1.9m, (leveraging £7.74m investment in new research). One ‘US-Ireland’ project to the value of £865,000 has been commissioned to date (DAERA investment of £250,000). Commissioning cycles are currently ongoing for each of these two funds with further awards anticipated in 2018-19.

The DAERA-directed AFBI annual work programme continued to provide a range of analytical and diagnostic scientific testing, and emergency response capability during 2017-18. These scientific services, delivered by AFBI on a statutory basis, underpinned and supported the achievement of a wide range of policy objectives across the Department.

DAERA Science Transformation Programme

The Department’s Science Transformation Programme was agreed in early 2017-18 and throughout the year work has progressed to establish it and deliver its first three key initiatives. By 2025, the ambition is that when the programme is completed, the science provided, managed and used by DAERA will be innovative, collaborative and transformative. The Department will have the highest quality science staff, facilities and governance to support a healthy and sustainable economy, environment and rural community and help deliver the Programme for Government outcomes.

In recent months, focus has been placed on establishing the programme’s governance and management arrangements and on developing a number of foundation documents to establish the programme on a firm basis.

The science scoping study represents an important first step to capitalise on the new opportunities for synergies in scientific service provision afforded by the creation of the new Department. The draft report was submitted in March 2018 for consideration by the project Steering Group.

The tailored review of AFBI progressed well during the year. Views were collated from a wide spectrum of stakeholders through completion of an online questionnaire, written evidence provided by AFBI and DAERA has been assessed and a series of one to one interviews with samples of DAERA and AFBI staff as well as external stakeholders have taken place. It is anticipated that the Project Board will sign off the review report in June 2018.

A DAERA project to deliver the new Animal Health Sciences Building (£32m) for AFBI also progressed well during 2017-18. The new building will be a flagship for the Northern Ireland agri-food sector's national and international trade, further enabling AFBI to increase its attractiveness to national and international customers and enhancing Northern Ireland's scientific platform and research capability. A Project Board and governance structure have been put in place and an external architectural consultant appointed to take forward the Strategic Design Brief for the new building.

Animal Health and Welfare

The Department has continued to work closely with Industry to reduce and eradicate Bovine Viral Diarrhoea. A scheme to incentivise the prompt removal of calves born persistently infected with the BVD virus ran from February to September 2017. Funded via European Exceptional Adjustment Aid, the scheme saw a significant reduction in the retention of these calves (the most significant source of infection within a herd). Officials continue to work with Industry to develop additional measures to help eradicate BVD. It is anticipated that a second BVD Order will be made in 2019.

On 29 September 2016 DAERA submitted an application to the World Organisation for Animal Health (OIE) for Bovine Spongiform Encephalopathy (BSE) Negligible Risk (NR) status for Northern Ireland which was granted at its meeting in May 2017.

There continues to be the ever present threat from epizootic diseases, including Foot-and-Mouth Disease, Avian Influenza, Bluetongue and Swine Fever. There are at present several EU Member States with outbreaks of epizootic disease, including France where Bluetongue continues to spread and the Baltic States and Eastern Poland where African Swine Fever has been present since 2014. The Department continues to take practical measures to prevent the entry of epizootic disease and to respond effectively should a disease outbreak occur.

There have also been a number of outbreaks of High Pathogenic Avian Influenza in wild birds, domestic poultry and captive birds across Europe during 2017-18. The H5N6 strain of the disease has also been found in wild birds in Great Britain, Republic of Ireland and in Northern Ireland.

The use (and misuse) of antibiotics in human and animal medicine has been associated with the spread of antibiotic resistant infections in both humans and animals. Antimicrobial Resistance (AMR) is a significant threat to both human and animal health. The UK is developing an overall 20 year UK AMR Vision which will be supported by a UK AMR 5 year National Action Plan, which will aim to establish a secure basis for the step-change that is envisaged. It is envisaged that the National Action Plan will be published in late 2018.

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In parallel with the development of the UK AMR National Action Plan 2019-2024, 'One Health' AMR Implementation Plans 2019-2024 are currently being developed in each of the Devolved Administrations. In Northern Ireland, work is ongoing with colleagues in the Department of Health to ensure that this reflects the priority areas for action from human and animal health, agriculture and the environment perspectives, as well as reflecting the commitments in the new UK Action Plan.

The Department entered into a new contract on 11 April 2016 for the delivery of bTB testing services by private veterinarians. This was a significant development in the bTB eradication programme. Contracted private veterinarians will now also be formally involved in important farm herd health biosecurity advice and DNA tagging of reactor animals. The innovative approach to selection of contractors under this contract, is ground breaking in Northern Ireland and provides opportunity for better collaboration between Government and industry. The contract has already seen encouraging trends in improving performance and has established platform for the regular feedback of information between the Department and private veterinary contractors.

A reactor quality assurance pilot study started in November 2017. The aim is to provide data specific to Northern Ireland on bTB skin test reaction regression and the IFNG blood test response in reactors. It is hoped that the results will be made available by the end of September 2018. The results will help inform policy development and actions where fraud is suspected.

In November 2017 the Department launched a consultation on its proposals to eradicate bTB in response to the TB Strategic Partnership Group (TBSPG), report in December 2016. Over 200 responses were received and a summary of responses will be published on the DAERA website by the end of May 2018.

In the late autumn 2017 a prevalence study of bTB in badgers was undertaken in two defined areas (Omagh and Aghadowey). Disease was confirmed in the badger population and approval was then received to proceed with sett surveys of the two areas. Results will be used to inform and provide advice to a Minister, once in post, on any potential future wildlife strategy to address the infection level in badgers as part of the future eradication strategy.

New TB programme measures were introduced on 11 March 2018. These were in response to the sustained rise in disease levels and closely aligned to the recommendations made within the TBSPG Strategy. The measures represent the most significant enhancements to the TB Programme for many years. These changes aim to remove diseased animals earlier and will give greater assurance that infection has been removed from breakdown herd during the course of the breakdown.

The 5-year "Test and Vaccinate or Remove (TVR)" wildlife intervention research project commenced in May 2014 in a 100km² area around Banbridge, County Down. The TVR

project will continue until late 2018 and it is anticipated that a final report on TVR should be available in 2019, subject to completion of data analysis and test results.

In relation to the Welfare of Animals Act (Northern Ireland) 2011, the Department continues to liaise with councils, to support the enforcement of non-farmed animal welfare and ensure that statutory requirements are fulfilled.

A review of the implementation of the 2011 Act was carried out in 2014/2015 and was chaired by officials from DAERA and the Department of Justice, with input from Councils, the PSNI, the Public Prosecution Service and NI Courts and Tribunal Service. A final report was published in February 2016 setting out 68 recommendations. As of March 2018, over 60% of the recommendations have been implemented.

During the course of the year, the Department also published the first animal welfare service statistical bulletin. The document, which was issued in March 2018, provided information on the activities of the three animal welfare enforcement bodies, including farmed animal welfare inspections, complaints investigated by the Councils and the number of prosecutions taken forward.

DAERA is seeking to influence and negotiate provisions within the proposed EU Animal Health Regulation tertiary legislation that will help deliver the objectives envisaged in the All-Island Strategy in order to safeguard animal health and welfare in the North to the benefit of its agri-food industry. This is particularly important in light of the decision of the UK to leave the EU.

The Northern Ireland Food Animal Information System (NIFAIS), the replacement for the Animal and Public Health Information System (APHIS)

The NIFAIS Contract was formally awarded on 21 April 2016 to AMT-Sybex, part of Capita, for a final capital cost of £8.7m, with system development planned to take place over the following three years.

The first deliverable, Herd & Flock Keeper Registration and Tag Supply Authorisation, was made available to Cattle Ear Tag Suppliers and specialist staff in June 2017, and is now fully live across the Department's user base.

Development of the NIFAIS Cattle Disease Control module was unfortunately delayed due to a number of issues outside the Department's control but the functionality is now on track for delivery at the end of 2018. As a consequence, however, the upgrades to Cattle Movement Recording, Tracing and Status Application are now re-scheduled for the summer of 2019, and the remainder of the Programme is currently estimated for completion Summer 2020.

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An upgrade to Aphis-on-Line, to keep it up-to-date and in preparation for further NIFAIS developments, went live at the Winter Dairy Fair. The new “Look and Feel” is designed to align with DAERA’s other on line applications and to improve performance and usability on mobile devices. Other new features have been added in response to user feed-back, and (in support of the Agri-Food Strategy Board recommendation) to encourage increased, more accurate registration of calves’ sires. The initial response from users to the improvements has been very positive.

The Programme has also successfully deployed a ‘BVD test status indicator’ on APHIS to help market and meat plant lairage operators control the entry of un-tested cattle onto their premises, and buyers to be confident of the BVD status of the animals being traded.

Digital Strategy

Work continues on the implementation of DAERA’s Digital Strategy. It is clear that further roll out of enhanced digital services with appropriate support offers significant potential for farmers in reducing the burden of compliance and increasing access to simplified services. The target within the Digital Strategy is to achieve online uptake of 80% of key services by 2018 and 100% by 2020. Uptake of services increased significantly in 2017-18 with 99% of Single Application Forms and 68% of bovine birth registrations completed online. Improvements to the services introduced in 2017, particularly in relation to online maps and entitlements trading, contributed to the increase in uptake and feedback from users has been very positive. An analysis of usage clearly demonstrates that once farmers make the jump to go online, they do not go back to traditional paper channels.

We recognise that there are genuine difficulties for some in accessing online services, including broadband issues and levels of confidence in being able to use the service. CAFRE continues its programme of training to help people onto digital channels and free internet access is available at DAERA Direct offices and in local libraries with support to help users. We have introduced bespoke assisted digital support sessions at DAERA Direct offices. Farmers have been able to make appointments to be taken step by step in one to one sessions through the online application process for the Single Application Form and the Environmental Farming Scheme. Comprehensive real time web chat capability was also introduced for anyone encountering any difficulties using the online service.

The Department is developing a Customer Contact Project, in relation to the Identification, Registration and Movement (IRM) of cattle and sheep, that will provide a long term, functioning model for customer contact across the DAERA Direct network by March 2020. The project aims to promote greater online uptake of cattle and sheep IRM functions, whilst also streamlining back office processing.

The continued movement towards more online service delivery has been underpinned by significant investment in our digital platforms with an emphasis on information security

aligned to international best practice standard ISO 27001 and protecting customers' personal data.

Forest Service (including Plant Health)

The Forest Service is an Agency of the Department. During the year it grant aided the planting of over 200ha of new privately owned woodland planting under the Rural Development Programme, to promote forest expansion. The forests supplied 406,003m³ of sustainably grown timber as a resource for local industry while continuing to enhance the environment and landscape, and provide opportunities for public access for health and recreation.

The Service operates by working in Partnership with industry, local government and environmental charities, so that forests continue to meet local needs and involve others in getting best value from publicly owned forests. Dialogue continued during 2017-18 with current and prospective partners regarding timber harvesting and forest recreation provision.

The Service also provides a regulatory framework for forestry, plant and bee health, and seed certification schemes to protect the productive capacity of agriculture and forestry. The Agency as the competent authority for plant health issues seeks to influence and negotiate provisions within the proposed EU Plant Health & Official Control Regulation tertiary legislation. That will help deliver the objectives envisaged in the All-Island Strategic approach to plant health to the benefit of our land based industries and the wider environment . The importance of this approach is highlighted following the decision of the UK to leave the EU.

During the year the Service continued its work to make forestry resources available for the development of wind-farms on the forest estate Work will carry forward into 2018-19 informed by the NICS Energy Management Strategy and consultation by the electricity system and network operators on electricity grid capacity for wind farm connections.

The Agency publishes its own Annual Report and Accounts and a fuller explanation of its performance may be found there.

Marine and Fisheries

The Department's Marine and Fisheries Division is responsible for the promotion, protection, enhancement and sustainable use of:

- all fish stocks inland and at sea (including aquaculture and fish health); and
- the marine environment.

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through legislation, planning, licensing, monitoring and conservation activities. It is structured around 8 work areas - Conservation & Reporting, Marine Planning, Monitoring & Assessment, Strategy & Licensing, Inland Fisheries, Sea Fisheries Inspectorate, Sea Fisheries Policy & Grants, and Aquaculture, Fish Health & Sponsorship of the Foyle, Carlingford and Irish Lights Commission (The Loughs Agency).

Inland Fisheries Community Outreach Team works with a wide range of groups to organise events using angling as a vehicle to address a wide range of issues including health and well being, mental health and social exclusion.

The Department has undertaken a significant programme of Marine Protected Area designations in recent years and in January 2018 a report by the Joint Nature Conservation Committee concluded the current suite of Marine Protected Areas in the Northern Ireland inshore region is very close to delivering an ecologically coherent network. A targeted programme of future designations will be required in future years to meet the Department's obligations under both national and international legislation and agreements. The Department's current focus is on developing management plans for the protected areas and in February 2018 AFBI secured Interreg Va funding to deliver the majority of this work. The Department has commenced stakeholder engagement on proposals to introduce fisheries management measures in the Marine Protected Area network.

At the December 2017 Fisheries Council the Department was able to present robust scientific evidence to confirm that most fish stocks in the Irish Sea are now performing well and are being fished sustainably. This led to some significant increases in the fish quotas available to the local fishing fleet for 2018. Quotas for herring, haddock, plaice, cod and nephrops were all increased. For the first time in many years Irish Sea cod is now being fished at a level in line with Maximum Sustainable Yield. The increases follow the adoption of wide ranging fish conservation measures in the Irish Sea that have boosted fish stocks, and partnerships between scientists and fishermen that have improved the amount and quality of information on which stock assessments are based.

All EMFF grant measures were open at 31 March 2018. A competition to appoint a Fisheries Local Action Group (FLAG) was held during July and August 2017 and the appointment of the South-East Area FLAG was made on 22 September 2017. The Sustainable Development Strategy was approved by Fisheries Division on 30 November 2017 to allow the Measure to open for applications in April 2018. A total of £5.39m public funding has been committed over 90 projects to date, with £3.0m committed during 2017-18.

Regulatory and Natural Resources Policy

The Department's Regulatory and Natural Resources Policy Division (RNRPD) is responsible for Better Regulation legislation, Natural Heritage policy, Air and Environmental policy, Water policy, Environmental Improvement schemes and the Carrier

Bag Levy. The Division continues to develop new policies, enact legislation and transpose European directives in these important areas.

Policy work continued on the development of a new environmental permitting regime for Northern Ireland governing waste, water, radioactive substances and pollution prevention and control. This project is a key element of the Regulatory Transformation Programme - an overarching strategy which is designed to deliver an innovative and streamlined regulatory system for the 21st century which supports sustainable growth and increases compliance.

In December 2017, DAERA received the “Making Ammonia Visible” report from the Expert Working Group on Sustainable Agricultural Land Management. This report was an annex to the group’s original strategy and made a series of recommendations on how Northern Ireland should address the requirement to mitigate ammonia and reduce its impact on sensitive environmental sites. DAERA has established a Project Board on Ammonia Reduction which is developing an Action Plan for Ammonia. This Action Plan will set out an approach which aims to;

- achieve tangible and sustained reductions in ammonia emissions from Northern Ireland farms;
- reduce the impact of ammonia via nitrogen deposition on nature and habitats, and in particular, designated sites;
- respond to each of the recommendations of the Expert Working Group in their Ammonia Annex;
- encourage uptake of ammonia mitigation measures on-farm; and
- highlight the impact of ammonia on human health, while noting the relevant uncertainties.

DAERA will be working closely with stakeholders in the development of this Plan and expect to issue a consultation on the Action Plan during 2018.

The EU Thematic Strategy on pesticides aims to minimise the risks to health and the environment from the use of pesticides. The final stage of the strategy is the implementation of a National Action Plan to meet the obligation under Article 4 of the Sustainable Use Directive. In 2016, the Health and Safety Executive, in conjunction with the other Devolved Administrations, set out to produce an updated National Action Plan to be published and sent to the European Commission. It is anticipated that the Action Plan will be published in 2018.

The Carrier Bag Levy published in August 2017 validated statistics that show in 2016-17 (Year 4 of the 5p levy), a reduction in bag numbers of 67% was achieved compared to the baseline figure of 300m in April 2013. The Department will publish validated Year 5 (2017-18) statistics in August 2018.

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RNRPD updated several key pieces of local environmental legislation in respect of the Water Framework Directive and the Drinking Water Directive. The new drinking water legislation (The Water Supply (Water Quality) Regulations (NI) 2017) consolidated a number of existing pieces of legislation and transposed Commission Directive (EU) 2015/1787.

The Water Supply (Water Quality) Regulations (NI) 2017 introduced new requirements for the protection of human health, with regard to the establishment of revised monitoring programmes, and the conduct of sampling and risk assessments. The legislation also covered other aspects of drinking water regulation, such as the use of treatment substances and processes and the provision of information by the water undertaker about the quality of drinking water.

Environmental Policy

The Department's Environmental Policy Division (EPD) is responsible for policy and legislation relating to waste and overarching greenhouse gas emissions.

An important element of the work of the Division is the transposition of European and UK environmental legislation into domestic law. This provides an up-to-date environmental policy and regulatory framework that meets our needs while satisfying our European and UK obligations.

Progress continues on a range of cross Departmental actions detailed in the current Northern Ireland Climate Change Adaptation Programme which was published in January 2014. Work has proceeded on the development of a second Adaptation Programme to address the climate change risks to NI identified in the most recent UK Climate Change Risk Assessment (CCRA2) which was laid in Parliament on 18 January 2017. During the year the Division put in place a new development and support services contract to support the work of Climate NI on adapting to climate change. Action continued in support of PfG Indicator 29 which includes a series of actions across most sectors that demonstrate reductions in greenhouse gas emissions. This was supported by the Cross Departmental Working Group on Climate Change mitigation sub-group. The Division also worked with the Department of Business, Energy and Industrial Strategy (BEIS) to provide input to the UK's Carbon Budgets. Again, working with BEIS, the Division has been involved in assessing proposals to close the Carbon Reduction Commitment scheme across the UK and to introduce new reporting arrangements. There has also been involvement with BEIS in considering the future of the EU Emissions Trading Scheme in light of Brexit.

In line with the DAERA's commitments on Air Quality, as contained in the draft Programme for Government under Outcome 2, the Department has completed a consultation on a draft Air Quality Strategy for Northern Ireland. The consultation will set out the current evidence and issues across a range of emission sectors e.g. transport and agriculture and pose a series of questions which will inform the final strategy.

The Department continued to deliver key aspects of the Northern Ireland Waste Management Strategy and actions supporting Outcome 2 of the draft Programme for Government with respect to Indicator 36 'Increasing household waste recycling'. Financial assistance of over £600k was provided to Waste and Resources Action Programme (WRAP), Keep Northern Ireland Beautiful and local Councils to support a range of activities including an Eco-Schools Food Waste competition, phase 2 of the NI Local Authority Waste Compositional Survey, a review of the household waste recycling centres and three behavioural change projects. The Department also worked in partnership with local councils and WRAP to deliver a second phase of food waste communications across Northern Ireland to reinforce the implementation of the Food Waste Regulations (Northern Ireland) 2015.

The requirement that all food businesses producing food waste present that food waste for separate collection came into operation on 1 April 2017 (The Food Waste Regulations (Northern Ireland) 2015). The Regulations also required food businesses to stop disposing of food waste via the sewer.

The Waste (Fees and Charges) (Amendment) Regulations (Northern Ireland) 2017 (SR 2017 No. 221) came into operation on 27 November 2017. They amend the Controlled Waste (Registration of Carriers and Seizure of Vehicles) Regulations (Northern Ireland) 1999 and the Waste Management Licensing Regulations (Northern Ireland) 2003. The purpose of the Regulations is to increase the fees and charges for processing registration of waste carriers, brokers and dealers as well as exempt waste activities.

The Waste Management Licensing (Amendment) Regulations (Northern Ireland) 2017 came into operation on 1 November 2017. They amend The Waste Management Licensing Regulations (Northern Ireland) 2003. The purpose of the Regulations is to update the offences to be regarded as prescribed offences.

The Producer Responsibility Obligations (Packaging Waste) (Amendment No. 2) Regulations (Northern Ireland) 2017, came into operation on the 1 January 2018. The Regulations amend the Producer Responsibility Obligations (Packaging Waste) Regulations (Northern Ireland) 2007, to set the individual recycling targets for paper, aluminium, steel and wood and the recycling targets for all packaging materials for the years 2018 to 2020.

In conjunction with Business, Energy and Industrial Strategy (BEIS), the Department is also consulting on how communities in Northern Ireland might be engaged, without commitment, on the consent-based decision-making process for the potential siting of a geological disposal facility for radioactive waste. The consultation closes on 19 April 2018.

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Northern Ireland Environment Agency (NIEA)

The strategic objective of the Agency is to achieve a clean, healthy environment, benefiting people, nature and the economy and this Outcome is linked to two of the draft Programme for Government Outcomes; *live and work sustainably by protecting the environment* and *create a place where people want to live and work, to visit and invest*.

The Agency seeks to achieve its aim in a variety of ways through regulation and enforcement, designation and management of sites, grant-aid schemes, management of countryside, monitoring programmes, and awareness raising measures. The Agency also provides scientific and technical advice to Government on the development of legislation and policy. The Agency publishes its own Annual Report and Accounts and a fuller explanation of its performance may be found there.

Sustainability Report

At the UN's Sustainable Development Summit in September 2015, world leaders adopted Transforming Our World: the 2030 Agenda for Sustainable Development which includes a set of 17 Sustainable Development Goals (SDGs) and 169 associated targets to end poverty, fight inequality and injustice and tackle climate change by 2030. The goals and targets came into effect on 1 January 2016 and cover a wide range of areas which cut across the work of all government Departments.

The Draft DAERA 2020 Strategic Plan recognises the cross-cutting nature of sustainable development, and it lists sustainable development and the UN's Sustainable Development Goals amongst its delivery mechanisms and functions.

Key sustainable development actions throughout DAERA are summarised as follows:

- The FBIS-Capital scheme, launched in October 2016 and worth £40 million in its initial phase, is part of a package of measures aimed at sustainable growth of the agriculture and horticulture industries. The scheme is being managed as two tiers, both of which prioritise investments aimed at improving on-farm efficiency and environmental outcomes. The objective of Tier 1 is to improve farm sustainability. It provides support for farmers and growers to invest in predefined off the shelf equipment and machinery. Tier 2 supports farm business transformation based on a robust, viable and sustainable business plan. All successful applications to Tier 2 (which may involve construction) are subject to an appropriate environmental assessment.
- In response to recommendations in the Sustainable Agricultural Land Management Strategy (SALMS) DAERA implemented, in line with its initial response, trial schemes in soil testing, soil analysis and scanning of agri land to identify areas prone to loss of nutrients. Approximately 3,000 farmers volunteered

for the schemes with 1,000 farmers selected. 20,000 samples (approx. 500,000 soil cores) were taken across Northern Ireland and in one water catchment area. The results of this work will be evaluated to inform future plans. These schemes were funded by the EU through its Exceptional Adjustment Aid programme. Scientific research projects to address other SALMS recommendations were also commissioned.

- Following receipt of the “Making Ammonia Visible” report from the Expert Working Group on Sustainable Agricultural Land Management in December 2017, DAERA established a Project Board on Ammonia Reduction which is developing an Action Plan for Ammonia.
- In 2012-2013 DETI and DARD (now DfE and DAERA) ran a successful Phase 1 competition under the Small Business Research Initiative (SBRI) to procure the development of solutions for environmentally and commercially sustainable solutions for using poultry litter.
- The competition was followed by two calls under the Sustainable Use of Poultry Litter (SUPL) Loan Scheme which offered support through loans up to 40% of capital costs for the building and operation of commercially viable demonstrator plants for processing poultry litter.
- Two Projects were successful under the SUPL Scheme. One plant is now operational and is expected to process approximately 40,000 tonnes of poultry litter per year using advanced and modified anaerobic digestion technology.
- The two new processing facilities will play an important role in helping the poultry sector to address an environmental challenge and meet the requirements of the EU Nitrates and Water Framework Directives.
- Through the enforcement of the Northern Ireland Cross-Compliance requirements for those in receipt of direct agricultural support (including Direct Payments), the Department contributed to maintaining land in good agricultural and environmental condition.
- The Department continues to contribute to improved water quality and better nutrient management through implementation of the Nitrates Action Programme (NAP) for the period 2015-2018 and the Water Framework River Management Plans.
- The Manure Efficiency Technology Scheme (METS) has supported better nutrient management, improved water quality in rivers and lakes, reduced chemical fertiliser usage resulting in lower greenhouse gas emissions, reduced ammonia emissions and odour from slurry spreading and improved air quality. METS has funded investment in over 307 spreading systems. In 2016-17, DAERA continued to provide financial support for METS equipment through the capital element of the Farm Business Improvement Scheme.

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- There was concluding work on the Northern Ireland Rural Development Programme (NIRDP) 2007-2013, which included significant investment in economic, environmental, social and industry competitiveness measures. This includes 585 ongoing participants in agri-environment programmes.
- There was initial roll out of the Northern Ireland Rural Development Programme 2014-2020 in line with the Europe 2020 strategic objectives of smart, sustainable and inclusive growth, incorporating action on climate change as a cross-cutting objective.
- DAERA's new agri-environment scheme, the Environmental Farming Scheme (EFS), opened for applications in 2017. As of March 2018 there are 1388 agreements in place from this application tranche. Further application tranches will open in 2018 & 2019, and DAERA plans to have 6,200 participants in EFS. It is one of the Department's largest schemes with a projected budget of £112m up to 2025. The EFS has been designed to address specific environmental needs, primarily related to biodiversity and water quality, and represents a new and enhanced approach to agri-environment scheme delivery.
- Official control programmes were implemented to ensure compliance with agri-food legislation in support of the competitiveness of the food and farming sectors.
- The Northern Ireland Regional Food Programme (NIRFP), which supports initiatives that raise the profile of quality regional food, was delivered. The programme encourages collaboration within the local agri-food supply chain to develop and expand profitable and sustainable markets.
- People development programmes, to ensure those entering, and already in, the agri-food industry have the competency to take forward the sustainable development of the sector continued.
- Forest Service continues to safeguard our plant health status in support of maintaining productive agricultural, horticultural and forest industries, and to protect the wider environment. In support of this in 2017 the Plant Health Directorate (PHD) published the Northern Ireland Plant Health Risk Register. The register identifies and prioritises for surveillance and action the highest threats to our plant health status. The register is available online to professional operators and the wider public and is maintained by the Northern Ireland Plant Health Risk Group (NIPHRG) composed of AFBI and Forest Service Plant Health Directorate staff. The NIPHRG collaborate closely with the rest of the UK Plant Health Service to better predict, plan and prepare for outbreaks of serious plant health pests. In support of this approach a revised generic Plant Health

Contingency plan was published by Forest Service in 2017. We continued to inspect and report on findings of *Hymenoscyphus fraxineus*, a fungal pathogen causing ash dieback disease. Evidence from our surveillance programme in 2016 has confirmed spread of the disease to Ash in the wider environment. Work is continuing to develop our policy and response with a range of stakeholders.

- A second phase of the Forest Expansion Scheme was launched under the 2014-2020 Rural Development Programme. In 2017 this resulted in 210 hectares of new woodland being created by 22 business owners, while 7 applications were received for replanting of 10 hectares affected by Ash dieback under the Forest Protection Scheme. In addition, 9 applications were authorised for replanting of 79 hectares under the Woodland Investment Grant.
- The development of long term management plans for fisheries in the Irish Sea continued by working with the UK Fisheries Administrations and the Commission, through Common Fisheries Policy reform and Marine Strategy Framework Directive (MSFD), to ensure more stocks are fished at Maximum Sustainable Yield (F_{msy}) each year and to get all stocks there by 2020 at latest.
- Roll out of the Greenhouse Gas Implementation Partnership's (GHGIP) updated 'Efficient Farming Cuts Greenhouse Gases Implementation Plan 2016-2020' is continuing. The plan sets out a pathway for the agriculture sector, with support from the Department, to achieve its sustainable growth ambitions, while delivering better environmental outcomes. It is focused on increasing the wider-scale implementation of efficiency measures to improve farm performance and reduce the carbon intensity of local food production. Support measures to facilitate this are signposted within the plan, including a number funded under the NIRDP 2014-2020. Further meetings of the GHGIP's sectoral sub-groups have also taken place.
- DAERA continued to progress actions to help the agriculture sector understand and manage the risks identified in the Northern Ireland Climate Change Risk Assessment. Adaptation support measures are available in the Rural Development Programme 2014-2020.
- The Department ensures that its procurement activity meets the best practice levels set out in the Department of Finance guidance on Equality of Opportunity and Sustainable Development in Public Sector Procurement.
- NIEA is actively involved in restoring the historic hydroscheme at Roe Valley Country Park to its former use. This site was the first Hydro Electric Power station in Northern Ireland which produced electricity from the 1890's to 1965. The restored scheme will produce a significant amount of electricity and reduce

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dependence on non-renewable fossil fuels. The scheme additionally aims to promote the industrial heritage and add educational and tourism value to the site. The hydroscheme was commissioned during March 2017 and is currently undergoing reliability and performance testing.

Departmental Knowledge Framework

The draft Knowledge Framework sets out the rationale for DAERA's involvement in education, training and technology exchange provision, what the Department seeks to achieve and the nature of its interventions. The draft Framework maintains that the DAERA's involvement in education, knowledge and skills, innovation and technology transfer should be driven by policy objectives and strategic goals and that wherever possible, encouraging knowledge and skills should be included within all of DAERA's work.

The Framework is a high level, succinct document that incorporates a set of principles. It aims to ensure that individuals, organisations, and businesses within the agri-food industry have access to high quality, relevant and accessible education, training and technology exchange to improve productivity, resilience, environmental performance and sustainability.

A public consultation took place in January/February 2017 for a six week period. A total of 26 responses were received from a range of stakeholders. The responses received have been summarised and a draft Departmental response prepared. The revised draft Framework reflects this response. It has been agreed by DAERA Departmental Board, but awaits Ministerial approval.

A high level Programme Management Board, including representation from the Department of Economy has been established to direct implementation. The Board will oversee a number of work streams in line with the key principles of the Framework.

College of Agriculture, Food and Rural Enterprise

The College of Agriculture, Food and Rural Enterprise (CAFRE) continues to deliver Knowledge Transfer programmes across the agri-food industry to people entering (students) and people within the industry. The programmes are delivered on a part-time and full-time basis across the disciplines of agriculture, horticulture, food, equine and agri-food business. During 2017-18 Knowledge Transfer programmes were delivered to over 10,700 people.

For people wishing to enter the agri-food industry, CAFRE offers 53 higher and further education programmes with over 1,600 students enrolled in the 2017-18 academic year. In 2017 800 students graduated with a qualification at Level 2 or above. The courses range from Level 2 apprenticeship programmes, delivered on a part-time basis, to

full-time Degree and Masters programmes offered in partnership with Queens University Belfast and Ulster University.

Knowledge Transfer Programmes are also offered to people who are already employed in the agri-food industry. In addition to training which helps farmers and growers meet their legislative obligations, CAFRE delivers two of the knowledge transfer elements of the Farm Business Improvement Scheme (FBIS) namely Business Development Groups (BDGs) and Farm Family Key Skills (FFKS). These are funded through the Rural Development Programme (2014-2020).

By 31 March 2018, 3,049 farmers and growers had enrolled on 153 Business Development Groups (BDGs) which provide a training forum that allows sharing of knowledge (peer learning) with the aim of improving technical efficiency and profitability of businesses. The key objectives of the programme are that participants benchmark business performance, identify areas for improvement, complete individual business development plans and then adopt the latest knowledge and technology to improve business performance. Good progress has been made and by 31 March 2018, 2,997 business development plans had been prepared, 1,279 enterprises were benchmarked and 2,063 technologies were adopted.

By 31 March 2018, 2,455 farmers had participated in Farm Family Key Skills training programmes since the programme began in 2016. FFKS offers a range of courses in business planning, first aid, animal health and health and safety.

CAFRE also offers business development planning and training opportunities to the NI food industry, and by 31 March 2018, 2,179 people had received training, 411 people had gained a qualification at Level II or above, 285 businesses had prepared a business development plan and 199 businesses had adopted technologies.

During 2017-18, the decision was taken by DAERA to develop a single point of contact for all knowledge transfer programmes, based at CAFRE. The new Knowledge Advisory Service (KAS) will be established in April 2018 and will deliver proactive knowledge transfer programmes incorporating environmental, business and technical performance across the agri-food industry. The KAS is linked to policy objectives across all land-based disciplines and aims to enhance knowledge, drive forward innovation, improve resilience and develop environmental performance.

Protecting Against Emergencies

DAERA is responsible for protecting against outbreaks of animal, fish, and plant disease and has a key role in responding to Food and Feed Safety emergencies. DAERA is also, through the Northern Ireland Environment Agency (NIEA), the lead government Department on Chemical, Biological, Radiological and Nuclear (CBRN) planning and preparedness. During 2017-18 the Major Emergency Response Plan was revised.

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Business Areas that are involved in emergency planning activities have contingency plans in place which are maintained, updated and tested on a regular basis. A number of exercises were conducted during 2017-18 to test key communication and co-ordination aspects of contingency plans which included epizootic disease outbreak preparedness, two foot and mouth disease exercises, the Northern Ireland Coastal Contingency Plan, an All Island Milk Contingency exercise and a Plant Health exercise.

Human Rights

The Department is committed to respecting human rights. We aim to ensure that the services we provide and the activities that we undertake have a positive impact on society. DAERA complies with Section 75 statutory equality obligations and all aspects of its Equality Agenda in the delivery of policy and delivery of services.

Anti-Corruption and Bribery

In line with the principles of the Northern Ireland Civil Service Code of conduct, the Department is committed to maintaining high ethical standards. DAERA does not tolerate fraud, bribery any form of corruption or any illegal or unethical activity. Financial Policy Branch has responsibility for leading on Counter Fraud related matters within the Department. The Department's Principal Accounting Officer established the Departmental Counter Fraud Forum (CFF) as a sub-committee of the Audit and Risk Assurance Committee (ARAC). The role of the Counter Fraud Forum, which includes representation from the Agency, is to oversee, promote and provide guidance in relation to all Departmental activities associated with the prevention and detection of fraud.

Complaints Handling

DAERA is committed to providing the highest possible standards of service to all its customers, and has published core standards of service that customers can expect to receive. Central to these is the facility for customers to lodge formal complaints if things go wrong.

The Department has been operating its current complaints procedures since 1 February 2017.

Information explaining to members of the public how to lodge a complaint with the Department is available in DAERA Direct and other front facing offices. It can also be found on the DAERA website. Complaints can be made in person, by letter, by e-mail, by telephone, by text phone or through the DAERA website.

Information relating to number and type of complaints received across the Department is collated annually and an annual report is submitted to the Departmental Top Management Team, highlighting any trends in the type of complaints being made and the learning applied by Business Areas to ensure these do not re-occur.

There were 35 new complaints relating to quality of service received by the Department in 2017-18. Of these 8 were escalated to step two by the end of March 2018. The Department will publish a breakdown of the levels and categories of complaints received during 2017-18 on its website during the 2018-19 business year.

Payment of Suppliers

The Department is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payers Code and British Standard BS 7890: "Achieving Good Payment performance in Commercial Transactions". Unless otherwise stated in the contract, payment is due within 30 days of receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is later. During 2017-18, 96.37% of DAERA bills were paid within this standard (the 2016-17 DAERA figure was 94.46%).

From 1 December 2008, the Department has operated a policy of paying for goods and services within 10 working days. This is in accordance with the "Supporting Businesses: Prompt Payment of Invoices" initiative within the Northern Ireland Civil Service. All Business areas have been informed of the policy and are committed to carrying it out. During 2017-18, 91.23% of DAERA bills were paid within the 10 day target (the 2016-17 DAERA figure was 86.87%).

The Department continues to work closely with Account NI Shared Service Centre and DAERA business areas to improve the payment of supplier's performance.

The Department's payment performance for 2017-18 is available at the following link:

<https://www.finance-ni.gov.uk/publications/nics-prompt-payment-tables-2017-18>

Annual Report and Accounts for the year ended 31 March 2018

Financial Performance 2017-18

Departmental Expenditure Limit (DEL) Outturn against Budget

The Department had a DEL Final Resource Budget of £184.1m and Final Capital Budget of £38.9m for 2017-18. Table 1 shows the outturn against budget for the past 3 years. The reduction in budget for the 2017-18 reflects the reduced CAP disallowance requirement of £26.4m.

The Department's 2017-18 Business Plan Strategic Outcome 4 Target 5 is:

“Provisional Resource and Capital outturn to be between 99% and 100% of Final Budget for 2017-18.”

On **Resource DEL** there is a £0.23m (0.13%) underspend against a budget of £184.1m. On **Capital DEL** there is a £0.10m (0.25%) underspend against a budget of £38.9m. This equates to a **Total DEL** underspend of £0.33m (0.15%) of the Total DEL budget of £223.0m.

This is very good performance given the financial challenges DAERA faced in 2017-18 including managing the sharp rise in TB Compensation and the significant uncertainties around Capital funding.

Table 1: Resource and Capital DEL Outturn Compared to Budget 2015-16 to 2017-18

	2015-16 £'m	2016-17 £'m	2017-18 £'m
Resource DEL budget	226.2	216.0	184.1
Resource DEL outturn	226.0	215.9	183.9
Underspend	0.2	0.1	0.2
Capital DEL budget	30.9	38.8	38.9
Capital DEL outturn	30.8	38.7	38.8
Underspend	0.1	0.1	0.1

Annually Managed Expenditure (AME) Outturn against Budget

Particular areas of departmental expenditure are more volatile and difficult to forecast with accuracy beyond a 12 month period. Such items are budgeted for as AME, with the Department having a Final AME Budget of £22.9m. The Provisional AME Outturn of (£8.4m) resulted in an underspend of £31.3m which was mainly due to the reduction in the CAP Disallowance provision (£12.0m) and the upward revaluation of Forest Service biological assets (£14.1m).

Final Outturn against Estimate

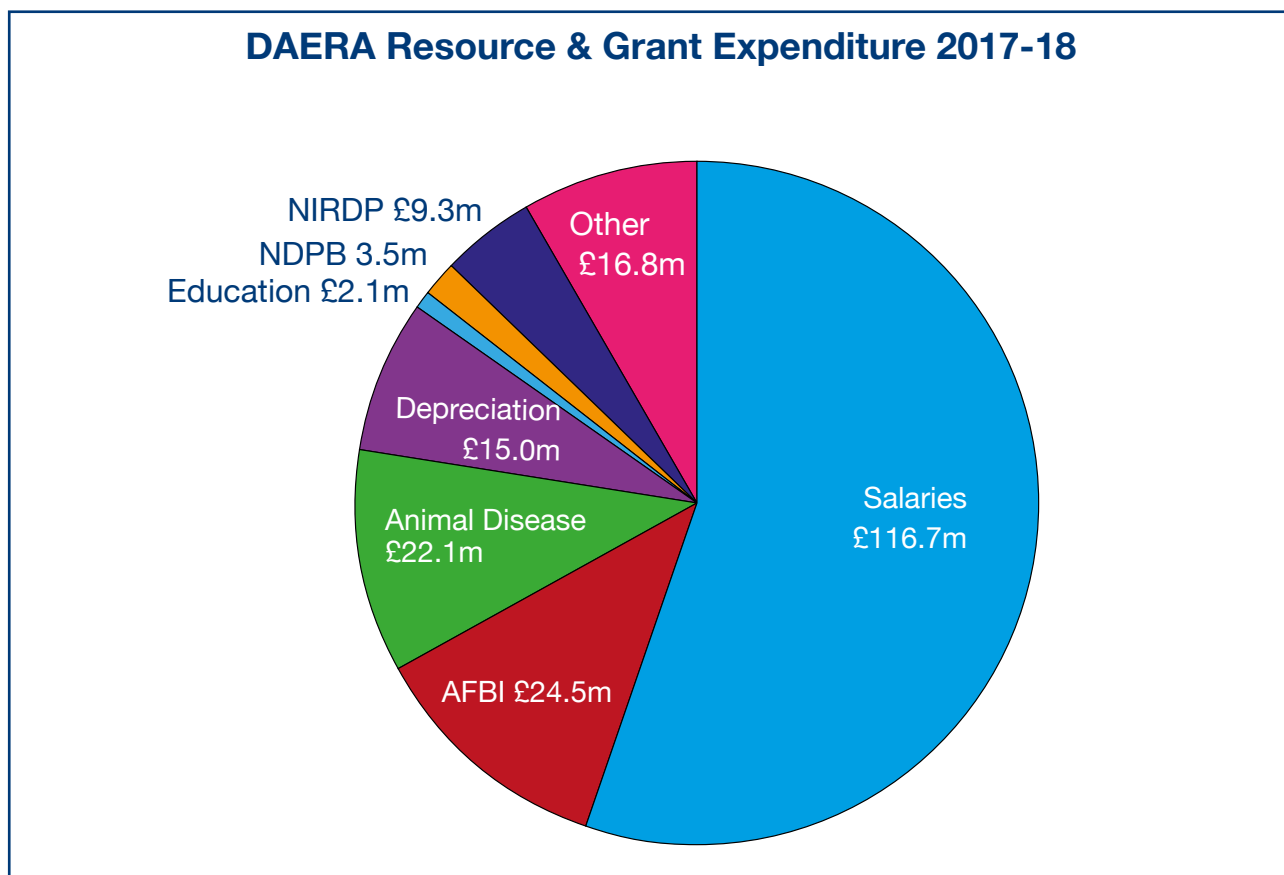
The Department's analysis of net resource outturn by function against the Supply Estimate is detailed at the SOAS1 on page 102. The underspend of £43.6m is mainly due to movements in provisions as a result of CAP disallowance and upward revaluations of Forest Service assets.

Net Cash Requirement

The Department's net cash requirement outturn was £242m against an estimate of £246m.

Expenditure Analysis and Trends

Figure 1 - DAERA Resource and Grant Expenditure 2017-18



Notes

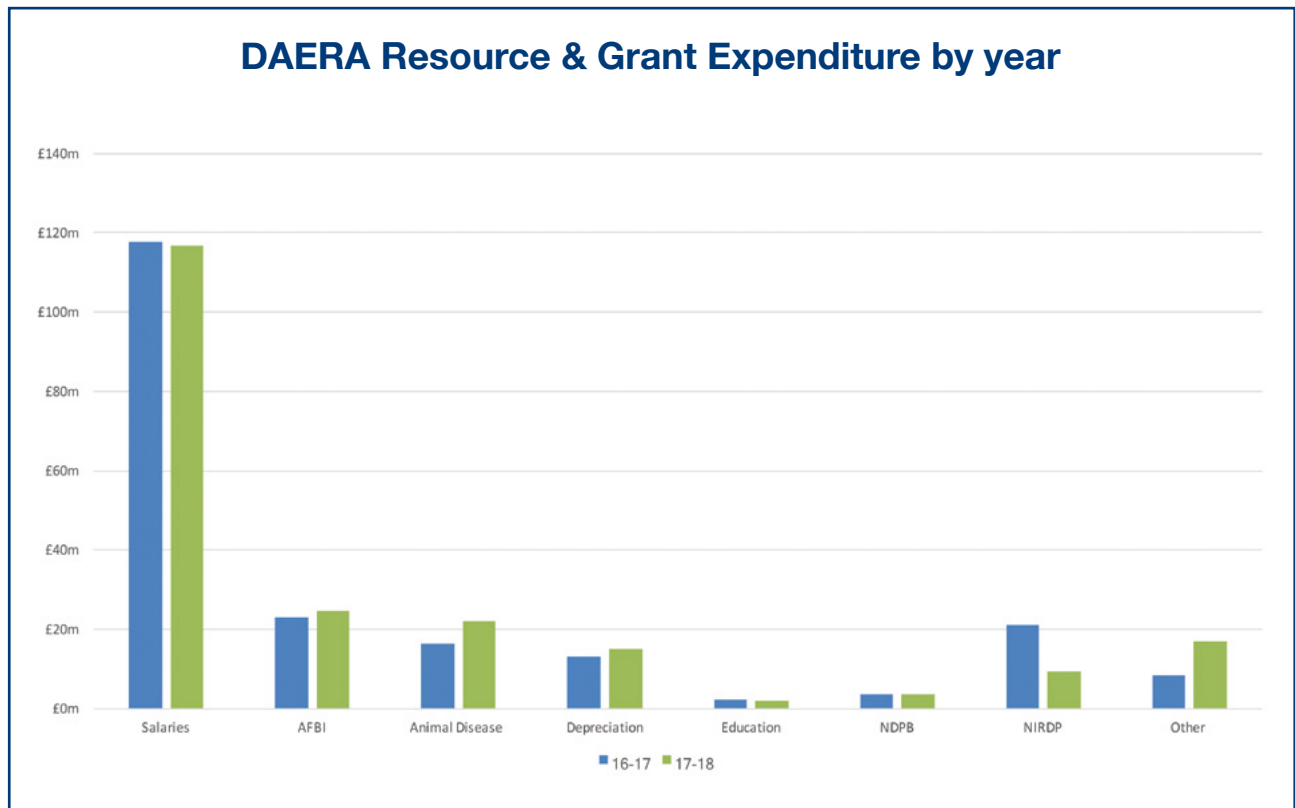
CAP disallowance represents a reduction of £26.2m in the 2017-18 financial year and as such is not reflected in Figure 1. Single Farm Payment/Basic Payment Scheme, Young Farmers and Greening is fully funded by the European Commission, therefore spend of £309m has been offset by the EU income and is not reflected in Figure 1. NIRDP and Other Grants are partially funded by the European Commission, therefore spend is shown net of EU income in Figure 1.

Annual Report and Accounts for the year ended 31 March 2018

Departmental Expenditure

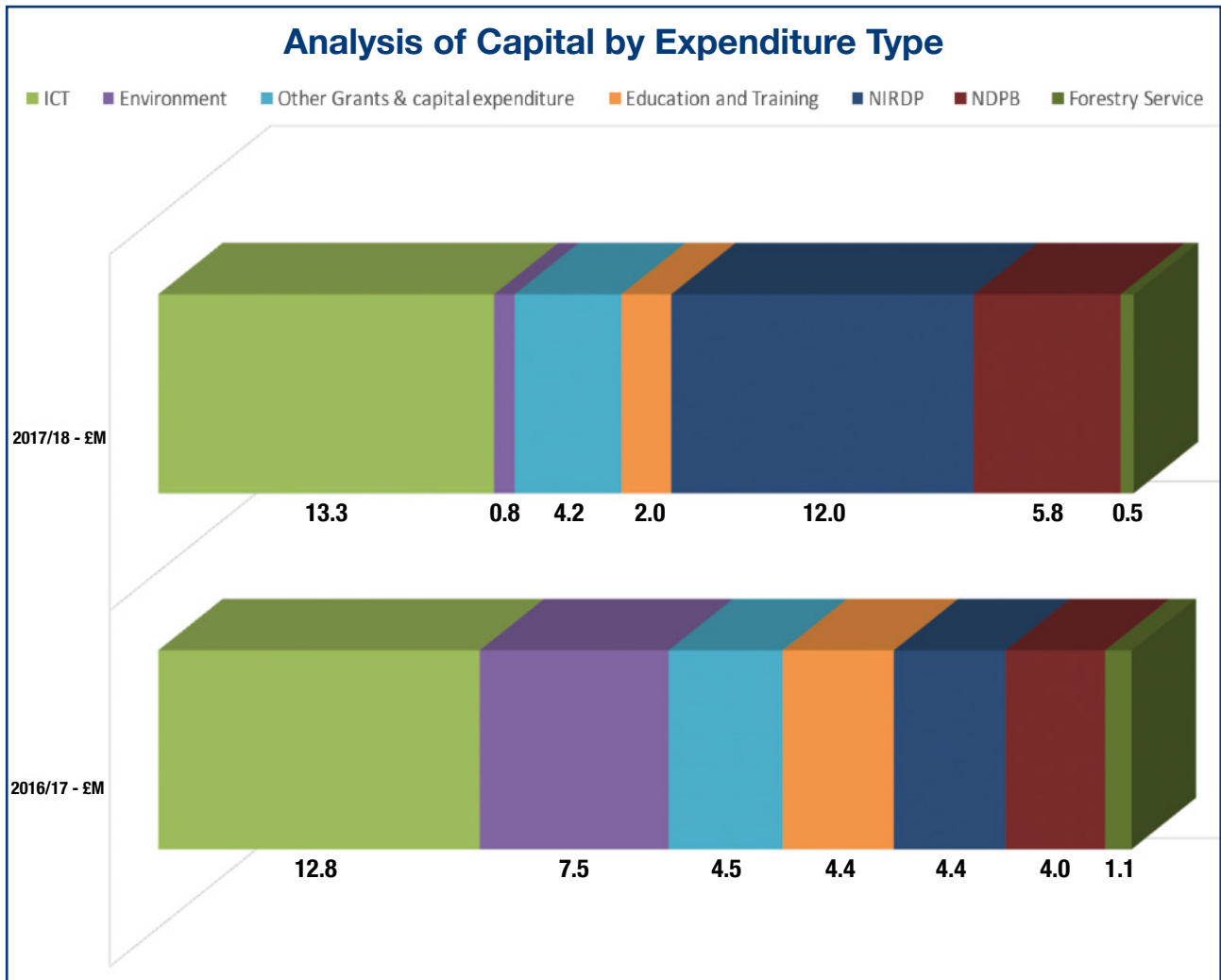
The diagram below highlights the main areas to which the Department allocated resource funding over the past two year. NIRDP funding is shown net of EU funds.

Figure 2 - DAERA Resource and Grant Expenditure from 2016-17 to 2017-18



During the year the Department employed 2,967 (2016-17: 2963) of full time equivalent staff at a cost of £117.2m (2016-17: £118m). Transfers out of the Department included HR and Internal Audit staff who moved to DoF as part of the centralisation of these functions. This was offset by an increase in staff required to deal with the requirements of Brexit. Whilst staff numbers increased marginally the reduction in costs was due to an increase in the capitalisation of staff costs, and vacancies resulting from relocation being filled by newly promoted staff who are lower down the pay scale. Animal disease and testing costs rose due to the increase in testing of animals and incidents of disease than in the previous year. NI Rural Development Programme national costs have fallen as a result of a reduction in the level of Area of Natural Constraint payments made as the 2017-18 year was the final year of the scheme and the levels of funding were reduced.

Figure 3 - DAERA Capital and Capital Grant from 2016-17 to 2017-18



Notes

NIRDP and Other Grants are partially funded by the European Commission, therefore spend is shown net of EU income in Figure 3.

Annual Report and Accounts for the year ended 31 March 2018

Reconciliation of Resource expenditure between Estimates, Accounts and Budgets

DAERA Resource Allocation	2017-18 £'000
Net Resource Outturn (Estimates)	208,870
Less Capital donations income in the Consolidated Statement of Comprehensive Net Expenditure	-
Other adjustments (Unrealised exchange gain)	(131)
Net Operating Cost (Accounts)	208,739
Less Capital Grants	(21,929)
Less European Union Income related to capital grants	6,207
Less notional inter-departmental charges	(17,376)
Less non-budget grants payable to NDPBs	(36,118)
Less non-voted expenditure that is outside the Resource Budget	131
Add NDPB Resource Expenditure	35,545
Resource Budget Outturn	175,199
Of which:	
Departmental Expenditure Limit (DEL)	183,886
Annually Managed Expenditure (AME)	(8,687)

Budget 2018-19

On 8 March 2018 the Secretary of State for Northern Ireland confirmed the opening budget allocations for the Department. This included for DAERA, a Resource DEL allocation of £194.1m, a Depreciation allocation of £18.0m and a Capital allocation of £77.6m. The Resource position represented an additional allocation of £4.1m on the 2017-18 budget allocation, and when inflation is taken into account, equated to a 0.6% increase in real terms.

Against the backdrop of the significant additional investment to both the Departments of Health and Education, these allocations were regarded as a positive outcome as they will enable the Department to maintain existing customer service levels.

More specifically, the increase in the Resource baseline will allow the Department to continue to provide the same level of funding for vital services delivered through the Rural

Annual Report and Accounts for the year ended 31 March 2018

Development Programme, Tackling Rural Poverty and Social Isolation schemes and the Environment Fund. These funds provide significant value to rural communities and wider environmental benefits to the people of Northern Ireland.

In addition, the Capital allocation will allow the Department to take forward major investment projects such as: the LEADER element of the Rural Development Programme (£16.2m), which aims to promote social inclusion, poverty reduction and economic development in rural areas; the Capital element of the Farm Business Improvement Scheme (£12.8m), which is in response to a recommendation contained within the Executive approved 'Going for Growth' strategy for the agri-food sector; and the Digital Transformation Programme (£12m) which is essential to support service delivery and will be highly visible to customers whose experience will be placed centre stage.

As part of DoF's 'Post Budget' exercise there were also a range of adjustments with that Department which amended the opening Resource baseline to £192.3m, the opening Depreciation baseline to £22.8m and the opening Capital baseline to £76.6m.

The tables below summarise the Department's opening Net Resource and Net Capital budget allocations which may be subject to some change in-year as part of the usual Public Expenditure process.

DAERA Indicative Resource Allocation	2018-19 £'000
Administration Expenses	42,226
Administration Receipts	(496)
Other Resource Expenses (including CAP)	517,425
Other Resource Receipts (including CAP)	(366,810)
Non Ring-fenced Resource DEL	192,345
Administration Non Cash	7,602
Other Resource Non Cash	15,189
Ring-fenced Resource DEL	22,791
NET RESOURCE DEL	215,136

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DAERA Indicative Capital Allocation	2018-19 £'000
Capital	45,464
Capital Receipts	(10,263)
Capital Grant	75,765
Capital Grant Receipts	(34,320)
NET CAPITAL DEL	76,646

Budgetary Outlook

Work on the Budget 2019-21 exercise will continue throughout 2018-19. Given the current economic outlook, further Resource budget reductions are anticipated over this period as well as cumulative inflationary pressures. Brexit will also have a significant impact during this period in terms of the funding the Department will receive and the systems and processes that will have to be adopted to disburse this funding in a compliant manner.

On Capital there is an ongoing need to invest in DAERA's programmes, IT systems, research and development and ageing estate. Whilst there have been comparatively low levels of Capital investment in the past, the Department will be seeking for this to be addressed over the short to medium term.

Therefore the Department will have to critically assess how future services can be delivered to citizens within a declining Resource budget. It will also have to ensure that Capital is invested which maximises benefits across the above key areas. Consequently, there will be significant financial challenges over this period.



Dr. Denis McMahon
Accounting Officer
Department of Agriculture, Environment and Rural Affairs
28 June 2018

ACCOUNTABILITY REPORT

Corporate Governance Report

Director's Report

Departmental Accounting Boundary

DAERA is a devolved Government Department in the NI Executive. It has operated in the absence of a Minister since 3 March 2017.

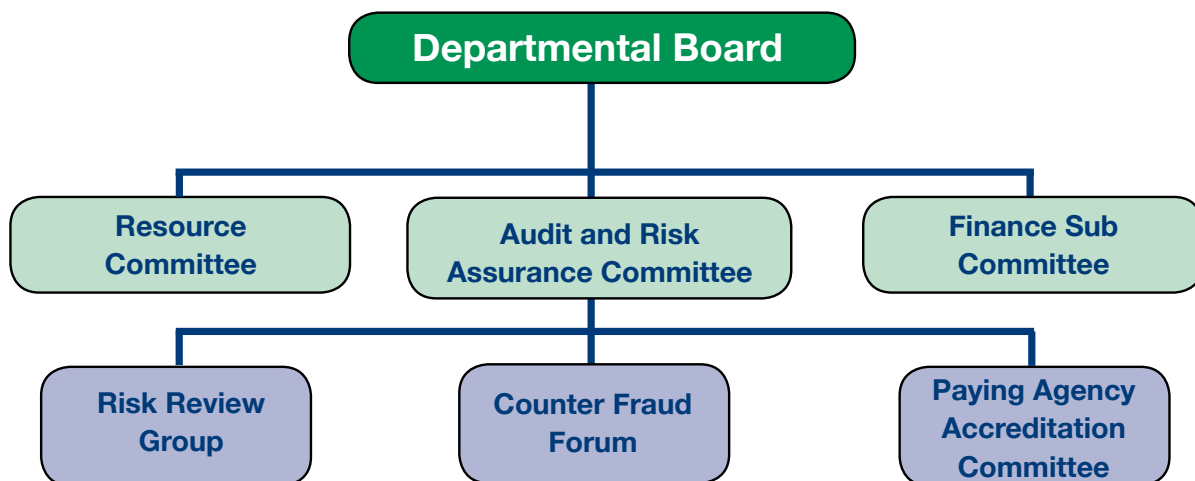
The Permanent Secretary, Dr. Denis McMahon, as Principal Accounting Officer, is responsible for the overall operation and performance of the Department.

The Chief Executive of the Forest Service is the Agency's Accounting Officer, through the Principal Accounting Officer, for the Agency's performance and operations.

The Chief Executive of the Northern Ireland Environment Agency is the Agency's Accounting Officer, through the Principal Accounting Officer, for the Agency's performance and operations.

DAERA's Accounts for the financial year ended 31 March 2018 comprise a consolidation of the income and expenditure, assets and liabilities of those entities falling within the Departmental Resource Accounting boundary, being the Core Department, Forest Service and NIEA.

Corporate Governance Structure



Annual Report and Accounts for the year ended 31 March 2018

Departmental Board

The Department is headed by its Permanent Secretary, who in 2017-18 was supported by a Departmental Board (DB) of seven senior DAERA officials, NICS HR Strategic Business Partner and one Non-Executive Board Member (NEBM). The Board meets at least ten times a year to discuss Departmental business at a strategic level. During 2017-18, the composition of the Board was as follows:

Mr N Lavery	Permanent Secretary (01 April 2017 - 18 February 2018).
Dr. D McMahon	Permanent Secretary (19 February 2018 - 31 March 2018).
Ms L Warde Hunter	Senior Finance Director/Central Services and Rural Affairs Group (responsible for Digital Services Division; Corporate Services Division; Finance & Estates; Relocation & Change; Rural Affairs) (from 01 April - 24 April 2017).
Mr C Lewis*	Senior Finance Director/Central Services and Rural Affairs Group (responsible for Digital Services Division; Corporate Services Division; Finance & Estates; Relocation & Change; Rural Affairs) (from 24 April 2017- 31 March 2018).
Mr. D Small	Environment, Marine and Fisheries Group (responsible for Northern Ireland Environment Agency; Environmental Policy; Regulatory & Natural Resources; Marine & Fisheries Division).
Mr R Huey	Chief Veterinary Officer (responsible for Veterinary Service and Animal Health Group).
Mr N Fulton	Food and Farming Group (responsible for the College of Agriculture, Food & Rural Enterprise (CAFRE); CAP Policy Economics & Statistics; Food & Farming Policy; Science Evidence & Innovation Policy; EU Area Based Schemes).
Mrs G Fee**	Director of Corporate Services (01 April 2017 - 28 February 2018).
Mr B Doherty	Director of Corporate Services (from 01 March 2018 - 31 March 2018).
Mr D Reid	Finance Director.
Mrs J Fullerton	Senior Human Resource Business Partner (Northern Ireland Civil Service HR).
Mr D Russell	Non-Executive Board Member (01 April 2017 - 31 January 2018).
Mrs S McCue	Non-Executive Board Member (from 01 January 2018 - 31 March 2018).

*Colin Lewis was unavailable as a Board Member for a period of approximately 3 months. During that period his role as Director of CSRAG was temporarily covered by (i) Geraldine Fee and (ii) Graeme Wilkinson.

**While covering the role of Director of CSRAG; Geraldine Fee's role of Director of Corporate Services was covered by Joe Cassells.

Interests of Board Members

None of the Departmental Board Members have any significant interests which conflict with their management responsibilities. Full details of interests are given in Note 20 to the Accounts.

Board Committees

The Board has established the Audit and Risk Assurance Committee (ARAC), the Finance Sub Committee, the Change Management Board (CMB) and the Resource Committee to oversee and provide advice on specific areas of work. The CMB was stood down in June 2017.

Further details on the role of the Board and its sub committees are available within the DAERA Corporate Governance Framework.

The Department's corporate governance framework is available via the following link:

<https://www.daera-ni.gov.uk/publications/corporate-governance-framework-2>

Departmental Reporting Cycle

DAERA's Public Expenditure proposals are considered as part of the Northern Ireland (NI) Budget process, the outcome of which is contained within the Budget document published by the Department of Finance (DoF).

More detailed information in relation to the annual resource and cash requirements is contained within the Main Estimates document published by DoF.

<https://www.finance-ni.gov.uk/topics/finance/main-and-supplementary-estimates>

Security of Personal Data

The security of our business information assets and our IT Systems is an extremely important issue for the Department and involves everyone and anyone who works for, or with, the Department in any capacity. DAERA has published an Information Security Policy which describes the guiding principles that must be applied in this context. A complimentary set of Information Security Standards provides business areas with information and

Annual Report and Accounts for the year ended 31 March 2018

guidance on how these principles should be implemented. The Department's Annual Report and Governance Statement reflect that necessary controls are in place to safeguard information assets; that when information assets are shared or disposed of as no longer necessary, that this is done safely and securely; that necessary controls are in place to deal with any information loss incident; and that staff and contractors are appropriately trained.

Should such an incident occur, each business area in DAERA has an Information Asset Register in place, and a Data Breach Management Plan and assurances are sought that these are reviewed and tested annually.

DAERA has appointed a network of Information Asset Owners (IAO) to take responsibility for key information assets within the Department and Information Management Branch has provided training to each of the IAOs outlining their role and responsibilities with regard to the confidentiality, integrity and availability of the information they hold, the reporting structure in which they operate and the kind of precautions that they need to put in place in order to prevent information loss occurring and how to handle an information loss should it occur. This is augmented by the regular issue of newsletters and advisory documents. These IAOs report through the Senior Information Risk Owner to the Accounting Officer.

There were no breaches of data security or unauthorised releases of data in Financial Year 2017-18 that needed to be reported to the Information Commissioner.

Departmental Auditor

The financial statements are audited by the Comptroller and Auditor General (C&AG), Mr K Donnelly, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. He is Head of the Northern Ireland Audit Office (NIAO). He and his staff are wholly independent of the Department, and he reports his findings to the Northern Ireland Assembly.

The audit of the financial statements for 2017-18 resulted in a notional audit fee of £126,750. This is included in non-staff administration costs in the Consolidated Statement of Comprehensive Net Expenditure.

The NIAO also undertakes the audit of DAERA's (an accredited Paying Agency) European Agricultural Funds Accounts. NIAO acts as part of a UK consortium of audit bodies that undertakes the work of the UK Certification Body for the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) Accounts of the UK.

The C&AG may also undertake other statutory activities that are not related to the audit of the Department's financial statements. These include the preparation of Value for Money

Annual Report and Accounts for the year ended 31 March 2018

(VFM) studies, which report to the Assembly on the economy, efficiency and effectiveness with which the Department's financial resources have been used.



Dr. Denis McMahon
Accounting Officer
Department of Agriculture, Environment and Rural Affairs
28 June 2018

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act (NI) 2001, DoF has directed the Department of Agriculture, Environment and Rural Affairs to prepare for each financial year, resource accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department of Agriculture, Environment and Rural Affairs and of its net resource outturn, application of resources, changes in taxpayers' equity, and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual (FReM)* and in particular to:

- observe the Accounts Direction issued by DoF, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *FReM* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going-concern basis.

DoF has appointed the Permanent Head of the Department as Accounting Officer of the Department of Agriculture, Environment and Rural Affairs. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department of Agriculture, Environment and Rural Affairs' assets, are set out in the Accounting Officers' Memorandum issued by DoF and published in *Managing Public Money Northern Ireland (MPMNI)*.

Disclosure to Auditor

So far as I am aware, as Accounting Officer, there is no relevant audit information of which the Department's auditors are unaware; and, as Accounting Officer, I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and establish that the Department's auditors are aware of that information.

I can confirm that I take personal responsibility for this annual report and accounts and that it is fair, balanced and understandable.



**Dr. Denis McMahon
Accounting Officer
Department of Agriculture, Environment
and Rural Affairs
28 June 2018**

Annual Report and Accounts for the year ended 31 March 2018

Governance Statement

This is the Annual Governance Statement for the Department of Agriculture, Environment and Rural Affairs (DAERA) as required by DAO (DFP) 10/12 Requirement to Complete a Governance Statement. This Statement sets out the governance, risk management and internal control arrangements that have operated in the Department from 1 April 2017 to 31 March 2018.

DAERA operates in compliance with the guidance set out in the “Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013”.

As Accounting Officer for DAERA, I have responsibility for maintaining a sound system of internal control that supports the achievement of DAERA policies, aims and objectives, whilst safeguarding public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money NI (MPMNI).

The Department also regards its Agencies and Non-Departmental Public Bodies (NDPBs) as partners, although these latter bodies are in practice Arm’s Length Bodies underpinned by strict accountability arrangements. During the year, in line with best practice, I have reviewed DAERA’s governance and accountability arrangements to remedy any shortcomings highlighted through reports from the Northern Ireland Audit Office (NIAO), Public Accounts Committee (PAC) and my own Internal Audit Branch and Audit and Risk Assurance Committee.

The Northern Ireland Assembly was dissolved from 26 January 2017 with an election taking place on 2 March 2017, on which date Ministers ceased to hold office. An Executive was not formed following the 2 March 2017 election. As a consequence, the Northern Ireland Budget Act 2017 was progressed through Westminster, receiving Royal Assent on 16 November 2017, followed by the Northern Ireland Budget (Anticipation and Adjustments) Act 2018 which received Royal Assent on 28th March 2018. The authorisations, appropriations and limits in these Acts provide the authority for the 2017-18 financial year and a vote on account for the early months of the 2018-19 financial year as if they were Acts of the Northern Ireland Assembly.

Governance Framework

The Governance Framework, which includes the system of internal control, is designed to manage the Department’s risks to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. A system of internal control has been in place for the year ended 31 March 2018, and up to the date of approval of the Annual Report & Accounts, in accordance with HM Treasury and DoF guidance.

The Chief Executives of the Northern Ireland Environment Agency (NIEA) and Forest Service were Agency Accounting Officers during the past year, and were directly responsible to me, in the absence of a Minister, for their respective Agency's performance and operations during the year.

Additional assurance is obtained through a formal Governance Reporting process. Stewardship Reports are provided by individual business areas, including those which sponsor Arm's Length Bodies. The Stewardship Reporting process is monitored by Finance Division and Internal Audit; any issues of significance are highlighted in the Stewardship Reports and reported to the Audit & Risk Assurance Committee (ARAC). I also received Certificates of Assurance from Senior Officers, providing me with their assurances and reporting any significant issues of internal control, between the mid and year-end reports.

Departmental Board

As Accounting Officer, I am supported in the discharge of my role and responsibilities by the Departmental Board (DB) of eight senior officials, and up to two Independent Non-Executive Board Members (NEBMs). The Board, which operates within the guidelines set out in the "Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013", supports, and is accountable to, the Minister and is chaired by me, as the Department's Permanent Secretary.

The independent members of the Board are considered to be independent in character and judgement. Any potential conflict of interest for all Board members, including independent members, is notified to NICS HR (copied to the Principal Accounting Officer and Board Secretariat).

Conflict of Interest

During 2017-18, no declared interests were deemed to conflict with the overall conduct of Board business. Members have undertaken to excuse themselves from participation if potential conflicts of interests arise during normal course of business. During 2017-18 there was one incident where a member had to excuse himself from proceedings.

The Board meets at least ten times a year to discuss Departmental business at a strategic level. Details of the Board membership, responsibilities and attendance at meetings are as follows.

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Attendance of Board Members		Meetings Attended (11)
Mr N Lavery	Permanent Secretary.	9/9
Dr. D McMahon	Permanent Secretary.	2/2
Mr C Lewis*	Senior Finance Director/Central Services and Rural Affairs Group (responsible for Digital Services Division; Corporate Services Division; Finance & Estates; Relocation & Change; Rural Affairs).	6/9
Mr G Wilkinson	Acting Deputy Secretary, Central Services and Rural Affairs Group.	1/1
Mr D Small	Environment Marine and Fisheries Group (responsible for Northern Ireland Environment Agency, Environmental Policy; Regulatory & Natural Resources; Marine & Fisheries Division).	10/11
Mr R Huey	Chief Veterinary Officer (responsible for Veterinary Service and Animal Health Group).	11/11
Mrs G Fee**	Director of Corporate Services.	9/10
Mr B Doherty	Director of Corporate Services.	1/1
Mr J Cassells	Acting Director of Corporate Services.	1/1
Mr N Fulton	Food and Farming Group (responsible for the College of Agriculture, Food and Rural Enterprise - CAFRE; CAP Policy Economics & Statistics; Food & Farming Policy; Science Evidence & Innovation Policy; EU Area Based Schemes).	8/11
Mrs J Fullerton	Senior Human Resource Business Partner (Northern Ireland Civil Service HR).	10/11
Mr D Reid	Finance Director.	10/11
Mr D Russell	Non Executive Board Member.	8/8
Mrs S Cue	Non Executive Board Member.	3/3

*Colin Lewis was unavailable as a Board Member for a period of approximately 3 months. During that period his role as Director of CSRAG was temporarily covered by (i) Geraldine Fee and (ii) Graeme Wilkinson.

**While covering the role of Director of CSRAG; Geraldine Fee's role of Director of Corporate Services was covered by Joe Cassells.

Roles and Responsibilities of the Board

The Board will assist the Permanent Secretary to meet his corporate governance responsibilities for the Department by discharging the following roles:

- provide strategic clarity for the Department, including its mission, vision, values and strategic objectives and oversee the implementation of the Department's strategic and business plans, including its contribution to the NI Executive's Programme for Government, Budget, and Investment Strategy;
- oversee performance and risk management of the Department's Arm's Length Bodies;
- ensure sound financial management is in place and scrutinise the allocation of financial and human resources to achieve strategic objectives;
- ensure clear, consistent, comparable performance information is used to drive improvements; and monitor and steer performance against plans;
- set the Department's appetite for risk and ensure transparent, prudent and effective controls are in place to manage risk;
- ensure the Department has the capability to plan and to deliver to meet current and future needs; and
- take responsibility for propriety, regularity and value for money of public finances and safeguard the Department's assets.

The main areas of responsibility for the Board are:

- signing off Budget submissions and Monitoring Round submissions to DoF;
- initial internal allocation of running costs and programme monies;
- agreement of capital projects, acquisitions and disposals above £1m;
- agreement of the Risk Management Strategy, Counter Fraud Strategy and the assurance system underpinning the Governance Statement; and
- taking an overview in respect of the senior management structure of the Department.

Review of Board Effectiveness

The Board Operating Framework commits the Board to an annual review of its performance. This commitment is in line with DoF's "Corporate governance in central government Departments: Code of good practice NI (2013)" which states:

"The Board should ensure that arrangements are in place to enable it to discharge its responsibilities effectively, including... a formal and rigorous annual evaluation of the Board's performance" (para 4.1).

Annual Report and Accounts for the year ended 31 March 2018

A Review of Board Effectiveness was last undertaken in 2016-17, with members completing a Self-Assessment Questionnaire which rated members' views on the relative strengths on the Board's effectiveness. The resulting summary of responses determined that the Board demonstrates effective leadership, gives priority to performance management and delivery against strategic objectives and plans, has a clear and documented accountability structure and has effective Committees and systems in place.

During 2017-18 the Board implemented changes to address any identified weaknesses from the 2016-17 review. This was reviewed again by the Board in 2017-18.

Performance assessment of individual Board members takes place, including the assessment of the Independent members against their agreed objectives, and the Executives on the Board through the annual Senior Civil Service performance cycle.

Quality of the Data used by the Board

The Board receives standing information for each meeting on key areas such as finance and human resources. Briefing papers on other material issues are provided as they arise. Papers are issued a week in advance of any Board meeting to allow members to review and, where appropriate, to raise questions in advance.

Financial information is provided in accordance with the Government Financial Reporting Manual, Managing Public Money NI and guidance from the Department of Finance, issued primarily as Dear Finance Director (FD) or Dear Accounting Officer (DAO) letters. All transaction records are provided from the Account NI shared service system. Accordingly, the Board considers that it can take assurance as to the quality of the data it uses to inform decision-making.

Committees of the Departmental Board

The Board has established the Audit and Risk Assurance Committee (ARAC), the Finance Sub-Committee (FSC), the Change Management Board (CMB) and a Resource Sub Committee to oversee and provide advice on specific areas of work. The CMB was stood down in June 2017.

In compliance with the "Corporate Governance in Central Government Departments: Code of Good Practice NI (2013)", all DAERA Committees are chaired by a member of the Board.

The roles of each of the Committees of the Departmental Board is summarised as follows:

Change Management Board (CMB)

The Change Management Board (CMB) was established to lead a portfolio of strategic business and cultural change activities to build, by 2020, a modern, leaner and more efficient organisation that reflects the needs of our customers. All projects and the scoping study are now well established and in light of this it was agreed in June 2017 that CMB would be stood down and projects would report as necessary to the Departmental Board.

Finance Sub-Committee

The Finance Sub-Committee (FSC) is a sub-committee of the Departmental Board and is chaired by the Senior Finance Director. It is responsible for considering a wide range of strategic financial issues, including, but not restricted to:

- marshalling detailed proposals in respect of Spending Reviews and Monitoring Rounds;
- the monitoring of in-year financial plans;
- monitoring value for money through the development of improved financial and performance reporting;
- monitoring the use of resources (including European Funds) to ensure that funds are allocated to those programmes as intended that deliver best value for money, taking account of Ministerial priorities;
- the Department's Estate Strategy; and
- considering the following periodic reports that have been transferred from the Departmental Board:
 - AFBI Finance Report;
 - Quarterly Aged Debt Analysis;
 - 6 Monthly Post Project Evaluations (PPE) Report;
 - Direct Award Contracts (DAC) Report; and
 - Contract Compliance Report.

The FSC met five times during the 2017-18 financial year (on 10 May, 20 June, 7 September, 16 November and 8 February 2018). The Committee considered a range of financial issues facing the Department including the updating of financial plans throughout 2017-18 and the preparations for the Budget 2018-21 period. Other agenda items considered staff cost affordability, AFBI Finance Report, Direct Award Contracts (DAC), Debt and procurement compliance.

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Resourcing Sub-Committee

Resourcing Sub-Committee is responsible for considering DAERA strategic workforce planning including how best to manage priority resourcing requirements at a Departmental level. The Sub Committee is responsible for providing assurance to the Permanent Secretary that the Department is operating within its affordable staffing limit and applies a corporate approach to ensure that staff resources have been effectively allocated across the organisation.

Audit and Risk Assurance Committee (ARAC)

As Principal Accounting Officer, I have established the Audit and Risk Assurance Committee (ARAC) as a Committee of the Departmental Board (DB) to support me in my responsibilities for issues of risk control and governance by reviewing the comprehensiveness of assurances in meeting the Board and Principal Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.

ARAC ensures that high level information on risk and control is brought to my attention, through DB, in order to assist in identifying priorities for action.

ARAC subjects my executive decisions to constructive challenge in the sense of encouraging me to ensure that I can demonstrate that I have made the best possible decisions in the light of all the available evidence.

ARAC has no authority, in its own right, over the operations of the Department or those units that conduct audit and assurance work, including Internal Audit. It advises on the adequacy and the appropriateness, in light of both known and emerging risks, of the work plans of those units.

ARAC comprises three members, appointed by the Principal Accounting Officer on the advice of the Departmental Board. Membership during the year consisted of the two DAERA Independent Board Members (David Russell and Sharon McCue) and two independent external members (Sharon Hetherington, NI Courts and Tribunals Service and Donald Henry, Utility Regulator) drawn from the wider Northern Ireland Civil Service. ARAC was chaired during 2017-18 by Independent Board Members, David Russell and Sharon McCue. David Russell resigned from the board in December 2017.

ARAC supports me in my responsibilities for issues of risk, control and governance. ARAC does this by reviewing the assurances provided by the Department's business areas. ARAC also considers recommendations from the Department's Risk Review Group in relation to the status of the Key Risks identified in the Corporate Risk Register.

During the past year ARAC held four formal routine meetings (on 16 May, 26 September and 28 November 2017, and on 1 March 2018). A further meeting was held on

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17 January 2018 to review DAERA EU Accounts for EAGF/EAFRD and ARAC also met at Final Accounts stage to provide me with the level of assurance that I require before signing the Departmental Accounts.

The ARAC Chairman held separate bi-lateral meetings with both myself and the previous DAERA Permanent Secretary, the Northern Ireland Audit Office and with DAERA Internal Audit Branch. All ARAC meetings are attended by DAERA Senior Officers along with representatives from DAERA's Finance Division, ARAC Secretariat, and representatives from specific business areas as required.

Attendance of ARAC Members		Meetings Attended (7)
Mr D Russell	Independent Board Member (Chair)	5/6
Mrs Sharon McCue	Independent Board Member (Chair)	2/2
Mr D Henry	Independent Board Member	6/7
Ms S Hetherington	Independent external member	7/7

ARAC Annual Report

The Chairman has also provided me with her ARAC Annual Report which summarises the work for the year, provides me with assurance that good governance exists within the Department and where any improvements were necessary action has been taken, or is being taken, to address any issues.

The work of the Audit and Risk Assurance Committee is assisted by the Risk Review Group, the Counter Fraud Forum, and the Paying Agency Accreditation Committee.

Risk Review Group

The Departmental Risk Review Group (RRG) met four times during the year to consider and review the Key Risks facing the Department and how those risks are being managed. The RRG reports to ARAC on the effectiveness of the Department's risk management process, including regular updates in respect of the Corporate Risk Register.

The Corporate Risk Register was submitted to DB by the Finance Director on two occasions during the year and confirmation was also provided, as required, in respect of any new or emerging risks identified by business areas.

Counter Fraud Forum

The Department's Counter Fraud Forum is responsible for overseeing, promoting and providing guidance in relation to all Departmental activities associated with the prevention and detection of fraud. During the year the Forum considered updates on counter fraud activity on four occasions. The Department was also represented on the NICS Fraud Forum.

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A key element of the Department's Counter Fraud Strategy relates to promoting both the public and employee fraud awareness and developing an effective counter fraud culture to combat both internal and external fraud.

Paying Agency Accreditation Committee

To ensure compliance with EU rules and Regulations on European Agricultural Funds, and to monitor the implementation of these schemes, DAERA has established a Paying Agency Accreditation Committee (PAAC) which is chaired by the Senior Finance Director in the role of Head of the Paying Agency. PAAC maintains a Risk Register which is reviewed at each meeting of the PAAC. Key issues arising from this Risk Register are reported to each meeting of the Risk Review Group and an annual update is provided to the Audit & Risk Assurance Committee. DAERA Directors also submit annual Stewardship Reports to the Head of the Paying Agency. In addition, a PAAC representative reports to the UK Accreditation Compliance Committee to ensure a consistent approach to Paying Agency requirements across the UK Member State.

Under EU legislation, CAP funded European Agricultural Guarantee Fund (EAGF) and European Agricultural Fund for Rural Development (EAFRD) payments can only be authorised, executed and accounted for by accredited Paying Agencies. Within each Member State, a Paying Agency must be accredited by the Competent Authority (in the UK the four Agriculture Ministers acting jointly) as meeting certain criteria laid down in governing legislation. Each year, the Accounts of each of the Paying Agencies are subject to an audit by the Certification Body (in DAERA's case the Northern Ireland Audit Office) and, on the basis of this audit, the Commission can propose "clearance" of the relevant Paying Agency Accounts.

The 2017 EAF Accounts (covering the period 16 Oct 16 to 15 Oct 17) have been submitted to the Commission and will be assessed under the annual "Clearance of Accounts" process in May 2018.

Risk and Control Framework

The Department's approach to risk management is objective driven. Our Aim and Strategic Outcomes, drive the critical aspects of the Department's activities. The Department's Risk Management Strategy during the year remained effective. Part of this Strategy is the maintenance of a Corporate Risk Register to help ensure that the Department's Key Risks are being managed effectively.

The Department's corporate governance arrangements are underpinned by a robust risk management process embedded into DAERA's systems and procedures. The DAERA Corporate Risk Register was based upon the Department's key strategic risks and its format was in line with best practice guidance.

In total 11 Key Risks were identified during the course of 2017-18 incorporating:

1. Failure to align budgets with strategic priorities leading to;
 - Overspends or underspends in Resource outturn;
 - Inappropriate or inadequate resourcing of projects and strategic priorities;
 - Failure to meet a range of corporate objectives.
2. Failure to have appropriate staff resources in place in a timely manner to deliver Departmental objectives;
3. Significant business impact resulting from ineffective information assurance;
4. Failure to adequately achieve inclusion of NI specific requirements into the UK Government's negotiating position will significantly impact the agricultural, fisheries and environmental sectors and undermine the Department's position
5. Failure to prevent or control a trans-boundary Animal Disease outbreak of significance;
6. Failure to predict or prevent the introduction and establishment of organisms harmful to plant health and of significance to industry and the environment;
7. AFBI's failure to deliver its strategic, financial and operational priorities;
8. That following EC conformity audits, financial corrections (Disallowances) could be applied by the European Commission because of;
 - The level of risk to the Fund created by Pillar 1 and 2 IACS Schemes; and
 - Pillar 2 non IACS Schemes are not delivered in compliance with the EU Regulations leading to financial correction.
9. Failure to protect the environment through remediation of the Mobuoy illegal waste site in a timely and cost-effective manner;
10. Failure of the DAERA bTB Eradication Strategy to effect change in regard to the control of TB; and
11. Failure to appropriately implement the DAERA EU Exceptional Adjustment Aid (EAA) measures.

Ownership of each Key Risk is allocated to a Senior Responsible Officer (SRO) at Grade 5 and each SRO provided updates to Risk Review Group meetings throughout the year.

In addition to the maintenance of a Corporate Risk Register, each business area completes a Risk Management Plan linked to performance targets. In this way risk management remains a key function in managing business performance and remains a live process. The responsibility for the identification and reporting of risks is cascaded throughout the organisation.

A key element of the Department's Risk Management Strategy is DAERA's appetite for risk which helps risk owners identify operationally acceptable risks in the Department. Business areas with the appropriate skills and expertise continue to assess and manage risks at an operational level. If the business area considers the level of risk is going to rise beyond the acceptable threshold, then that risk is elevated for senior management review.

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This mechanism ensures that the Department's risk appetite is considered in a timely fashion and assessed at the most appropriate level within the Department. Analysis of, and response to, risk is key to corporate governance and DB has overall responsibility for the management of risks associated with the delivery of the Department's functions. DB relied on a variety of mechanisms to confirm that the Department's corporate and other risks were being managed effectively. These mechanisms included:

- scrutiny of the Corporate Risk Register by DB;
- receipt of ad hoc and regular reports on specific risks by DB and Top Management Team (TMT) meetings;
- assurances received from ARAC, as advised by the Risk Review Group;
- the work undertaken by the Department's Internal Audit Branch; and
- Risk Registers produced and monitored at Group and Divisional level.

Assurances

A key element of the Departmental risk management processes is the provision of regular assurances. All business areas across the Department, and also ALB Accounting Officers, provide quarterly and annual assurance statements that effective risk management arrangements are in place. This is in addition to the assurances I require confirming there is robust governance over a range of other specific areas.

Information Risk

Cabinet Office guidance on the control and security of information and data requires the management of information risk to explicitly feature in an organisation's Governance Statement. I ensured that information assurance is actively managed as one of the Key Risks on DAERA's Corporate Risk Register. Key sources of information assurance for DAERA are the Department's Senior Information Risk Officer (SIRO), supported by trained Information Asset Owners (IAOs) and the Department's Security Assurance Group which comprises of the Departmental Security Officer, the Departmental IT Security Officer, Information Management Branch and the Departmental Data Protection Officer. Other assurance is also provided to me by the IT Assist, the Department's Risk Review Group, the NICS IT Accreditation Panel, the DAERA IT Accreditation Committee, and other committees responsible for the Department's key IT systems.

In addition, the Department's Internal Audit Branch helps the SIRO fulfil his assurance obligations through coverage of key information risk areas in their annual programme. This includes an in-depth review of system security operating procedures for key IT systems.

Each year DAERA completes a Security Risk Management Overview report, which provides further information assurance, for the Head of the Civil Service.

Whistleblowing

During 2017-18, the Department continued to operate the Whistleblowing recording system introduced in 2015-16. This requires all Divisions to maintain a Whistleblowing Register to record all disclosures received in each Division, or Arm's Length Body. The maintenance of Registers is a mandatory requirement across the Department.

Updates are commissioned in advance of each ARAC meeting to ensure that senior management and ARAC have the most up-to-date information on Whistleblowing disclosures.

During 2017-18 a total of 22 whistleblowing notifications were received by the Department and reported to ARAC. These notifications included allegations of corruption, misconduct by staff members, conflicts of interest. This compared to 19 notifications in 2016-17.

All whistleblowing notifications are investigated and addressed by the relevant business area and in cases of suspected fraud an investigation by the Department of Finance (DoF) Fraud Investigation Service is requested.

Internal Audit

The Department's Internal Audit Branch (IAB) operates to the defined Public Sector Internal Audit Standards (PSIAS). IAB submits quarterly progress reports to ARAC and an Annual Report which includes the Head of Internal Audit's objective evaluation of, and opinion on, the adequacy and effectiveness of the Department's framework of governance, risk management and control, together with recommendations for improvement.

IAB's Annual Report for 2017 - 18 confirmed an overall satisfactory opinion in respect of the Department's governance, risk management and control framework.

Enterprise Shared Services

I draw assurance from the audit opinion and on the mid and year-end inter-Departmental assurance reports received from the Permanent Secretary in the Department of Finance (DoF) on the various components of Inter-Departmental internal audit services provided by DOF to Departments. These include Enterprise Shared Services, Account NI which is responsible for the Department's transaction processing, HR Connect which is responsible for the Department's Human Resource management arrangements, Digital Shared Services, NICS HR and Central Procurement Directorate.

I note that the Permanent Secretary in the Department of Finance has provided a satisfactory audit opinion on Inter-departmental internal audit services.

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Ministerial Directions

I can confirm that, as Accounting Officer, I am in compliance with the “Accounting Officer responsibilities” set out in MPMNI Chapter 3, by ensuring that, should the Minister decide to continue with a course of action which I have advised against, the Minister is requested to provide me with a formal Ministerial Direction to proceed with that course of action. Such a Direction is likely to mean that the associated expenditure is novel or contentious and therefore outside of the Departmental delegated expenditure limits.

The Minister may decide, in these circumstances, that the issue should be discussed by the Executive. If this happens and a decision reached at the Executive is to agree to the course of action proposed by the Minister, it will be recorded in the minutes which can be treated as formal approval. As Accounting Officer I ensure that that Ministerial Directions are formally notified to DoF and to the Comptroller and Auditor General.

I had no Ministerial Directions issued to me during the 2017-18 year.

Review of the effectiveness of the system of internal control

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the Senior Responsible Officers (SROs) within the Department who have responsibility for the development and maintenance of the internal control framework. I also take account of comments made by the external auditors in their management letter and other reports.

The SROs are required to proactively report any weakness in the Department’s systems of internal control through the stewardship and risk management reporting process. I have been advised on the effectiveness of the system of internal control by the Board, the Audit & Risk Assurance Committee and the Risk Review Group. Plans to address any weaknesses identified and to ensure continuous improvement of the system are in place.

In addition, the Head of Internal Audit has provided me with a satisfactory opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control for 2017-18.

The Department’s system of internal control, as outlined above, will continue to operate and we will continue to strengthen controls where appropriate. For the incoming year, the Department plans to:

- continue to review its Corporate Risk Register with a view to ensuring that, where necessary, further improvements to the process of risk management will be made;
- continue to promote and develop counter fraud awareness across the Department;
- improve financial management generally, and the quality of financial information to the Departmental Board;

- continue to improve monitoring of ALB Governance arrangements and compliance with all key guidance; and
- establish a suite of new Departmental Board Committees to enhance Corporate Governance arrangements within DAERA and with its ALBs.

Internal Audit

For 2017-18, the Annual Internal Audit report provided a satisfactory opinion. The opinion of DAERA Internal Audit Branch (IAB) was based on the results of 52 Final Reports and 5 Draft Reports. 41 of these reports had positive opinions, 3 had a 'limited' opinion and there were 13 Special Exercises where no opinion was relevant.

Key issues reported by DAERA IAB over the period

Limited Opinion Audit Reports 2017-18

During 2017-18 Internal Audit issued two limited opinion reports. Limited opinions were attributed to the EAGF 2016 scheme audit and the review of Plant Health. A further limited opinion draft report was issued following the end of 2017-18 (April 2018) in relation to the audit of Trade Certification. The recommendations within these reports are being considered and progressed by management and Internal Audit will follow up on all limited reports in 2018-19.

European Agricultural Guarantee Funds (EAGF) 2016

The audit of EAGF 2016 identified the ongoing problem of limited automation for processing inspection outcomes which increases the risk of payment errors; this had also been highlighted in the previous year's EAGF audit report. IT problems in relation to the entitlement register introduced in 2016 resulted in the use of manual controls and there continued to be over-reliance on Excel Spreadsheets for validation. Internal Audit also noted delays in processing retro inspections, in particular for Greening which had also been highlighted in the 2015 EAGF review. Recommendations made will be considered in the Internal Audit review of EAGF 2017 which is currently underway.

Plant Health (Forest Service)

The audit of Plant Health focused on the management processes in place to ensure that full cost recovery (FCR) requirements of MPMNI were met in regards to the NI Seed Potato Certification Scheme. Internal Audit raised concerns in relation to the setting of fees and charges for the Scheme which had not been reviewed since 2011 despite the Tuber Inspection element not operating at FCR in more than 4 years. Concerns in relation to rebating of Tuber Inspection fees were also highlighted by Internal Audit as the rationale for applying rebates was not clearly documented. Management have responded positively to the audit recommendations and work is ongoing to progress the required policy changes.

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Trade, Certification (OFFC)

A draft report in regards to the audit of Trade Certification issued in April 2018 and attracted an overall 'limited' opinion. Control weaknesses in relation to export certification and the appointment and oversight of AVIs have been highlighted by Internal Audit and are currently being considered by management.

NICS Information Assurance/ICT Scoping Review

During 2016-17 an NICS wide assurance review of the management of IT security and information risk was performed and a limited opinion was provided. The review considered the governance structures, processes, roles and responsibilities which underpin the Information Assurance Framework. While a number of instances of good practice were identified, the review highlighted significant issues that impacted systemically across all Departments. A further review of the issues highlighted in this report was completed in March 2018 and the review noted significant progress in the development of new processes and systems to improve the control framework. As a result of this work the opinion has been raised to satisfactory and the findings will be considered by the NICS Information Governance and Innovation Board (IGIB) in May 2018.

LFACA Debt Management

Internal Audit review of LFACA Debt in 2016-17 identified concerns in relation to delays in applying retrospective penalty action, the high risk of legal challenge due to time lapse in raising related debts and the significant number of debt calculation errors in the sample they tested. Management commissioned work to address the issues raised and a special exercise was carried out by the LFACA Debt Team.

In 2017-18 a further review of LFACA Debt was completed by Internal Audit at the request of the Finance Director to validate the outstanding Debt figure. Internal Audit again highlighted errors in relation to incorrect application of inspection outcomes in 47% of the sample tested and also noted that management had not fully documented the methodology of the debt exercise and their review had not included penalty code errors. Internal Audit concluded the level of error in calculation of LFACA debt for the period 2007-2013 remained high and there was still a risk that the total debt amount stated by the Department was not accurate.

Water Management Unit (NIEA)

A review of WMU's Compliance & Enforcement actions arising from reported incidents of 'closed period spreading' under the Nitrates Action Programme (NAP) regulations was instigated as a result of concerns raised regarding management of reported incidents. The review identified significant weaknesses in key controls in relation to how reported

incidents of closed period spreading were recorded, investigated, progressed and monitored. The audit report included 11 recommendations to address the issues identified by Internal Audit. All recommendations have been accepted by management and corrective actions have been planned and are being implemented to address the control weaknesses.

Other Control Issues Reported

Other control issues identified through stewardship reporting include:

Area Aids Disallowance

The Department will accrue for EU disallowances which led to qualifications in the audit certificates in previous years. For 2017-18 there are no new disallowances accrued.

Less Favoured Areas Compensatory Allowance

During inspections, where the Department identifies errors in the amounts that have been claimed, it is obligated to adjust claims made for earlier years to retrospectively recoup overpayments. The Department did not apply this principle of retrospection to the LFACA scheme between the years of 2007 and 2013.

Following extensive consideration the Board sought write-off approval for £4.9m of overpayments. The justification for write-off followed extensive legal advice and on the basis that recovery was unlikely to be justified on value for money as the cost of recovery was likely to exceed the amount of debt to be recovered. Formal DoF approval was granted in December 2017. This is accounted for in the 2017-18 Financial Statements.

Delay in finalisation of AFBI Accounts

The finalisation of the 2016-17 Accounts has not been completed due to audit issues that were raised during the course of the audit around the accounting and governance treatment of Centre of Innovation Excellence in Livestock (CIEL) and the re-lifing of fixed assets.

Whilst NIAO has indicated that the accounts will not be qualified, it has provided a draft report to the Accounts in relation to financial transactions with CIEL. Communications are ongoing between AFBI and NIAO to finalise the 2016-17 Accounts.

Material technical error in the Published Departmental Resource Accounts 2016-17

In September 2017 a material technical error was discovered in the Published Departmental Resource Accounts 2016-17. The Net Cash Requirement was understated c£70m and the Supply Debtor overstated by £13m. The Comptroller and Auditor General and DAERA Permanent Secretary were informed in October 2017. The revised figures

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have been agreed with DoF and NIAO. The comparatives have been restated in the 2017-18 Resource Accounts and accompanied with the necessary disclosure.

Bovine TB Compensation and associated TB programme costs very significantly overspent against the agreed opening budget

TB herd and animal incidence continued to rise month on month through to the end of the third quarter, contributing to a very significant overspend against the agreed opening 2017-18 budget. Staff and private testing contractor efforts to apply the existing programme as effectively as possible are contributing to the detection of this 12 year high point in the level of disease. If bTB is to be eradicated, even more stringent application of the programme is required, along the lines of new measures proposed in the TBSPG Strategy. The Department is currently evaluating the public response to consultation on proposals to advance the TB strategy. The outworking of this will add further to programme costs going forward as the wildlife reservoir for TB needs to be addressed alongside existing measures. A slowing of the rise in disclosed TB observed in the fourth quarter of the financial year gives some hope that further escalation of programme costs will not be seen in 2018-19 although this will only be a holding position.

North South Body

In the absence of a DAERA Minister it was not possible to secure North South Ministerial Council (NSMC) approval of 2017 and 2018 Business Plan for the Loughs Agency. While arrangements have been made with DoF to ensure legality of payments in the absence of business plans, expenditure will be irregular until NSMC approves Business Plans.

Remuneration and Staff Report

1. Departmental Remuneration Report 2017-18

Remuneration Policy

The Senior Civil Service (SCS) remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. The minimum point has been removed in each year from 2014 to 2016 (the scales now have 8 pay points) to allow progression through the pay scales within a reasonable period of time.

The pay remit (for the NI public sector and SCS) is normally approved by the Minister of Finance but in the absence of an Executive the DoF Permanent Secretary has set the 2017-18 NI public sector pay policy in line with the overarching HMT parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management of the department.

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Remuneration (including salary) and pension entitlements [Audited information]

Ministers	2017-18*				2016-17			
	Salary £'000	Benefits in kind (to nearest £100)	Pension Benefits (to nearest £1,000)*	Total (to nearest £1,000)	Salary £	Benefits in kind (to nearest £100)	Pension Benefits (to nearest £1,000)**	Total (to nearest £1,000)
Minister Mrs Michelle O'Neill MLA	-	-	-	-	3,677	-	2,000	6,000
Minister Miss Michelle McIlveen MLA	-	-	-	-	29,419	-	9,000	38,000

*No minister was in place during 2017-18.

** The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights.

Officials	2017-18					2016-17				
	Salary £'000	Bonus* Payment	Benefits in Kind (to nearest £100)	Pension Benefits ** (to nearest £1,000)	Total £'000	Salary £'000	Bonus* Payment	Benefits in Kind (to nearest £100)	Pension Benefits ** (to nearest £1,000)	Total £'000
Dr. D McMahon Permanent Secretary (from 19 Feb 18)	10-15 (110- 115 FYE)	-	-	4,000	15-20	-	-	-	-	-
Mr N Lavery Permanent Secretary (Until 18 Feb 18)	100- 105 (110- 115 FYE)	-	-	16,000	115- 120	110- 115	-	-	42,000	155- 160
Mr C Lewis Deputy Secretary (24 Apr 17 - 31 Mar 18)	90-95 (95-100 FYE)	-	-	5,000	95-100	-	-	-	-	-
Mr D Small Deputy Secretary	90-95	-	-	1,000	90-95	90-95	-	-	39,000	125- 130
Mr N Fulton Deputy Secretary	85-90	-	-	9,000	95-100	80-85 (85-90 FYE)	-	-	155,000	235- 240

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Officials	2017-18					2016-17				
	Salary £'000	Bonus* Payment	Benefits in Kind (to nearest £100)	Pension Benefits ** (to nearest £1,000)	Total £'000	Salary £'000	Bonus* Payment	Benefits in Kind (to nearest £100)	Pension Benefits ** (to nearest £1,000)	Total £'000
Mr R Huey Deputy Secretary	85-90	-	-	5,000	90-95	80-90	-	-	31,000	115-120
Mr G Wilkinson Senior Finance Director ****	-	-	-	-	-	5-10 (85-90 FYE)	-	-	12,000	20-25
Mr G Wilkinson Finance Director ****	-	-	-	-	-	60-65 (70-75 FYE)	-	-	14,000	75-80
Mr D Reid Finance Director	65-70	-	-	45,000	110-115	10-15 (65-70 FYE)	-	-	16,000	25-30
Ms L Warde Hunter Deputy Secretary (1 Apr 17 - 24 Apr 17)	5-10 (85-90 FYE)	-	-	2,000	5-10	85-90	-	-	28,000	115-120
Mr B Doherty Director of Corporate Services (1 Mar 18 - 31 Mar 18)	5-10 (70-75 FYE)	-	-	1,000	5-10	-	-	-	-	-
Mr J Cassells Acting Corporate Services Director (25 Sept 17 - 22 Oct 17)	5-10 (65-70 FYE)	-	-	(1,000)	0-5	-	-	-	-	-
Ms G Fee Director of Corporate Services (until 28 Feb 18)	65-70 (75-80 FYE)	-	-	27,000	95-100	0-5 (70-75 FYE)	-	-	1,000	0-5
Ms P Rooney Acting Director of Corporate Services	-	-	-	-	-	30-35 (65-70 FYE)	-	-	14,000	45-50
Mr R Downey Acting Finance Director	-	-	-	-	-	5-10 (65-70 FYE)	-	-	11,000	15-20
Mrs T Teague Director of Corporate Services	-	-	-	-	-	30-35 (65-70 FYE)	-	-	24,000	50-55

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Officials	2017-18					2016-17				
	Salary £'000	Bonus* Payment	Benefits in Kind (to nearest £100)	Pension Benefits ** (to nearest £1,000)	Total £'000	Salary £'000	Bonus* Payment	Benefits in Kind (to nearest £100)	Pension Benefits ** (to nearest £1,000)	Total £'000
Mr D Russell Non Executive Board Member (until 31 Jan 18)	10-15	-	-	-	10-15	10-15	-	-	-	10-15
Ms S McCue Non-Executive Board Member (1 Jan 18 - 31 Mar 18)	0-5	-	-	-	0-5	-	-	-	-	-
Mr J Brooks Non-Executive Director***	-	-	-	-	-	5-10	-	-	-	5-10
Mr F Caddy Non-Executive Director***	-	-	-	-	-	15-20	-	-	-	15-20
Band of Highest Paid Director's Total Remuneration	110-115					110-115				
Median Total Remuneration	£29,493					£29,317				
Ratio	3.8					3.8				

*The Department's Special Bonus scheme operates at the Department's discretion to reward exceptional performance in particularly demanding tasks or situations at any time of the year. No members of the senior management disclosed above received a bonus under this scheme.

** The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights.

***Mr J Brooks and Mr F Caddy left the DAERA Department Board on 31 March 2017.

****These individuals are no longer board members and therefore for the 2017-18 year there is no requirement to disclose their salary in accordance with *FReM*.

Full Year Equivalent (FYE) - is the salary that would have been paid had the Official been in position for a full financial year.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any ex gratia payments.

The Northern Ireland Assembly was dissolved from 26 January 2017 with an election taking place on 2 March 2017, on which date Ministers ceased to hold office. An Executive was not formed following the 2 March 2017 election. As a consequence, there has been no Minister in place in the department during the 2017-18 year.

Prior to the election on 2 March 2017, the Department of Agriculture, Environment and Rural Affairs was under the direction and control of Miss Michelle McIlveen MLA from 25 May 16 to 2 March 17). Her salary and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in the prior year comparative figures within these accounts. These amounts do not include costs relating to the Minister's role as MLA/MP/MEP which are disclosed elsewhere.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

Bonuses

Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2017-18 relate to performance in 2017-18 and the comparative bonuses reported for 2016-17 relate to the performance in 2016-17.

Fair Pay [Audited Information]

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the Department of Agriculture, Environment and Rural Affairs in the financial year 2017-18 was £110,000 - £115,000 (2016-17: £110,000 - £115,000). The ratio was 3.8 times (2016-17: 3.8) the median remuneration of the workforce, which was £29,493 (2016-17: £29,317).

No employees received remuneration in excess of the highest paid director in either year. Remuneration ranged from £17,352 to £99,307 (2016-17: £16,550 to £92,167).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

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These calculations have been based on guidance in FD (DoF) 04/18 and are calculated on the basis of annualised salary information for the final period of the year. An adjustment has also been made to take account of agency staff working in the Department.

Pension Benefits [Audited information]

Officials	Accrued pension at pension age as at 31-3-18 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31-3-18 or date of leaving if earlier	CETV at 31-3-17 or date of commencement if later	Real increase/ (decrease) in CETV*	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Dr. D McMahon Permanent Secretary (From 19 Feb 18)	15 - 20	0 - 2.5	247	244	2	-
Mr N Lavery Permanent Secretary (Until 18 Feb 18)	35 - 40 plus lump sum of 20 - 25	0 - 2.5 plus lump sum of (2.5 - 0)	719	679	14	-
Mr C Lewis Deputy Secretary (24 Apr 17 - 31 Mar 18)	30 - 35 plus lump sum of 95 - 100	0 - 2.5 plus lump sum of 0 - 2.5	717	668	5	-
Mr D Small Deputy Secretary	40 - 45 plus lump sum of 130 - 135	0 - 2.5 plus lump sum of 0 - 2.5	937	880	(1)	-
Mr N Fulton Deputy Secretary	40 - 45	0 - 2.5	751	696	7	-
Mr R Huey Deputy Secretary	30 - 35 plus lump sum of 95 - 100	0 - 2.5 plus lump sum of 0 - 2.5	733	683	4	-
Mr D Reid Finance Director	15 - 20 plus lump sum of 35 - 40	0 - 2.5 plus lump sum of 0 - 2.5	231	194	21	-
Ms L Warde Hunter Deputy Secretary (1 April 17 - 24 April 17)	15 - 20	0 - 2.5	297	293	2	-
Mr B Doherty Director of Corporate Services (1 Mar 18 - 31 Mar 18)	30 - 35 plus lump sum of 90 - 95	0 - 2.5 plus lump sum of (2.5 - 0)	622	621	(1)	-
Ms G Fee Director of Corporate Services (until 28 Feb 18)	20 - 25 plus lump sum of 60 - 65	0 - 2.5 plus lump sum of (2.5 - 0)	446	405	14	-
Mr J Cassells Acting Director of Corporate Services (25 Sept 17 - 22 Oct 17)	25 - 30 plus lump sum of 30 - 35	0 - 2.5 plus lump sum of (2.5 - 0)	480	479	(1)	-

* Real increase in CETV and pension benefit accrued for the single total figure of remuneration can be negative due to period of pay restraint if higher than pay increases. Final salary pension, when no pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increases.

Northern Ireland Civil Service (NICS) Pension Schemes

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP).

The alpha pension scheme was introduced for new entrants from 1 April 2015. The alpha scheme and all previous scheme arrangements are unfunded with the cost of benefits met monies voted each year. The majority of existing members of the classic, premium and Classic plus and Nuvos pension arrangements also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age did not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate is 2.32%.

New entrants joining can choose between membership of alpha or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

New entrants joining on or after 30 July 2007 were eligible for membership of the Nuvos arrangement or they could have opted for a partnership pension account. Nuvos is also a CARE arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%.

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). From April 2011, pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining the partnership pension account.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2017 was 3% and HM Treasury has announced that public service pensions will be increased accordingly from April 2018.

Employee contribution rates for all members for the period covering 1 April 2018 - 31 March 2019 are as follows:

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Scheme Year 1 April 2018 to 31 March 2019

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates Classic members or classic members who have moved to alpha	Contribution rates - All other members
From	To	From 01 April 2018 to 31 March 2019	From 01 April 2018 to 31 March 2019
£0	£15,000.99	4.6%	4.6%
£15,001.00	£21,636.99	4.6%	4.6%
£21,637.00	£51,515.99	5.45%	5.45%
£51,516.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Scheme Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal scheme pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension schemes can be found at the website

<https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni>

The Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own costs. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Compensation for loss of office

No compensation payments were made or are due to any of the senior management for DAERA under Civil Service Compensation Scheme (Northern Ireland) (CSCS (NI)) in the year ending 31 March 2018.

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2. Staff Report

2.1 Staff costs comprise [Audited Information]:

	Year Ended 31 Mar 18				Year Ended 31 Mar 17
	Permanently employed staff* £'000	Others £'000	Ministers** £'000	Total £'000	Total £'000
Wages and salaries	85,180	3,978	-	89,158	89,357
Social security costs	8,810	8	-	8,818	9,058
Other pension costs	19,288	6	-	19,294	19,648
Other Staff costs	-	-	-	-	(94)
Sub total	113,278	3,992	-	117,270	117,969
Recoveries from outward secondments	(113)	-	-	(113)	(121)
Total net costs	113,165	3,992	-	117,157	117,848

Of which:

	Charged to Administration £'000	Charged to Programme £'000	Total £'000
Core Department	30,022	56,920	86,942
Agencies	-	30,328	30,328
Total net costs	30,022	87,248	117,270

*There were no staff costs incurred in respect of the Department's Special Advisers in 2017-18. The 2016/17 figures include the cost of the Department's Special Advisers who were paid in the pay band £59,627 - £91,809.

**There were no Ministers costs in the year, Ministers salary was a notional charge in 16-17 year.

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but DAERA is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DoF Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2018.

For 2017-18, employers' contributions of £19,231,750 were payable to the NICS pension arrangements (2016-17: £19,581,359) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer

contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2018-19, the rates will range from 20.8% to 26.3% however the salary bands differ. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £62,564 (2016-17 £61,266) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2016-17: 8% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,718, 0.5% (2016-17: £1,963, 0.5%) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £NIL. Contributions prepaid at that date were £NIL.

8 persons (2016-17: 6 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £32,631 (2016-17: £5,547).

2.2 Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. There figures include those working in the department as well as in its agencies.

					2017-18	Restated 2016-17
Departmental Strategic Objective	Permanent staff*	Others	Ministers	Special advisers	Total Number	Total Number
RFR A	2,831	91	-	-	2,922	2,916
Staff engaged on capital projects	45	-	-	-	45	47
Total	2,876	91	-	-	2,967	2,963
Core Department	2,206	51	-	-	2,257	2,301
Agencies	670	40	-	-	710	662

During 2017-18 the permanent staff for the Department decreased by 15 ftes. The Department lost 35 staff due to the centralisation of the HR service and 12 staff due to the centralisation of Internal audit. The Department increased its Brexit team by 15 by taking staff from other areas of the Department and backfilling posts and filled 17 vacancies.

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2.3 Reporting of Civil Service and other compensation schemes - exit packages [Audited Information]

Comparative data is shown (in brackets) for previous year.

2017-18						
Core Department				Consolidated		
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-	-	-	-
£10,000 - £25,000	-	-/(2)	-/(2)	-	1/(2)	1/(2)
£25,000 - £50,000	-	3/(4)	3/(4)	-	4/(4)	4/(4)
£50,000 - £100,000	-	1/(-)	1/(-)	-	1/(-)	1/(-)
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
Total number of exit packages	-	4/(6)	4/(6)	-	6/(6)	6/(6)
Total Resource Cost £	-	163,116/ (191,524)	163,116/ (191,524)	-	219,610/ (191,524)	219,610/ (191,524)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Staff Composition

The following is an analysis of staff numbers at the 31 March 2018:

Group	Male	Female	Total
Board Members	7	-	7
Senior Managers	29	12	41
Other Employees	1,665	1,306	2,971
Total	1,701	1,318	3,019

Departmental employees are eligible for pension benefits that are disclosed in Note 1.15 and Note 3 to the Accounts and the Remuneration Report.

There was no Equal Pay payments made to a member of DAERA staff in the 2017-18 financial year. There are 51 DAERA staff to sign agreements totalling £34,276.

Sickness absence rates for the Department for the period April 2017 to March 2018 were, provisionally, 10.5 working days lost per staff year equivalent. No Ministerial target was set for 2017-18. In the previous year, 2016-17, the Department achieved 9.6 working days lost per staff year equivalent.

The Department ensures that all staff are kept informed of plans and developments through meetings, team briefings, circulars and the publication of business and training plans.

Staff have access to welfare services and trade union membership. The Department uses the established Whitley process of staff consultation. The Whitley Council and Committees provide an agreed forum for discussion and they are attended by employer and employee (trade union) representatives.

Off Payroll engagements

There were no off payroll engagements at a cost of over £58,200 per annum in place during the financial year 2017-18.

Consultancy Costs

The following table is an analysis of consultancy and temporary staff costs for 2017-18.

	2017-18		2016-17	
	Core	Consolidated	Core	Consolidated
Consultancy	191	191	86	166
Temporary staff costs	937	3,991	666	3,043
Total	1,128	4,182	752	3,209

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Equal Opportunities

The Department's commitment to equality of opportunity and to creating and sustaining a working environment where everyone is treated with respect and dignity, free from any form of inappropriate behaviour, and one in which all employees can give of their best, is embodied in the Dignity at Work policy. This policy is available to all staff through the Human Resources Connect (HR Connect) portal and, in addition, the Department has a network of trained Harassment Contact Officers who are available to assist staff to address issues informally.

Employment of People with Disabilities

As part of its overall Equal Opportunities policy, the Department is fully committed to ensuring that all of its policies and working practices meet or exceed the requirements of the Disability Discrimination Act 1995.

Other diversity issues and equal treatment in employment and occupation

The NICS has developed a People Strategy which details the people priorities over the period 2018 to 2021. It places diversity and inclusion at its centre and includes a range of actions that will help accelerate the NICS' ambition to have a truly inclusive workforce culture and to be a service that reflects the society we serve. In addition to these specific actions the NICS will ensure diversity and inclusion is central to everything it does, including how it communicates, recruits, promotes, develops and manages its workforce.

A diversity action plan has been drawn up to promote diversity and inclusion while additional action plans have been drawn up to address specific issues related to gender and disability. Work on LGB&T issues has included a survey of staff and the creation of the NICS LGB&T staff network. Further developments in the area are planned including membership of the Stonewall NI Diversity Champions network and the development of advice on Transgender issues.

The NICS continues to carry out its statutory obligations under fair employment legislation including the annual return to the Equality Commission for NI and the triennial reviews of the workforce profile which are published on the Department of Finance website.

Employee Consultation and/or Participation; Trade Union Relationships

The Department of Finance is responsible for the policy on how the Northern Ireland Civil Service consults and negotiates with its staff through industrial relations. The centralised human resource function, NICS HR, has continued to consult on central matters with all recognised Trade Unions (Non-industrial Trades Unions: Northern Ireland Public Service

Alliance (NIPSA), First Division Association, Prison Officers' Association (POA), Industrial Trades Unions: Unite the Union (Unite), GMB), throughout the year. Arrangements also exist at local level within each Department to consult on matters specific to that Department or individual business area.

A Review of NICS Trade Union Arrangements is ongoing. Phase 1 of the review culminated in a new Trade Union Arrangements chapter, published in the NICS HR Handbook in January 2016. Phase 2 of the Review is at the planning stage.

Human Capital Management

(i) Career Development

The NICS is committed to career development, acknowledging that skilled and engaged staff are an essential resource in meeting current and future business needs.

This NICS Career Development Policy emphasises that career development is a collaborative process between individual staff members, line managers, and Departments, and takes account of the NICS Competency Framework and Performance Management System. As well as the individual's role in managing their career development, the NICS provides opportunities to enhance the skills, capabilities and performance of staff so that they, in turn, can contribute to achieving corporate objectives.

There is a wide range of career development options available within the NICS and within the Career Development Policy that support various career development interventions including secondment and interchange opportunities, elective transfers, temporary promotion, job rotation, job shadowing, as well as mentoring.

In line with the NICS People Strategy 2018 - 2021 further development in the area is planned, including Talent Management Proposals to support a more corporate approach to talent management across the NICS.

(ii) Learning & Development

The NICS HR Centre for Applied Learning (CAL) purpose is to enable the achievement of the Programme for Government (PfG) outcomes through the delivery of generic learning and development services aligned to the NICS People Strategy. The CAL approach to delivering its services is designed to respond to the changing needs of the NICS and includes the following components:

- Offering a variety of learning delivery channels to enable flexible access to learning;
- Providing an enhanced Learning and Development experience where staff can focus on their personal development using learning interventions that are aligned to corporate need, PfG, People Strategy, NICS of the Future and the NICS Competency Framework;

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- Blending different learning solutions into coherent learning pathways;
- Value for money learning through the use of technology to provide concise and focused modules of learning;
- Develop practical capability for learners that incorporates the latest tools and techniques; and
- Work collaboratively with NICSHR colleagues, Suppliers, Departments and the NICS Professions to identify, develop and deliver current and future learning interventions.

(iii) Pay policy

Under the Civil Service (NI) Order 1999, the Department of Finance is responsible for the pay arrangements of NICS civil servants (apart from those agencies, non-ministerial government departments and other bodies with an agreed pay delegation). The pay award system aims to:

- be a system which will help to recruit, retain and motivate staff to perform efficiently the duties required of them;
- encourage staff to improve their individual performance by providing a direct and regular link between satisfactory performance and pay;
- ensure equity of treatment in respect of pay in accordance with legal requirements and the equal opportunities policy of the NICS;
- secure the confidence of staff that their pay will be determined fairly;
- secure the confidence of the public and their representatives in the system for determining the pay of the staff; and
- enable the Government to reconcile its responsibilities for the control of public expenditure with its responsibilities as an employer.

Current pay scales are available online. NI public sector pay guidance for 2017 is now in place and formal negotiations with trades unions on the 2017 pay award are ongoing.

Health and Safety

The Department of Agriculture, Environment and Rural Affairs remains committed to ensuring, so far as reasonably practicable, the health, safety and welfare of its employees and others affected by its undertakings. This commitment is confirmed in the Health & Safety Policy Statement.

The main Health & Safety focus for 2017-18 has been initial actions towards compliance with DAERA Health & Safety Management Framework, approved by the DAERA Board in June 2017:

- Health & Safety has been integrated into the Departments governance process, with inclusion in the DAERA Strategy, Risk Management process and senior management Stewardship Reports;
- The DAERA Board review Health & Safety performance on a regular basis;

- A new Department wide “Health & Safety Organisation” document, establishing staff Health & Safety responsibilities, has been introduced;
- Six new Department wide “Health & Safety Arrangements”, outlining how key Health & Safety issues should be managed, have been drafted and are due to issue in early 2018-19;
- Health & Safety articles are now a regular feature in Team Brief, and Premises Officers are supported with quarterly Health & Safety Updates.

Staff consultation has been encouraged at Departmental level through the Whitley Sub-committee with various Health & Safety Committees are in place at a more local level.

The Department is also committed to the safety of farmers, families and their employees through significant input to the work of the Farm Safety Partnership (FSP). The third three year Action Plan was launched on 12th September 2017. The plan has four key areas of work - information and promotion, training and research, children and young people and developing change. Each area has targeted objectives with measurable outcomes. The Action Plan is available on the HSENI website at

<https://www.hseni.gov.uk/sites/hseni.gov.uk/files/farm-safety-action-plan-2017-2020.pdf>

The Department continues to provide funding for the ongoing, high profile and often hard hitting farm safety campaign, ‘Stop and Think SAFE’.

Department officials also sit on a North South Farm Safety Group which allows sharing of information relating to farm safety from both Northern and Southern Ireland.

HQ Relocation

In line with a previous PfG target the DAERA relocation project completed by the end of April. By early May 240 had relocated to Ballykelly House. A further 80 posts will relocate by December 2021. Construction work on this development began in November 2016 and once complete will come within budget.

The Department, in conjunction with SIB, is committed to undertaking a review by the end of 2019 to inform the transition of further DAERA and/or NICS posts to Ballykelly House.

Ballykelly House is a state of the art facility representing a £20 million investment in the North West. The building is equipped with the very latest videoconferencing technology which will enable the Department and other NICS users to become more efficient in how we carry out both our internal and external business processes.

The relocation to Ballykelly will make a valuable contribution to the local economy through increased local spending, provision of high quality and high value public sector jobs as well as the jobs associated with the construction of and the ongoing servicing of a new building.

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Assembly Accountability and Audit Report

Statement of Assembly Supply [Audited Information]

In addition to the primary statements prepared under IFRS, the Government *FReM* requires DAERA to prepare a Statement of Assembly Supply (SOAS) and supporting notes to show resource outturn against the Supply Estimate presented to the Assembly, in respect of each Request for Resources.

Summary of Resource Outturn 2017-18

								2017-18	2016-17
Request for Resources	Note	Estimate			Outturn			Net total outturn compared with estimate: saving/ (excess)	Net Total
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Request for Resources A	SOAS 1	643,987	(391,487)	252,500	572,276	(363,406)	208,870	43,630	260,319
Total resources		643,987	(391,487)	252,500	572,276	(363,406)	208,870	43,630	260,319
Non-operating cost Accruing Resources		-	(791)	(791)	-	(116)	(116)	(675)	-

Net Cash Requirement 2017-18

					2017-18	Restated 2016-17
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)		Outturn
		£'000	£'000	£'000		£'000
Net cash requirement	SOAS3	246,338	242,377	3,961		270,452

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Summary of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	2017-18 Forecast			2017-18 Outturn	
	Note	Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
Total	SOAS4	-	-	-	14,529

Explanations of variances between Estimate and outturn are given in Note SOAS1 and in the Performance Report.

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SOAS1: Analysis of net resource outturn by function

	2017-18 Outturn						2017-18 Estimate			2016-17 Outturn
	Admin	Other Current	Grants	Gross Resource Expenditure	Accruing Resources	Net Total	Net Total	Net Total Outturn compared with Estimate	Net Total Outturn compared with Estimate adjusted for virements	Prior- year Outturn
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Request for Resources A: - Promoting sustainable development of the agri-food industry and the countryside; stimulate the economic and social revitalisation of rural areas; protect and enhance the natural environment; promote sustainable development of the sea fishing and aquaculture industries; and manage protect, develop and expand forests in a sustainable way.

Departmental Expenditure in DEL:

1. European Programmes and Agricultural Education	24,111	14,422	20,245	58,778	(10,482)	48,296	47,718	(578)	(361)	72,130
2. Veterinary Service	4,420	66,627	506	71,553	(18,281)	53,272	55,072	1,800	1,606	48,589
3. Animal Welfare, Agrifood, Research and Fisheries	3,928	6,633	2,468	13,029	(263)	12,766	13,110	344	344	16,217
4. Environment	9,841	45,852	4,724	60,417	(16,436)	43,981	44,651	670	501	40,896
5. Forest Service Agency	1,769	15,391	667	17,827	(11,390)	6,437	6,035	(402)	(256)	7,266
6. Common Agricultural Policy (CAP)	-	296,137	8,822	304,959	(304,959)	-	-	-	-	30,884
7. EU Community Initiatives	-	-	1,876	1,876	(1,595)	281	338	57	57	-

Annually Managed Expenditure

8. Forest Service Timber	-	(9,125)	-	(9,125)	-	(9,125)	5,000	14,125	14,125	(7,503)
9. Provisions	-	(110)	-	(110)	-	(110)	13,325	13,435	13,435	(566)
10. Revaluations due to changes in market values	-	(515)	-	(515)	-	(515)	3,050	3,565	3,565	2,337
11. Fisheries	-	93	-	93	-	93	100	7	7	93

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	2017-18 Outturn						2017-18 Estimate			2016-17 Outturn
	Admin	Other Current	Grants	Gross Resource Expenditure	Accruing Resources	Net Total	Net Total	Net Total Outturn compared with Estimate	Net Total Outturn compared with Estimate adjusted for virements	Prior- year Outturn
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-Budget:										
12. Agri-Food and Biosciences Institute	-	-	34,614	34,614	-	34,614	36,941	2,327	2,327	33,767
13. The Loughs Agency of the Foyle, Carlingford and Irish Lights Commission	-	-	1,504	1,504	-	1,504	2,059	555	555	71
14. Notional Charges	17,376	-	-	17,376	-	17,376	25,101	7,725	7,725	16,138
Total	61,445	435,405	75,426	572,276	(363,406)	208,870	252,500	43,630	43,630	260,319

Explanation of variance between Estimate and Outturn

The main reasons for the underspend of £43.6 m are as follows:

- There was an underspend of £1.8m in Resource DEL which mainly related to TB Compensation as the number of reactors were less than that projected at the December Monitoring Round.
- Within AME, the Forest Service Timber underspend of £14m is as a result of a revaluation of Forest Service Timber in line with IAS 41. Growing Timber is valued on a fair value basis by applying the present value of future revenues based on the sale of Mature Timber and deducting the costs to sell. A key requirement of IAS 41 is that all in year movements in the timber valuation must be charged directly to the Consolidated Statement of Comprehensive Net Expenditure. The potential for large movements in the timber value is high given the number of variables outside of the control of Forest Service such as the volatility of timber sales prices due to world timber market conditions.
- Provision had been made in the estimates for CAP disallowance however these amounts were not required and led to an underspend of £13.4m in AME.

Annual Report and Accounts for the year ended 31 March 2018

- Within Non Budget, notional costs across a range of categories were less than estimated at the December Monitoring Round resulting in an underspend of £8m. Along with an underspend of £2.3m in Grant in Aid to AFBI which resulted from an increase in AFBI's yearend accruals, the overall underspend in Non-Budget totalled £11m.
- Within AME revaluations to the Department's Land and Buildings was higher than anticipated leading to an underspend of £3.6m. A full revaluation of the Department's estate is due in 2018-19.

SOAS2: Reconciliation of outturn to net operating cost

		2017-18			2016-17
	Note	Outturn £'000	Supply Estimate £'000	Outturn compared with Estimate £'000	Outturn £'000
Net Resource outturn (Note a)	SOAS1	208,870	252,500	43,630	260,319
Unrealised exchange (gain)/loss (Note b)		(131)	-	131	(1,436)
Non-supply income (CFERs) (Note c)	SOAS4	-	-	-	(37,875)
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure (Note a)		208,739	252,500	43,761	221,008

Note a - Net operating cost is the total of expenditure and income appearing in the Consolidated Statement of Comprehensive Net Expenditure. Net resource outturn is the total of those elements of expenditure and income that are subject to Assembly approval and included in the Department's Supply Estimate.

Note b - This adjustment was required to take account of a change in budgeting rules which classified unrealised exchange losses or gains as 'outside the vote'.

Note c - In 2016-17 CFERs represent accruing resources which would have reasonably been expected to be approved in the Spring Supplementary Estimates had the Assembly not been dissolved. The Spring Supplementary Estimates for 2017-18 were approved on 20th March 2018.

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SOAS3: Reconciliation of net resource outturn to net cash requirement for 2017-18

2017-18				
	Note	Estimate £'000	Outturn £'000	Net Total outturn compared with Estimate: saving/ (excess) £'000
Resource Outturn	SOAS1	252,500	208,870	43,630
Capital:				
Acquisition of Property, Plant and Equipment	7,8	17,473	17,535	(62)
Non-operating Accruing Resources				
Net Book value of asset disposals	4,5	(791)	(116)	(675)
Accruals to cash adjustments				
<i>Adjustments to remove non-cash items</i>	4,5			
Depreciation		(23,472)	(15,249)	(8,223)
New provisions, and adjustments to previous provisions		(13,325)	(640)	(12,685)
Other non-cash items		(25,101)	(7,732)	(17,369)
Changes in working capital other than cash				
- Increase/(Decrease) in inventories			43	
- Increase/(Decrease) in receivables			16,913	
- (Increase)/Decrease payables falling due within one year			22,237	
Total changes in working capital other than cash		39,000	39,193	(193)
Changes in payables falling due after more than one year				
Use of provision	18	54	516	(462)
Net cash requirement		246,338	242,377	3,961

Explanation of variance between Estimate and Outturn

The variance of £4m (2%) is considered reasonable to allow the effective management of cash within the Department.

Annual Report and Accounts for the year ended 31 March 2018

Error in 2016-17 SOAS 3

During the 2017-18 year a technical error was identified with the Net Cash Requirement (NCR) and Supply Debtor reported in the 2016-17 Annual Resource Accounts. The revised 2016-17 SOAS 3 table for 2016-17 has been reproduced below. The Net Cash Requirement (NCR) reported in the SOAS 3 of £201.4m was understated by £69m and should have been £270.4m. There was no excess vote on cash and no impact on the Department's Resource Outturn. There was no loss of cash to the Department. As a result the Supply Debtor reported in note 16 of £40.8m was overstated by £12.6m and the comparatives have now been restated to £28.2m in Note 16.

SOAS3: Reconciliation of net resource outturn to net cash requirement for 2016-17 (Restated)

2016-17				
	Note	Estimate £'000	Outturn Restated £'000	Net Total outturn compared with Estimate: saving/ (excess) £'000
Resource Outturn	SOAS1	275,167	260,319	14,848
Capital:				
Acquisition of Property, Plant and Equipment	7,8	32,830	22,710	10,120
Non-operating Accruing Resources				
Net Book value of asset disposals		-	-	
Accruals to cash adjustments				
<i>Adjustments to remove non-cash items</i>	4,5			
Depreciation		(21,463)	(15,636)	(5,827)
New provisions, and adjustments to previous provisions		(13,620)	340	(13,960)
Other non-cash items		(25,101)	(8,651)	(16,450)
Changes in working capital other than cash				
- Increase/(Decrease) in inventories			183	
- Increase/(Decrease) in receivables			(16,851)	
- (Increase)/Decrease payables falling due within one year			27,825	
Total changes in working capital other than cash		23,000	11,157	11,843
Changes in payables falling due after more than one year			412	(412)
Use of provision	18	-	(199)	199
Net cash requirement		270,813	270,452	361

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SOAS4: Income Payable to the Consolidated Fund

In addition to Accruing Resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Forecast 2017-18			Outturn 2017-18	
	Note	Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
Operating income and receipts - excess Accruing Resources		-	-	-	14,529
Other operating income and receipts not classified as Accruing Resources		-	-	-	-
Non-operating income and receipts - excess Accruing Resources		-	-	-	-
Amounts collected on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund		-	-	-	-
Total income payable to the Consolidated Fund		-	-	-	14,529

SOAS5: Reconciliation of income recorded within the Consolidated Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

		2017-18	2016-17
	Note	£'000	£'000
Operating income	6	363,406	345,387
Gross income		363,406	345,387
Income authorised to be Accruing Resources	SOAS1	(363,406)	(307,512)
Operating income payable to the Consolidated Fund	SOAS4	-	37,875

SOAS6: Non-Operating Income - Excess Accruing Resources

		2017-18	2016-17
	Note	£'000	£'000
Non-operating income - excess Accruing Resources	SOAS4	-	1,927

Annual Report and Accounts for the year ended 31 March 2018

Assembly Accountability Disclosure

Business activities attracting fees and charges [Audited Information]

	2017-18 £'000 Income	2017-18 £'000 Full Cost	2017-18 £'000 Surplus / (Deficit)
Timber and Other forest products	9,095	1,015	8,057
NIEA - Resource Efficiency Pollution	8,089	7,833	256
Food Standards Agency	6,894	6,879	15
NDPB Rent	5,875	2,004	3,871
Total	29,953	17,731	12,199

This note is for fees and charges purposes and not for IFRS 8 Operating Segments purposes.

There are no subsidies received in relation to the above Fees and Charges and DAERA do not consider that overcharging has been applied in relation to the above Fees and Charges.

Information is provided in relation to activities where the income generated is material. While the materiality threshold is noted in the 2017-18 Audit Strategy is £11.3m, the Department has set a low threshold of £5m.

The table below summarises the range of activities undertaken by the Department against which it receives income, in excess of £5m. It is important to note that in a vast majority of cases the price for the goods and services is established by market rates. Where appropriate, the Department aims to secure full cost recovery.

DAERA Services that fall within 4 discrete categories as follows:

1. Services where the full costs are aligned to GB;
2. Services for which full cost recovery is being achieved or is on target to be achieved;
3. Services provided and charged for, but where DAERA cannot recover full costs in the short term; and
4. Services provided but that are not currently charged for.

The following table reflects services for which the department aims to recover costs on a full cost recovery basis.

Income Source	Financial Objective	Commentary
Timber and Other Forestry Products	To recover the full cost plus a real rate of return in line with rates achieved by comparable businesses facing similar risks.	Objective Achieved
Food Standards Agency	To recover the full costs associated with carrying out inspections on behalf of the FSA.	Objective Achieved
Resource Efficiency Pollution	To recover the full costs associated with satisfying resource efficiency pollution legislation.	Objective Achieved
NDPB Rent	To recover the full costs associated with the property management services and to recover rental income in line with current market values.	Objective Achieved

Remote Contingent Liabilities [Audited Information]

In addition to contingent liabilities reported within the meaning of IAS37, the department also reports liabilities for which the likelihood of a transfer of economic benefits in settlement is too remote to meet the definition of contingent liability.

During 2017-18, no such liabilities were reported which are not covered in Provisions Note 18 or the contingent liabilities Note 19.

Departure of the UK from the EU

In 2016, the UK Government announced that the Government would guarantee the following EU funded projects after the UK has left the EU:

- a) All structural and investment fund projects signed before the Autumn Statement 2016;

Structural and investment fund projects signed after the Autumn Statement and before we leave the EU, so long as they are good value for money and in line with domestic strategic priorities;

- b) The payment of awards where UK organisations successfully bid directly to the European Commission on a competitive basis for EU funding projects while we remain in the EU;

- c) The current level of agricultural funding under CAP Pillar 1 until 2020.

The financial settlement has now been signed-off by both UK and EU Commission negotiators in a draft Withdrawal Agreement and welcomed by the EU-27 at March European Council. The guarantee will therefore only be called in the event that the Withdrawal Agreement is not ratified. As a result, and due to the EU funding DAERA provides, an unquantifiable contingent liability is disclosed.

Annual Report and Accounts for the year ended 31 March 2018

Regularity of Expenditure [Audited Information]

The Department has established monitoring systems to identify potential or actual irregular expenditure.

A Stewardship Reporting exercise is undertaken three times a year and Finance Division has a role in reviewing Economic Appraisals to ensure the regularity and propriety of proposals.

Financial Policy Branch asks business areas each month to confirm that the information held on the Losses and Special Payments Register is correct.

Losses and special payments [Audited Information]

Losses Statement

	2017-18	2016-17
	Core Dept & Agency	Core Dept & Agency
Total number of losses/cases	68	77
Total value of losses £'000	5,224	160

These claims include abandoned claims, constructive losses, other losses, malicious damage, theft, cash losses, accidental damage, fruitless payments, forest fires and unvouched or incompletely vouched expenditure. LFACA debt of £4,912,004 was written off during the year, further information is provided in Note 5 to the financial statements on page 137.

Special Payments

	2017-18	2016-17
	Core Dept & Agency	Core Dept & Agency
Total number of losses/cases	15	9
Total value of losses £'000	479	12

These cases include Ex Gratia payments, compensation payments, and Extra Statutory payments. There was one compensation payment made by CAFRE for £417,318.41.

North/South Bodies

In the absence of a DAERA Minister it was not possible to secure North South Ministerial Council (NSMC) approval of 2017 and 2018 Business Plan for the Loughs Agency. While arrangements have been made with DoF to ensure legality of payments in the absence of business plans, expenditure will be irregular until NSMC approves Business Plans.



Dr. Denis McMahon
Accounting Officer
Department of Agriculture, Environment and Rural Affairs
28 June 2018

The Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly

Opinion on financial statements

I certify that I have audited the financial statements of the Department of Agriculture, Environment and Rural Affairs for the year ended 31 March 2018 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Assembly Supply, and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2018 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Department of Agriculture, Environment and Rural Affairs in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

The Accounting Officer is responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Performance Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001.

I am required to obtain evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Annual Report and Accounts for the year ended 31 March 2018

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Report

I have qualified my opinion on the financial statements in previous years due to:

- material disallowances on EU funded expenditure accrued in year; and
- a limitation of scope relating to material disallowances accrued over a number of years.

These issues have now been resolved by the Department.



K J Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

3 July 2018

DEPARTMENT OF AGRICULTURE, ENVIRONMENT AND RURAL AFFAIRS

Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

		2017-18	Restated 2016-17
	Notes	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Income from sale of goods and services	6	(54,639)	(54,021)
EU Income	6	(308,767)	(291,366)
Total Operating Income		(363,406)	(345,387)
Staff costs	3	117,270	117,969
EU expenditure	4,5	308,751	291,313
National grant expenditure and disallowance	4,5	38,693	67,155
Purchase of goods and services	4,5	36,818	31,656
Depreciation and impairment charges	4,5	14,734	15,636
Provision expense	4,5	5,665	(340)
Other operating expenditure	4,5	59,339	50,507
Growing Timber Revaluation	4,5	(9,125)	(7,501)
Total Operating Expenditure		572,145	566,395
Net Operating Expenditure		208,739	221,008
Net Expenditure for the year		208,739	221,008
Other Comprehensive Net Expenditure Items that will not be reclassified to net operating costs:			
Net (gain)/loss on revaluation of Property, Plant and Equipment	7	(8,623)	10,951
Net (gain)/loss on revaluation of Intangible Assets	8	(1,283)	(560)
Comprehensive Net Expenditure for the year ended 31 March 2017		198,833	231,399

All income and expenditure are derived from continuing operations.

The notes on pages 123 - 160 form part of these accounts.

Annual Report and Accounts for the year ended 31 March 2018

Department of Agriculture, Environment and Rural Affairs

Consolidated Statement of Financial Position as at 31 March 2018

This statement presents the financial position of the Department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

		2017-18	Restated 2016-17	2016-17
	Notes	Core Dept & Agencies £'000	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Non-current assets				
Property, plant and equipment	7.1	336,188	332,717	332,717
Biological assets	7.2	197,445	187,886	187,886
Heritage assets	7.3	2,735	2,735	2,735
Intangible assets	8	37,410	28,283	28,283
Financial assets	11.2	26	26	26
Total non-current assets		573,804	551,647	551,647
Current assets				
Assets classified as held for sale	13	736	1,169	1,169
Inventories	14	2,204	2,161	2,161
Trade and other receivables	16	36,592	59,747	72,349
Cash and cash equivalents	15	331	645	645
Total current assets		39,863	63,722	76,324
Total assets		613,667	615,369	627,971
Current liabilities				
Trade and other payables	17	(61,232)	(123,702)	(123,702)
Cash and cash equivalents	15	(3,023)	(3,303)	(3,303)
Provisions	18	(1,064)	(866)	(866)
Total current liabilities		(65,319)	(127,871)	(127,871)

The notes on pages 123 - 160 form part of these accounts.

Annual Report and Accounts for the year ended 31 March 2018

		2017-18	Restated 2016-17	2016-17
	Notes	Core Dept & Agencies £'000	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Total assets less current liabilities		548,348	487,498	500,100
<i>Non-current liabilities</i>				
Other payables	17	-	-	-
Provisions	18	(152)	(226)	(226)
Total non-current liabilities		(152)	(226)	(226)
Total assets less total liabilities		548,196	487,272	499,874
Taxpayers' equity & other reserves:				
General fund		397,188	342,850	355,452
Revaluation reserve		151,008	144,422	144,422
Total equity		548,196	487,272	499,874



Dr. Denis McMahon
Accounting Officer
Department of Agriculture, Environment and Rural Affairs
28 June 2018

Annual Report and Accounts for the year ended 31 March 2018

Department of Agriculture, Environment and Rural Affairs

Consolidated Statement of Cash Flows for the year ended 31 March 2018

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting year. The statement shows how the Department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Departments' future public service delivery.

		2017-18	Restated 2016-17
	Notes	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Cash flows from operating activities			
Net operating cost		(208,739)	(221,008)
Adjustments for non-cash transactions	4,5	23,606	23,931
(Increase)/Decrease in trade and other receivables <i>less movements in receivables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure</i>		23,155 (25,539)	(25,598) 28,231
(Increase)/Decrease in inventories		(43)	(183)
Increase/(Decrease) in trade and other payables <i>less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure</i>		(62,470) 41,485	9,526 (36,486)
Use of Provisions	18	(516)	199
Net cash outflow from operating activities		(209,061)	(221,388)
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,997)	(8,474)
Purchase of intangible assets	8	(13,921)	(13,788)
Proceeds of disposal of property, plant and equipment		131	173
Net cash outflow from investing activities		(18,787)	(22,089)

The notes on pages 123 - 160 form part of these accounts.

Annual Report and Accounts for the year ended 31 March 2018

		2017-18	Restated 2016-17
	Notes	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		239,685	238,970
From the Consolidated Fund (Supply) - prior year		28,231	1,320
From the Consolidated Fund (Deemed Supply)		-	3,251
Net financing		267,916	243,541
Net increase/(decrease) in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		40,068	64
Payments of amounts due to the Consolidated Fund	17	(40,102)	(3,261)
Net increase/(decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		(34)	(3,197)
Cash and cash equivalents at the beginning of the year		(2,658)	539
Cash and cash equivalents at the end of the year	15	(2,692)	(2,658)

The notes on pages 123 - 160 form part of these accounts.

Annual Report and Accounts for the year ended 31 March 2018

Department of Agriculture, Environment and Rural Affairs

Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

This statement shows the movement in the year on the different reserves held by the Department, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. Other earmarked reserves are shown separately where there are statutory restrictions of their use.

	Notes	General Fund £'000	Revaluation Reserve £'000	Taxpayers' Equity £'000
Balance at 31 March 2016 Restated		313,577	158,310	471,887
Net Assembly Funding - drawn down		238,970	-	238,970
Net Assembly Funding - deemed		3,251	-	3,251
Supply receivable adjustment	16	28,231	-	28,231
CFERs payable to the Consolidated Fund		(39,802)	-	(39,802)
Comprehensive Net Expenditure for the year	CSoCNE	(221,008)	(10,391)	(231,399)
Non-Cash Adjustments				
Accommodation and other charges	4	16,016	-	16,016
Auditor's remuneration	4	118	-	118
Transfers between reserves		3,497	(3,497)	-
Balance at 31 March 2017 Restated		342,850	144,422	487,272
Net Assembly Funding - drawn down		239,685	-	239,685
Supply receivable adjustment	16	2,692	-	2,692
CFERs payable to the Consolidated Fund	17	-	-	-
Comprehensive Net Expenditure for the year	CSoCNE	(208,739)	9,906	(198,833)
Transfer of Asset		6	-	6
Non-Cash Adjustments				
Accommodation and other charges	4	17,247	-	17,247
Auditor's remuneration	4	127	-	127
Movements in Reserves				
Transfers between reserves		3,320	(3,320)	-
Balance at 31 March 2018		397,188	151,008	548,196

The notes on pages 123 - 160 form part of these accounts.

Department of Agriculture, Environment and Rural Affairs

RESOURCE ACCOUNTS AT 31 MARCH 2018

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2017-18 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department of Agriculture, Environment and Rural Affairs for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Department are described below. They have been applied consistently in dealing with items considered material to the accounts.

In addition to the primary statements prepared under IFRS, the *FReM* also requires the Department to prepare one additional primary statement. The *Statement of Assembly Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement which are included in the Accountability and Audit Report.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of Property, Plant and Equipment, Intangible Assets and certain financial assets and liabilities.

1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the department (the core department), and those entities which fall within the departmental boundary as defined in the *FReM*, interpreted for Northern Ireland.

1.3 Property, Plant & Equipment and Biological Assets

Capitalisation

Expenditure on Property, Plant and Equipment of over £5,000 is capitalised. Within the Department the grouping of computer equipment, in respect of items falling below this threshold, has also been undertaken.

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On initial recognition Property, Plant and Equipment and Intangible Assets are measured at cost including any expenditure, such as installation, directly attributable to bringing them into working condition. Items classified as “under construction” are recognised in the Statement of Financial Position to the extent that money has been paid or a liability has been incurred.

Subsequent expenditure on an asset, that meets the criteria in compliance with IAS 16, is capitalised, otherwise it is written off to revenue.

Valuation

Land and buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenue Rating and Valuation (IRRV).

Professional revaluations of land and buildings (with the exception of Forest Land) are undertaken every five years by the Land and Property Services Division of Department of Finance and Personnel (LPS). LPS practices comply with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (The Red Book) which provides a regulated framework and practice guidance and standards, including compliance with International Valuation Standards. LPS revalued all Core Land and Buildings at 1st April 2015 and Forest Service was revalued at 1st April 2014.

From 1 April 2012, land and buildings are revalued annually, between professional valuations, using the BCIS index provided by LPS. In prior years the index used to revalue buildings was OPI as provided by the Office for National Statistics. Properties surplus to requirements are valued on the basis of open market value less any material, directly attributable, selling costs.

Forest Land now forms part of the Combined Asset Valuation (CAV) of forestry land and timber thereon and is valued annually by LPS. The fair value for the land is calculated by deducting the fair value of the timber from the CAV. All valuations have been carried out by LPS in accordance with the current edition of the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV).

The value of trees grown for commercial purposes is included in non-current assets at a fair value basis less estimated selling costs. The fair value is determined by applying the present value of expected net cash flows from the asset (future revenues based on the sale of mature timber), discounted at a current market determined pre-tax rate to calculate the fair value of the timber asset at any point in time. Revaluations are directly charged to the Consolidated Statement of Comprehensive Net Expenditure.

The Department's Heritage Assets comprise the Peace Maze at Castlewellan Forest Park and Glenariff Walkway and lands that have been declared as National Nature Reserves, Nature Reserves or Areas of Special Scientific interest. These are shown separately on the face of the Statement of Financial Position and also in Note 7.3. Heritage Assets are valued at historical cost.

Assets under Construction are carried at cost.

With the exception of the Forestry Land and Timber above and items under construction, fair value is estimated by restating the value annually by reference to indices compiled by the Office of National Statistics (ONS).

Depreciation

Land at Baronscourt is being handed back to its owner in stages up to the year 2024. Depreciation is being charged over that period. There is no depreciation charge on the Department's own land.

Heritage Assets will be maintained in perpetuity and consequently have not been depreciated.

Assets under Construction are not depreciated until they are commissioned.

For all other categories of property, plant and equipment, depreciation is charged on a straight line basis, to write off the cost or valuation, less estimated residual value, where relevant, of each asset over its estimated useful life. Depreciation is charged in full in the month of acquisition, with no charge in the month of disposal. The useful lives, which are reviewed regularly and where necessary revised, are:

• Freehold & Long Leasehold Land	Not depreciated
• Other Land	Terms of lease
• Buildings	10 - 75 years
• Plant, Machinery, Equipment and Computers	3 - 40 years
• Motor Vehicles	5 - 15 years

1.4 Intangible Assets

Software Licences

Purchased computer software and associated licences are capitalised as intangible assets where expenditure of £5,000 or more is incurred. In addition similar licences falling below this threshold, which when grouped exceed the threshold, are also capitalised. The value of the capitalised licences is restated at current value at the balance sheet date in accordance with the movement in the RPI. The licences are amortised over their expected useful life, which can be from 1 to 15 years depending on the licence.

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Land Rights

Other intangibles relate to Forest Service land rights (shooting and turbary rights). The forest land rights, being land based, are as a consequence revalued every 5 years by a professional valuer. The valuation of land rights used in these accounts was provided by the Land and Property Services Division of Department of Finance and Personnel (LPS) as at 1 April 2014. There is no in year amortisation charge as the life span is land-based and therefore assumed to be infinite.

Developed Software

Developed software is the Forest Service Geographic Information System (FSGIS) which is used in the management and monitoring of Forest Service forests and grant aided woodlands. This software is amortised over the expected useful life of the asset, which can be from 1 to 7 years.

Sporting and Fishing Rights

Sporting and fishing rights are valued at modified historical cost, as this is considered a proxy for fair value in the absence of value in use, or the fair value attributed at the time of acquisition subsequently indexed. Sporting and fishing rights are not amortised. This is supported by annual impairment reviews using the latest available indices published in 'Retail Price Indices CHAW' which are the indices applied to internally developed software, externally developed software, software licences and licences, trademarks and artistic originals as prepared by the Office for National Statistics to ensure that the carrying value of the intangible asset does not exceed its recoverable amount.

1.5 Financial Assets

Financial interests, in bodies that are outside the departmental boundary, are treated as fixed asset investments as they are held for the long term. These comprise non-tradeable shares, at historic cost, in United Dairy Farmers Limited, a dairy farmer co-operative registered in Northern Ireland.

1.6 Current Assets Held for Sale

The Department classifies a non-current asset as held for sale where its value is expected to be realised principally through a sale transaction rather than through continuing use. In order to meet this definition IFRS 5 requires that the asset must be immediately available for sale in its current condition and that its sale is highly probable. A sale is regarded as highly probable where an active plan is in place to find a buyer for the asset through appropriate marketing at a reasonable price and the sale is considered likely to be concluded within one year. Current assets held for sale are valued on the basis of open market value less any material directly attributable selling costs.

1.7 Inventories

Livestock

Livestock are valued at market value.

Fish stock

Fish stock is valued by allocating costs to salmon and trout stock based on the cost of production process.

Other inventories are valued at the lower of cost and net realisable value.

1.8 Operating Income

Operating income is income that relates directly to operating activities of the Department. It comprises fees and charges, to be recovered for services provided to external customers, sale of timber, and public repayment work. It also includes accruing resources in aid of the Estimate and income payable to the Consolidated Fund, which in accordance with *FReM*, is treated as operating income. It excludes accruing resources and Consolidated Fund Extra Receipts treated as capital. Income under the Common Agricultural Policy, from the European Union programme for Peace and Reconciliation, and other EU initiatives is also treated as operating income.

1.9 Foreign Exchange

Transactions, which are denominated in a foreign currency, are translated into sterling at the exchange rate ruling on the date of each transaction. Balances at year end are restated using the exchange rate at the year end and any exchange gain or loss is treated as income or expenditure.

1.10 Grants

The Department recognises grant expenditure in the year in which the recipient carries out the activity that creates an entitlement to the grant support, in so far as it is practicable to do so. EU income due to the Department is accrued in line with the relevant expenditure.

1.11 Provisions

The Department provides for legal or constructive obligations, which are of uncertain timing, or amount at the Statement of Financial Position date, on the basis of the best estimate of the expenditure required to settle the obligation.

Legal claims and other provisions are provided for at the full assessed amount in each case.

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The Department is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. The Department provides in full for the cost of meeting these payments in respect of early retirement programmes at the time that a liability is created.

1.12 Value Added Tax (VAT)

VAT is recovered on an accruals basis. The Consolidated Statement of Comprehensive Net Expenditure is stated net of VAT. Where trade receivables and trade payables are stated gross of VAT, the VAT account balance is adjusted accordingly. Irrecoverable VAT is charged to the relevant category or included in the capitalised purchase cost of property, plant and equipment and intangible assets.

No taxation is chargeable on the financial results of entities within the departmental boundary.

1.13 Third-Party Assets

The Department holds a number of bank accounts on behalf of third parties. These third parties include student trust funds, college club and society accounts, other trust funds and statutory accounts. In addition, a number of these trusts hold Treasury Stock and shares in the Northern Ireland Central Investment Fund for Charities.

1.14 Administration and Programme Expenditure

An analysis of the split between administration and programme is included at note 4b. The classification of expenditure as administration or as programme follows the definition of administration costs set out in the Consolidated Budgeting Guidance issued by HM Treasury and adopted by Department of Finance and Personnel for Northern Ireland. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery. All of the Forest Service and NIEA income and expenditure relates directly to service delivery and as such is designated as programme.

1.15 Employee Benefits including pensions

Under the requirements of “IAS 19: *Employee Benefits*”, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. Expenditure is based on a specific report run from the Personnel system which calculates the year-end balance using leave balances on the system.

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS[NI]). The defined benefit schemes are unfunded.

The Department recognises the expected cost of these elements on a systematic and rational basis over the year during which it benefits from employees' services by payment to the PCSPS[NI] of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS[NI]. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year. See Remuneration note.

Further details of the civil service pension arrangements can be found at the website: www.civilservicepensions-ni.gov.uk

1.16 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Assembly in accordance with the requirements of *Managing Public Money Northern Ireland*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

1.17 Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is de-recognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for de-recognition. A financial liability is de-recognised when, and only when, it is extinguished.

The Department has financial instruments in the form of trade receivables and payables and cash and cash equivalents.

In accordance with "IAS 39 *Financial Instruments: Recognition and Measurement*" trade receivables, cash and other receivables are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method less any impairment.

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The Department assesses at each Statement of Financial Position date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. Based on historic experience receivables that are due beyond 361 days are generally not recoverable.

The Department measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics.

Impairment losses are recognised in the Consolidated Statement of Comprehensive Net Expenditure and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

When a financial asset is deemed unrecoverable the amount of the asset is reduced directly and the impairment loss is recognised in the Consolidated Statement of Comprehensive Net Expenditure to the extent that a provision was not previously recognised.

Financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

1.18 Related Party Transactions

The Department has had a number of transactions with other government departments and other central government bodies. Most of these transactions have been with Northern Ireland departments and their executive agencies.

In terms of related party interests of the Department's officials, in the interests of transparency the Department considers it necessary that its top managerial officials and members of the Departmental Board declare all of the following: -

- Any interests in DAERA other than through the normal relationship of employee/ employer, for example receipt of grants/subsidies for family farms;

- Any interest in anybody with which DAERA has dealings including membership of Boards of those bodies even when such membership is part of the officer's job;
- Any such interest held by a close family member.

1.19 Functional Currency and Rounding

The functional currency is Sterling and, except where otherwise stated, figures have been rounded to the nearest thousand pounds.

1.20 Critical Accounting Estimates and Key Adjustments

As a result of the uncertainties inherent in all business activities, many items in financial statements cannot be measured with precision but can only be estimated. Where estimates have been required in order to prepare these financial statements in conformity with *FReM*, management have used judgements based on the latest available, reliable information. Management continually review estimates to take account of any changes in the circumstances on which the estimate was based or as a result of new information or more experience.

1.21 Accounting Standards

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts.

New standards have been issued that will have to be considered by DAERA in 2018/19 such as:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

Accounting boundary IFRS' are currently adapted in the *FReM* so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in NI, which will bring NI departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2020-21, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALBs apply IFRS in full and their consolidation boundary may change as a result of the new Standards.

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2. Statement of Operating Costs by Operating Segment

The Department has used the factors identified in IFRS 8 Operating Segments to identify the reportable segments. The Department's reporting structure is based on clearly defined business units.

The individual business unit engages in separate business activities in line with the Department's aims and objectives incurring expenditure and earning revenue. The performance of the business unit is reported to the Departmental Board, chaired by the Accounting Officer, on a monthly basis against clearly defined targets. The accounting system design and reporting structure has been based on this organisational structure to enable discrete financial information to be readily available. Each division is funded through the Northern Ireland Estimate and Budget process to promote sustainable development of the agri-food industry and the countryside, stimulate the economic and social revitalisation of rural areas, protect and enhance the natural environment, promote sustainable development of the sea fishing and aquaculture industries and manage, protect and expand forests in a sustainable way. Details of the activities of each segment are disclosed below.

The information provided is disclosed at Consolidated level with intra Departmental transactions being eliminated on consolidation. Central administration costs are apportioned across the other operating segments. A large proportion of the Department's activities are based on the distribution of EU Common Agricultural Policy funding to the local community.

	2017-18					
	Veterinary Service and Animal Health £'000	Food and Farming Group £'000	Environment, Marine and Fisheries £'000	Forest Service £'000	Central Services and Rural Affairs £'000	Total £'000
Gross Expenditure	65,895	385,372	58,939	7,193	54,746	572,145
Income	18,189	315,262	17,912	11,353	690	363,406
Net Expenditure (Income)	47,706	70,110	41,027	(4,160)	54,056	208,739

In accordance with IFRS 8, as total assets, net assets or additional information are not reported separately to the Departmental Board, no disclosure in respect of assets and liabilities has been made.

Description of segments

Food and Farming Group - Expenditure on the College of Agriculture, Food and Rural Enterprise, provision of advice, support and guidance to farmers and the rural community by specialist advisors and frontline office staff. EU compliance and countryside management. Measures associated with the provision of scientific services (by the Agri-Food and Biosciences Institute in the fields of agriculture, animal health and welfare, food, fisheries, the natural environment, rural development, enterprise and by other scientific bodies) and research grants to rural businesses. Delivery of food strategy and policy support to the agri-food industry, collection, collation and dissemination of agricultural and related statistics. Common Agricultural Policy - Implementation of and payments in relation to the Common Agricultural Policy and the European Regional Development Fund.

Veterinary Service and Animal Health - Provision of veterinary services and veterinary public health services, payments of compensation to farmers for animals culled in disease control programmes, prevention and eradication of animal diseases and protection of animal welfare. Enforcement of marketing/classification standards, primary production hygiene and animal feeding stuffs legislation, support for the equine industry.

Central Services and Rural Affairs - Rural development (including tackling poverty and social isolation) and payments under the European Agricultural Fund for Rural Development, Digital Services Division and Brexit Division.

Forest Service - Protection and conservation of forests, extension of woodland area, promotion of recreational use of forest areas and exploitation of forests for wood and non-wood products. Protection of plant health and bee health.

Environment, Marine and Fisheries (inc NIEA) - Protection of the Environment through regulation, enforcement, research, monitoring and raising public awareness. Provision of environmental policy and legislation relating to waste and greenhouse gas emissions. Promotion, protection, enhancement and sustainable use of fish stocks, aquaculture and marine health. Payments under the European Fisheries Fund. Support for the operation of the Loughs Agency of the Foyle, Carlingford and Irish Lights Commission and the Northern Ireland Fishery Harbour Authority.

2.1 Reconciliation between Operating Segments and CSoCNE

There is no reconciliation between operating segments and the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) as there are no reconciling items.

2.2 Reconciliation between Operating Segments and CSoFP

There is no requirement to disclose Consolidated Statement of Financial position (CSoFP) information by operating segment.

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3. Staff Costs

	2017-18	2016-17
	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Wages and salaries	89,158	89,357
Social security costs	8,818	9,058
Other pension costs	19,294	19,648
NICS voluntary exit scheme costs	-	(94)
Sub total	117,270	117,969
Less recoveries in respect of outward secondments	(113)	(121)
Total Net Costs	117,157	117,848

of which:

Charged to Administration	30,022	34,497
Charged to Programme	87,248	83,472
	117,270	117,969

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4. Other Administration Costs

4 (a) Administration Costs

	2017-18	2016-17
	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Purchase of goods & services		
Office services	1,975	2,422
Contracted out services	2,663	2,650
Professional costs	660	142
Consultancy costs	109	61
Other expenses	1,629	57
Total	7,036	5,332
Depreciation & impairment charges		
Non - cash costs :		
Depreciation-property, plant and equipment	270	258
Amortisation of intangible assets	5,142	3,457
Impairment/revaluation of asset	-	-
Total	5,412	3,715
Other operating expenditure		
Rentals under operating leases	101	17
Staff related costs	1,849	2,522
Accommodation costs	53	52
Sub-Total	2,003	2,591
Loss on disposal of assets	-	30
Sub-Total	-	30
Notional Charges		
Notional auditor's remuneration	127	118
Notional accommodation	6,821	7,477
Other notional costs	10,428	8,501
Sub-Total	17,376	16,096
Total	19,379	18,717
Total Administration Costs	31,827	27,764

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4 (b) Total Operating Expenditure Reconciliation

			2017-18
	Administration Expenditure £'000	Programme Expenditure £'000	Total £'000
Staff costs	30,022	87,248	117,270
EU expenditure	-	308,751	308,751
National grant expenditure and disallowance	-	38,693	38,693
Purchase of goods & services	7,036	29,782	36,818
Depreciation & impairment	5,412	9,322	14,734
Provision expenses	-	5,665	5,665
Other operating expenditure	19,379	39,960	59,339
Growing timber revaluation	-	(9,125)	(9,125)
Total	61,849	510,296	572,145

Total Operating Expenditure Reconciliation

			2016-17
	Administration Expenditure £'000	Programme Expenditure £'000	Total £'000
Staff costs	34,497	83,472	117,969
EU expenditure	-	291,313	291,313
National grant expenditure and disallowance	-	67,155	67,155
Purchase of goods & services	5,332	26,324	31,656
Depreciation & impairment	3,715	11,921	15,636
Provision expenses	-	(340)	(340)
Other operating expenditure	18,717	31,790	50,507
Growing timber revaluation	-	(7,501)	(7,501)
Total	62,261	504,134	566,395

5. Programme Costs

5 (a) Programme Costs

	2017-18	2016-17
	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Grant Expenditure		
EU Grants & Subsidies:		
Capital grants & subsidies	6,207	2,270
Current grants & subsidies - Area Aids Basic Payment Scheme	287,091	275,503
Current grants & subsidies - other	15,453	13,540
	308,751	291,313
National Grants & Subsidies:		
Grant in aid	36,118	33,838
Capital grants & subsidies	15,722	7,282
Current grants & subsidies	13,230	33,161
	65,070	74,281
CAP Disallowance	(26,377)	(7,126)
Total	347,444	358,468
Purchase of Goods & Services		
Office services	2,454	2,337
Contracted out services	5,528	5,417
Private veterinary practitioners fees & expenses	8,248	7,181
Professional & legal costs	4,951	4,307
Consultancy costs	135	256
Consumables & materials	2,922	2,827
Other goods and services	5,544	3,999
Total	29,782	26,324
Depreciation & Impairment Charges		
Non Cash Costs:		
Depreciation - property, plant & equipment	8,922	8,341

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	2017-18	2016-17
	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Amortisation of intangible assets	915	433
Impairment/revaluation of assets	(515)	3,147
Total	9,322	11,921
Bad Depts*	5,025	-
Provision expense	640	(340)
Provisions Total	5,665	(340)
Other Operating Expenditure		
Rentals under operating lease	583	664
Staff related costs	2,944	2,861
Accommodation costs	9,783	6,792
Exchange rate losses/(gains) - realised	988	947
Exchange Rate losses/(gains) - unrealised	(131)	(1,436)
Diseased animals compensation	23,120	18,402
Non-capital plant and equipment purchases	1,072	1,257
Irrecoverable VAT	-	-
Vehicle and plant costs	2,247	2,583
Sub Total	40,606	32,070
Non cash items		
Gain on disposal of assets	(16)	(14)
Provision for doubtful debt	(630)	(266)
Non Cash Total	(646)	(280)
Total	39,960	31,790
Growing timber revaluation	(9,125)	(7,501)
Total Programme Expenditure	423,048	420,662

* The provision expense includes a bad debt write-off of £4.9m in respect of overpayments made under the Less Favoured Areas Compensatory Allowances scheme between 2007 and 2013. DAERA sought DoF approval to write off the debt in accordance with Managing Public Money Northern Ireland. The justification for write-off followed extensive legal advice and on the basis that recovery is unlikely to be justifiable on value for money grounds as the cost of recovery is likely to exceed the amount of debt to be recovered. DoF approval was granted in December 2017.

5 (b) Non Cash Costs

			2017-18
	Administration Expenditure £'000	Programme Expenditure £'000	Total £'000
Ministers Notional Salary	-	-	-
Depreciation & impairment	5,412	9,322	14,734
Provision expenses	-	5,665	5,665
Other operating expenditure	17,373	(646)	16,727
Growing Timber Revaluation	-	(9,125)	(9,125)
Total	22,785	5,216	28,001

Non Cash Costs

			2016-17
	Administration Expenditure £'000	Programme Expenditure £'000	Total £'000
Ministers Notional Salary	42	-	42
Depreciation & impairment	3,715	11,921	15,636
Provision expenses	-	(340)	(340)
Other operating expenditure	16,126	(280)	15,846
Growing Timber Revaluation	-	(7,501)	(7,501)
Total	19,883	3,800	23,683

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6 Income

	2017-18	2016-17
	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Sales of Goods		
Timber and other forest produce	9,095	8,978
Diseased animal salvage	4,636	3,049
Farm sales	1,143	1,155
	14,874	13,182
Sales of Services		
Food Standards Agency	6,894	7,197
Rental income from NDPB	5,875	6,079
Seconded staff	113	121
Education	1,972	2,116
Rent & recreational income	2,179	1,937
Inspection	6,915	8,089
Resource efficiency pollution costs recovered	8,089	7,724
Carrier Bag Levy	4,819	4,966
Fishing, Permits and Licences	468	627
Other	2,441	1,983
	39,765	40,839
Total Sales of Goods and Services	54,639	54,021
EU Income		
Area Aids and Basic Payment Scheme	287,091	275,503
Other EU programme income	21,676	15,863
	308,767	291,366
Total Income	363,406	345,387

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7.1 (a) Property, Plant and Equipment 2017-18

	Land & Buildings £'000	Plant & Machinery £'000	Transport & Equipment £'000	Information Technology £'000	Assets under Construction £'000	Total £'000
Cost or valuation						
At 1 April 2017	322,603	22,843	11,409	3,795	11,260	371,910
Additions	710	768	518	248	1,370	3,614
Disposals	(501)	(739)	(552)	(503)	-	(2,295)
Reclassifications	7,256	695	-	145	(8,096)	-
Transfers	-	(7)	(17)	12	(6)	(18)
Impairment	-	-	-	-	-	-
Revaluations to CSoCNE	616	(6)	2	-	-	612
Revaluations through revaluation reserve	10,107	215	152	105	-	10,579
At 31 March 2018	340,791	23,769	11,512	3,802	4,528	384,402
Depreciation						
At 1 April 2017	15,927	14,176	6,694	2,396	-	39,193
Charged in year	6,502	1,303	869	518	-	9,192
Disposals	(501)	(677)	(512)	(495)	-	(2,185)
Reclassifications	-	-	-	-	-	-
Transfers	-	(7)	(17)	-	-	(24)
Impairment	-	-	-	-	-	-
Revaluations to CSoCNE	72	4	6	-	-	82
Revaluations through revaluation reserve	1,726	88	78	64	-	1,956
At 31 March 2018	23,726	14,887	7,118	2,483	-	48,214
Carrying amount at 31 March 2017	306,676	8,667	4,715	1,399	11,260	332,717
Carrying amount at 31 March 2018	317,065	8,882	4,394	1,319	4,528	336,188
Asset financing:						
Owned	316,651	8,882	4,394	1,319	4,528	335,774
Land at Baronscourt	414	-	-	-	-	414
Carrying amount at 31 March 2018	317,065	8,882	4,394	1,319	4,528	336,188

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	Land & Buildings £'000	Plant & Machinery £'000	Transport & Equipment £'000	Information Technology £'000	Assets under Construction £'000	Total £'000
Of the total:						
Core Department	183,125	5,470	3,383	945	4,155	197,078
Agencies	133,940	3,412	1,011	374	373	139,110
Carrying Amount at 31 March 2018	317,065	8,882	4,394	1,319	4,528	336,188

Notes:

(a) Land and Buildings includes land with a net book value of £149,588,112.

(b) Land and Buildings were valued as at 1 April 2015 for the Core Department. These valuations were carried out on an existing use basis by Land and Property Services Division of Department of Finance and Personnel.

Forest Service Agency Buildings were valued as at 1 April 2014 by LPS on an existing use basis.

NIEA Buildings were revalued as at 1 April 2016. Properties are valued on the basis of open market value existing use, unless they are specialised, in which case they are valued on the basis of depreciated replacement cost.

The above land and buildings are revalued annually to reflect general movements in property prices using indices.

Forest Service Land now forms part of the Combined Asset Valuation of Forestry land and timber thereon (CAV) and is valued annually by LPS. The fair value for the land is calculated by deducting the fair value of the timber (as calculated per note 1.3) from the CAV.

All valuations have been carried out by LPS in accordance with the current edition of Royal Institution of Chartered Surveyors Valuation Professional Standards (known as the Red Book) at the time of the valuation.

(c) Other property, plant and equipment were re-valued using the latest available indices.

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7.1 (b) Property, plant and equipment 2016-17

	Land & Buildings £'000	Plant & Machinery £'000	Transport & Equipment £'000	Information Technology £'000	Assets under Construction £'000	Total £'000
Cost or valuation						
At 1 April 2016	335,274	22,271	10,820	4,171	9,730	382,266
Additions	1,061	2,465	926	233	4,237	8,922
Disposals	(1,812)	(2,459)	(487)	(770)	(20)	(5,548)
Reclassifications	1,515	71	(6)	-	(1,648)	(68)
Transfers	(720)	18	(47)	(34)	(1,023)	(1,806)
Impairment	-	-	-	-	(16)	(16)
Revaluations to CSoCNE	(1,891)	10	5	13	-	(1,863)
Revaluations through revaluation reserve	(10,824)	467	198	182	-	(9,977)
At 31 March 2017	322,603	22,843	11,409	3,795	11,260	371,910
Depreciation						
At 1 April 2016	9,796	15,151	6,309	2,597	-	33,853
Charged in year	6,120	1,214	800	464	-	8,598
Disposals	(1,743)	(2,515)	(391)	(760)	-	(5,409)
Reclassifications	-	6	(6)	-	-	-
Transfers	-	69	(33)	(34)	-	2
Impairment	558	327	12	10	-	907
Revaluations to CSoCNE	246	6	9	7	-	268
Revaluations through revaluation reserve	950	(82)	(6)	112	-	974
At 31 March 2017	15,927	14,176	6,694	2,396	-	39,193
Carrying amount at 31 March 2016	325,478	7,120	4,511	1,574	9,730	348,413
Carrying amount at 31 March 2017	306,676	8,667	4,715	1,399	11,260	332,717
Asset financing						
Owned	306,242	8,667	4,715	1,399	11,260	332,283
Land at Baronscourt	434	-	-	-	-	434
Carrying amount at 31 March 2017	306,676	8,667	4,715	1,399	11,260	332,717
Of the Total:						
Core department	173,718	5,140	3,585	956	6,524	189,923
Agencies	132,958	3,527	1,130	443	4,736	142,794
Carrying amount at 31 March 2017	306,676	8,667	4,715	1,399	11,260	332,717

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7.2 Biological Assets

	2017-18	2016-17
Growing Timber	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Value at 1 April	187,886	180,052
Revaluation adjustment		
Transfer to assets held for sale	(736)	(1,169)
Timber removals	(7,824)	(8,221)
Timber lost to fire	(24)	(5)
Timber lost to disease	-	-
Price/growth increment	18,143	17,229
Value at 31 March	197,445	187,886
Revaluation adjustment:		
Credit/(charged) to Consolidated Statement of Comprehensive Net Expenditure	9,126	7,501
In year movement in assets held for sale	433	331
Movement in timber valuation	9,559	7,832

Growing timber is valued in line with the accounting policy (see note 1.3). Timber lost to fire and disease is also valued on the same basis.

Timber identified as having been allocated under contract and removed from the estate database being available for sale in 2018-19 is valued at the expected sales price. Timber removals in year are valued at the sales price achieved. The revaluation movement, except for the movement in the asset held for sale is taken directly to the Consolidated Statement of Comprehensive Net Expenditure. Timber felled and contracted for sale is removed from the valuation model and transferred to Assets Held for Sale.

7.3 Heritage Assets

	2017-18	2016-17
	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Value at 31 March	2,735	2,735

Heritage assets are valued at historical cost. Heritage assets are maintained in perpetuity, and consequently are not depreciated.

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8.1 Intangible Assets

2017-18	Forest Land Rights £'000	Software £'000	Software Licences £'000	Asset under construction £'000	Total £'000
Cost or valuation					
At 1 April 2017	1,364	42,971	3,624	3,103	51,062
Additions	-	11,751	348	1,822	13,921
Disposals	-	(902)	(344)	-	(1,246)
Reclassifications	-	2,044	-	(2,044)	-
Revaluations to CSocNE	-	22	-	-	22
Revaluations through Revaluation Reserve	35	2,184	147	-	2,366
Total Cost	1,399	58,070	3,775	2,881	66,125
Amortisation					
At 1 April 2017	-	20,232	2,547	-	22,779
Charged in year	-	5,432	625	-	6,057
Disposal depreciation	-	(902)	(338)	-	(1,240)
Revaluation to CSocNE	-	36	-	-	36
Revaluations through Revaluation Reserve	-	970	113	-	1,083
At 31 March 2018	-	25,768	2,947	-	28,715
Carrying Amount at 31 March 2017	1,364	22,739	1,077	3,103	28,283
Carrying Amount at 31 March 2018	1,399	32,302	828	2,881	37,410

2016-17	Forest Land Rights £'000	Software £'000	Software Licences £'000	Asset under construction £'000	Total £'000
Cost or valuation					
At 1 April 2016	1,419	29,967	3,218	2,276	36,880
Additions	-	12,314	647	827	13,788
Disposals	(76)	(287)	(322)	-	(685)
Reclassifications	-	68	-	-	68
Transfers	-	(16)	-	-	(16)
Revaluations to CSocNE	-	4	-	-	4
Revaluations through Revaluation Reserve	21	921	81	-	1,023
Total Cost	1,364	42,971	3,624	3,103	51,062

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2016-17	Forest Land Rights £'000	Software £'000	Software Licences £'000	Asset under construction £'000	Total £'000
Amortisation					
At 1 April 2016	-	16,579	2,396	-	18,975
Charged in year	-	3,477	413	-	3,890
Disposal depreciation	(76)	(237)	(322)	-	(635)
Transfer depreciation	-	(1)	-	-	(1)
Impairment depreciation	76	6	1	-	83
Revaluations to CSoCNE	-	4	-	-	4
Revaluations through Revaluation Reserve	-	404	59	-	463
Total Depreciation	-	20,232	2,547	-	22,779
Carrying Amount at 31 March 2017	1,364	22,739	1,077	3,103	28,283

9. Impairments

	2017-18	2016-17
	Core Department & Agencies £'000	Core Department & Agencies £'000
Charged to statement of comprehensive net expenditure	-	-
Charged to Revaluation Reserve	-	-
	-	-

These costs relate to impairment losses which arise from a clear consumption of economic benefit as opposed to losses arising from the movement in indices used for the revaluation of non-current assets.

10. Capital and other commitments

10.1 Capital Commitments

	2017-18	2016-17
	Core Department & Agencies £'000	Core Department & Agencies £'000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property, plant & equipment	18,141	10,609
	18,141	10,609

10.2 Commitments under leases

10.2.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2017-18	2016-17
	Core Department & Agencies £'000	Core Department & Agencies £'000
Land		
Not later than one year	42	25
Later than one year and not later than five years	121	79
Later than five years	513	419
	676	523
Buildings		
Not later than one year	93	131
Later than one year and not later than five years	119	167
Later than five years	152	266
	364	564
Other		
Not later than one year	128	72
Later than one year and not later than five years	231	31
Later than five years	47	59
	406	162

10.2.2 Finance leases

The Department had no finance leases during 2017-18 or 2016-17.

10.3 Commitments under PFI and Other Service Concession Arrangements

The Department had no PFI commitments at 31 March 2018.

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10.4 Other Financial Commitments

The Department and its agency have entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements) to give assistance to farmers and others who meet appropriate criteria. A commitment is deemed to arise for the balance of the total possible payment unpaid, unclaimed and not yet due to be claimed at 31 March 2018.

The payments to which the Department is committed are as follows:

	2017-18	2016-17
	Core Department & Agencies £'000	Core Department & Agencies £'000
EU Grants/Schemes		
Not later than one year	30,822	17,276
Later than one year and not later than five years	32,317	19,553
Later than five years	1,479	1,665
	64,618	38,494
National Grant Schemes		
Not later than one year	3,012	2,772
Later than one year and not later than five years	1,235	486
Later than five years	493	-
	4,740	3,258
Total EU Grants Schemes/National Grant Schemes		
Not later than one year	33,834	20,048
Later than one year and not later than five years	33,552	20,039
Later than five years	1,972	1,665
	69,358	41,752

The EU Grants/Schemes commitments includes both the EU and the Departmental share. The EU and Departmental shares vary from scheme to scheme. The split of the total commitment of £69.4 million, which includes EU and National funding for EU Grants/Schemes, is EU £34.6 million (50%) and DAERA £34.7 million (50%). In 2016-17 the split of the total commitment of £38.5 million was EU £24.3 million (63%) and DAERA £14.2 million (37%).

11 Financial Instruments

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

11.1 Foreign Currency risk

Under the Basic Payment Scheme, farmers can opt to receive their subsidy payments in Euro. The Department is protected from exposure to significant currency risk in relation to these payments as the funding for them is received in Euro at the same time as the payments are made.

The Department also incurs expenditure in sterling on schemes for which it seeks reimbursement from the EU Structural Funds and the EU Veterinary Fund. Claims for funding are submitted to the EU in Euro. The Department is therefore exposed to currency exchange fluctuations that reflect currency movements between the date it makes a claim and the date it is reimbursed. Exchange rate gains and losses are shown in note 5.

11.2 Financial Assets

The Department holds non-tradable shares in a non-public sector body as follows:

	Dale Farm Co-Operative £'000
Balance at 1 April 2016	26
Additions	-
Disposals	-
Balance at 31 March 2017	26
Additions	-
Disposals	-
Balance at 31 March 2018	26

CAFRE holds 20,000 £1 ordinary shares and £6,130 Convertible Loan Stock in Dale Farm Co-Operative. Dale Farm Co-Operative to whom CAFRE supplies milk from the Greenmount campus. If CAFRE ceases to supply milk to Dale Farm Co-Operative in the future then Dale Farm Co-Operative will redeem the shares at par. Alternatively shareholders who cease to supply milk to Dale Farm Co-Operative can opt to convert their ordinary shares to preference shares with no voting rights (preference share dividend calculated on base rate minus 1%).

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12 Investment in other public sector bodies

The Department does not hold investments in any other public sector bodies.

13 Assets classified as held for sale

	Note	2017-18	2016-17
		Core Department & Agencies £'000	Core Department & Agencies £'000
Forestry - Timber			
Opening Balance as at 1 April	#1	1,169	1,500
Additions		736	1,169
Disposals		(1,169)	(1,500)
Total balance at 31 March		736	1,169

#1 Assets held for sale include timber allocated for sale under contract which has been removed from the estate database and therefore not valued as part of the non-current timber asset per note 7.2. This timber held for sale at year end will be sold in the following financial year and therefore is disclosed as a current asset held for sale valued at the expected sale price.

14 Inventories

	2017-18	2016-17
	Core Department & Agencies £'000	Core Department & Agencies £'000
Livestock:		
CAFRE	1,024	959
Inland Fisheries	303	327
Consumable materials and supplies:		
CAFRE	518	517
Forest Service Agency	53	46
Inland Fisheries	85	106
Veterinary Service	137	123
Northern Ireland Environment Agency	78	77
Central Services Group	6	6
Total Inventories	2,204	2,161

15 Cash and Cash Equivalents

	2017-18	2016-17
	Core Department & Agencies £'000	Core Department & Agencies £'000
At 1 April 2017	(2,658)	539
Net change in cash and cash equivalent balances	(34)	(3,197)
At 31 March 2018	(2,692)	(2,658)
The following balances at 31 March were held at:		
Government Banking Service	(2,740)	(2,705)
Commercial banks and cash in hand	48	47
At 31 March 2018	(2,692)	(2,658)
The balance comprises:		
Cash & bank	331	645
Bank overdraft	(3,023)	(3,303)
	(2,692)	(2,658)

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16 Trade Receivables, Financial and Other Assets

	2017-18	Restated 2016-17
	Core Department & Agencies £'000	Core Department & Agencies £'000
Amounts falling due within one year		
VAT	1,316	1,651
Trade receivables	5,129	5,989
Other receivables	300	181
Prepayments & accrued income	17,133	13,663
Amounts due from Rural Payments Agency in relation to Common Agricultural Policy (CAP)	10,022	10,032
	33,900	31,516
Amounts due from Consolidated Fund in respect of supply	2,692	28,231
Total at 31 March due within one year	36,592	59,747

A technical error occurred in 2016-17 in the calculation of the Net Cash Requirement figure as detailed in Page 83. As a result the 2016-17 Supply Debtor was restated from £40.8m to £28.2m.

17 Trade Payables And Other Current Liabilities

	2017-18	Restated 2016-17
	Core Department & Agencies £'000	Core Department & Agencies £'000
Amounts falling due within one year		
Taxation and social security	(17)	21
Trade payables	2,212	742
Other payables	6,678	4,207
Accruals and deferred income	30,122	28,413
CAP Disallowance**	1,146	28,789
EU grant creditors - Common Agricultural Policy	7,286	7,584
Other grant creditors	13,805	13,844
	61,232	83,600
Amounts due to consolidated fund in respect of supply	-	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received-Other*	-	25,573
Receivable-Other	-	14,529
	-	40,102
Total at 31 March 2018 due within one year	61,232	123,702
Amounts falling due after more than one year		
Deferred Income	-	-
Total at 31 March 2018 due after more than one year	-	-

* These accounts have been restated as a result of a classification error between received and receivable in the CFER payable balance in 2016-17. The CFER received was £25,573k (reported £38,175k) and CFER was £14,529k (reported £1,927k).

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** CAP Disallowance

In 2016 the Commission carried out an audit, the findings of which provided a new basis for the disallowance accrual calculation for BPS, Greening and YF for the 2015 and 2016 years. The Commission had proposed a flat 10% correction on both years for EAGF Schemes (BPS, YF and Greening) which was based on the identification of 3 control weaknesses. The Department was content that the Commission had misinterpreted 1 control weakness and was confident that the number of control weaknesses would be reduced to 2 which would reduce the penalty to 5%. It was the 5% which was used to calculate the accrual for 2015 and 2016. Following the Department's challenge of the Commission's findings, a final letter of clearance was issued which allowed for the release of the accrual for these years. The Department will continue to recover overpayments to minimise future disallowance.

The total CAP Disallowance liability and resulting charge to the CSoCNE are as follows:

Scheme Year	Estimated Risk	Closing Accrual 31 March 2017	Paid	(Credited) to CSoCNE 2018***	Closing Accrual 31 Mar 18
	%	£m		£m	£m
Area Based Schemes					
2013-15 Cross Compliance	5.00%	1.0	(1.1)	0.1	0.0
2015 BPS/YF	5.00%	9.0		(9.0)	0.0
2015 Greening	5.00%	3.9		(3.9)	0.0
2016 BPS/YF	5.00%	9.4		(9.4)	0.0
2016 Greening	5.00%	4.1		(4.1)	0.0
Subtotal		27.4	(1.1)	(26.3)	0.0
NIRDp		1.2		(0.1)	1.1
Leader Disallowance		0.2	(0.2)	0.0	0.0
Total		28.8	(1.3)	(26.4)	1.1

*** Included within the amounts credited to CSoCNE is £10k of exchange rate loss. This is included within exchange rate movements in note 5.

18 Provisions For Liabilities and Charges

	2017-18	2016-17
	Core Department & Agencies £'000	Core Department & Agencies £'000
Balance at 1 April 2017	1,092	1,233
Provided in the year	919	429
Provisions not required written back	(279)	(769)
Provisions utilised in the year	(516)	199
Balance at 31 March 2018	1,216	1,092

Analysis of expected timing of discounted flows

	2017-18	2016-17
	Core Department & Agencies £'000	Core Department & Agencies £'000
Not later than one year	1,064	866
Later than one year and not later than five years	152	226
Later than five years	-	-
Balance at 31 March 2018	1,216	1,092

	2017-18 Core Department & Agencies		
	Litigation Claims	Other Provisions	Total
	£'000	£'000	£'000
Not later than one year	1,020	44	1,064
Later than one year and not later than five years	152	-	152
Later than five years	-	-	-
Balance at 31 March 2018	1,172	44	1,216

A discount rate has not been applied to any of the provisions as the time value of money is not significant.

18.1 Litigation and Other

Provisions above relate to compensation and associated legal costs relating to personal injury claims by employees and the public as well as commercial legal claims.

19 Contingent liabilities disclosed under IAS 37

The Department and its agencies have the following quantifiable contingent liabilities:

European Agricultural Fund - Potential Disallowance for 2013, 2014, 2015, 2016

In previous Financial Years, the financial statements have included disallowance accruals in respect of area aids on the basis that the Commission have identified control weaknesses during previous audits. Under the relevant regulations, this gave the Commission the right to apply disallowance in subsequent years until it was satisfied that the control weaknesses had been addressed. In May 2018, the Commission issued its findings of the 2017 EAF which did not refer to the 2013, 2014, 2015 or 2016 years. The lack of reference to these years and the advice received from the UK CoBody has led to fundamental uncertainty regarding both the timing and amount of any such liability. Consequently, the accrual of £23.1m for the 2013 and 2014 years which was removed from the 2016-17 financial statements and the £26.4m for 2015 and 2016 which has been removed from the 2017-18 financial statements. The Commission could still audit the 2013, 2014, 2015 and 2016 scheme years and apply a financial correction however that possibility is considered remote.

2015, 2016 & 2017 Area Aids cases not yet processed

The Department has not provided for or accrued any amounts in respect of the 2015, 2016 & 2017 Area Aids schemes for applications that have not yet been deemed eligible. The Department does not yet have sufficient information to reliably estimate what the liability in these cases will be. Based on a broad assessment of potential entitlements these businesses would be due payment if found to be eligible, the Department estimates that there are approximately 173 cases with a potential total amount due of £2.3m however as the majority are review cases and based on the average rate of 10% for successful reviews this liability is more likely to be £230k. As this is a scheme that is fully funded by the European Union, the amount due to farmers will be fully recouped by the Department from the European Union.

Legacy Agri-environment Agreements

The Department has a number of Legacy Agri-environment Agreements, for which, while the Agreements are no longer live, claims for payment of grant could still be submitted. There are a variety of reasons why these claims have not been submitted, including for example unresolved probate cases where it has not been possible to submit a claim.

These claims if received have an EU and a National element. While the total value will not exceed £440K, it is not possible for the Department to estimate the value of the claims that might still arise or their timing.

The Department has entered into the following unquantifiable contingent liabilities.

Unpaid Single Farm Payment applications

The Department had assessed a number of cases from 2005 to 2014 in respect of Single Farm Payment for which no payment has ever been made. There are a variety of reasons why a claim may not have been paid; for example, cases subject to appeal or incorrect details being provided which prevented the payment from processing. The Department is seeking additional resource to assign to working on these historic Single Farm Payment cases with the aim to finalise them prior to Brexit. However, at this stage it is not possible for the Department to estimate the payments that could result annually from these historic claims until each case is assessed. However, it is likely that as these cases are worked through further payments will be released. As these payments are received from The European Union, they have a nil impact on the Department's financial outturn.

Legal Cases

The Department has a small number of legal cases which have not sufficiently progressed for further disclosure to be made.

Holiday Pay

There are a number of strategic litigation cases that have been lodged in relation to holiday pay for Northern Ireland Civil Service employees. Given the nature of these cases and stage of the proceedings it is not possible to determine the outcome or to quantify any potential financial impact.

UK leaving the EU

The Department has disclosed an unquantifiable contingent liability, further information is provided in the Assembly Accountability Disclosures.

20 Related-party transactions

The Department of Agriculture Environment and Rural Affairs is the parent Department of the Forest Service Agency, the Northern Ireland Environment Agency (NIEA) and sponsors the Agri Food and Biosciences Institute (AFBI); Agricultural Wages Board (AWB) for NI; Livestock and Meat Commission (LMC) for NI; NI Fishery Harbour Authority (NIFHA); and the Loughs Agency of the Foyle, Carlingford and Irish Lights Commission. These bodies are regarded as related parties with which the Department has had various transactions during the year.

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The Department receives EU funding through the DEFRA and the Rural Payments Agency, an agency of DEFRA, both of which are UK government bodies.

In addition the Department has had various material transactions with other government departments and other central government bodies.

The members of staff asked to declare any such interest include top managerial officials as well as the Departmental Board. The following interests were declared:

Six officers were members of bodies that have had dealings with DAERA. These bodies included:

- North of Ireland Veterinary Association
- Royal College of Veterinary Surgeons
- British Veterinary Association
- Veterinary Public Health Association
- British Bee Veterinary Association
- Institute of Northern Ireland Beekeepers
- Royal Ulster Agricultural Society
- British Veterinary Poultry Association
- Northern Ireland Horse Board
- Irish Draught Horse Society (Northern Ireland)
- Forest Services Board

Eight officers, or their spouses, or other family members have an interest in small parcels of agricultural land. Some of these persons have received grants from DAERA.

One officer has a family member that works in the Forest Service and one officer has a family member that is employed by a private veterinary practice which conducts animal testing on behalf of the Department.

All the above interests are regarded as not material.

21 Third-party assets

The Department held third-party assets at 31 March including bank accounts, Consolidated Fund investments, shares in the Northern Ireland Central Investment Fund for Charities, and Government Stocks. These are not departmental assets and are not included in the Statement of Financial Position. The assets held at the reporting year date to which it was practical to ascribe monetary values as at 31 March 2018 are set out in the tables on the following table.

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Consolidated			
Northern Ireland Central Investment Fund for Charities	No. of Shares	Market Value at 31 March 2018	Market Value at 31 March 2017
Description		£	£
DAERA Moore Memorial Fund	96	1,191	1,215
DAERA Thomson Memorial Account	990	12,284	12,525
DAERA Thompson Bequest Account	10,973	136,158	138,823
Vaughan's Charity	181,395	2,250,840	2,294,883
Vaughan's Charity - Fermanagh Pig Project	1,099	13,637	13,904
Total	194,553	2,414,111	2,461,350

Third-party account balances as at 31 March	Bank Accounts		Consolidated Fund	
	2018 £	2017 £	2018 £	2017 £
DAERA Horse Racing Business Investment Account	8,488	1,134	9,772	11,372
DAERA Horse Racing Account	534	-	-	-
Enniskillen College of Agriculture (ECA) Sport and Tuck Shop	23,206	17,630	-	-
ECA Vaughan Charity - current account	5,000	5,000	-	-
ECA Vaughan Charity - deposit account	70,101	56,960	-	-
Greenmount College Floristry Club	23	23	-	-
Greenmount College Sports Fund	17,552	11,338	-	-
Greenmount College Sports and Recreation Club	2,241	2,240	-	-
GCR Enterprise Management	3,870	3,919	-	-
Greenmount Travel - Current	35,889	47,116	-	-
Greenmount Travel - Business Reserve	8,711	8,707	-	-
Greenmount - Projects	1,022	1,155	-	-
Greenmount - Cream Advisory	26,472	26,419	-	-
Greenmount College Rugby Club	-	119	-	-
Greenmount College Football Club	12	12	-	-
Greenmount Horse Riding Club	193	193	-	-
Greenmount Bursaries	20,778	18,593	-	-
Greenmount Erasmus Euro account	25,475	23,876	-	-

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Third-party account balances as at 31 March	Bank Accounts		Consolidated Fund	
	2018 £	2017 £	2018 £	2017 £
Greenmount Erasmus Sterling account	2,124	2,274	-	-
Loughry Student Affiliation Account	11,072	7,022	-	-
DAERA Moore Memorial Fund	40	44	1,470	1,470
DAERA Thomson Memorial Account	957	483	12,320	12,320
DAERA Thompson Bequest Account	5,183	132	1,485	1,485
Totals	268,944	234,389	25,047	26,647

22 Entities within the departmental boundary

The entities within the boundary during 2017-18 were as follows:

Supply-financed agency: Forest Service Agency
Northern Ireland Environment Agency

The annual reports and accounts of Forest Service Agency and Northern Ireland Environment Agency are published separately.

23 Events after the reporting period

There are no events to be disclosed which occurred after the reporting date.

24 Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 3 July 2018.

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Department of
**Agriculture, Environment
and Rural Affairs**

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