



# 2016-17

# Resource Accounts

For the year ended 31 March 2017



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

[www.daera-ni.gov.uk](http://www.daera-ni.gov.uk)

# Annual Report and Accounts for the year ended 31 March 2017

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

**Annual Report and Accounts for the year ended 31 March 2017**

*Laid before the Northern Ireland Assembly by the Department of Finance  
under section 10(4) of the Government Resources  
and Accounts Act (Northern Ireland) 2001*

*on*

*30 June 2017*

# Annual Report and Accounts for the year ended 31 March 2017



© Crown Copyright 2017

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence v.3. To view this licence visit [www.nationalarchives.gov.uk/doc/open-government-licence/version/3](http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3) or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk)

Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

This publication is also available on our website at <http://www.daera-ni.gov.uk>

Any enquiries regarding this document should be sent to us at:

Department of Agriculture, Environment and Rural Affairs  
Dundonald House  
Upper Newtownards Road  
Ballymiscaw  
Belfast BT4 3SB

<b>Contents</b>	<b>Page</b>
<b>Performance Report</b>	
• Overview	5
• Performance Analysis	11
<b>Accountability Report</b>	
• Corporate Governance Report	51
• Director's Report	51
• Statement of Accounting Officer's Responsibilities	55
• Governance Statement	56
• Remuneration and Staff Report	72
• Assembly Accountability and Audit Report	89
• Statement of Assembly Supply	89
• Certificate of the Comptroller and Auditor General	99
<b>Financial Statements</b>	
• Consolidated Statement of Comprehensive Net Expenditure	102
• Consolidated Statement of Financial Position	103
• Consolidated Statement of Cash Flows	105
• Consolidated Statement of Changes in Taxpayers' Equity	107
• Notes to the Accounts	108
<b>Appendix 1: Report of the Comptroller and Auditor General</b>	<b>147</b>

# Annual Report and Accounts for the year ended 31 March 2017

## Introduction

The Department of Agriculture, Environment and Rural Affairs (DAERA) presents its Accounts for the financial year ended 31 March 2017.

## Performance Report

### Overview

#### Permanent Secretary Overview

2016/17 represented the first financial year of the Department of Agriculture, Environment and Rural Affairs (DAERA). The new Department was launched successfully on 8 May 2016 against a background of further budget reductions and in the aftermath of the Voluntary Exit Scheme (VES).

As detailed in the main body of this report, DAERA was successful in delivering a range of key outcomes for stakeholders during 2016/17. This included the launch of the £110m Environmental Farming Scheme, the opening of the first tranche of the Farm Business Improvement Scheme (FBIS)-Capital and the continued implementation of the new Common Agricultural Policy (CAP) farm support regime. The target to pay 80% of Direct Payment applicants an advance was surpassed with 90.72% of eligible applicants receiving payment in October. 96% of eligible farmers received full payment in December, exceeding the target of 95%.

Following the receipt of Royal Assent for the Rural Needs Act in May 2016, work continued on the development of guidance, training and reporting arrangements to support Public Authorities in fulfilling their duties under the Act.

The Department was also able to submit an application for Bovine Spongiform Encephalopathy (BSE) Negligible Risk Status for Northern Ireland to the World Organisation for Animal Health who have recommended conferral at this enhanced status.

Work to deliver The Rural Development Programme 2014-2020 continued. Progress against agreed actions in the Executive response to the *Going for Growth* Report continued to be made - the Department has a lead role in actions addressing over 40 of the 80 recommendations in the report, and during the year work progressed across the key areas of market access, animal health, innovation and environmental sustainability, as well as delivering support for on-farm capital investment in modern infrastructure and equipment through FBIS-Capital. In support of the NI market access aspirations, the Department supported the Minister's inward mission to China in November 2016 where she worked closely with the CEO of InvestNI.

# Annual Report and Accounts for the year ended 31 March 2017

In striving to be an efficient, lean and modern organisation, we continued the development of digital services and the implementation of recommendations arising from DARD initiated reviews in respect of how we do inspections and our advisory and customer contact services.

The roll out of the Headquarters relocation programme also continued. Having completed the relocation of Fisheries Division to Downpatrick, Forest Service to Enniskillen and Rivers Agency (now with DfI) to Loughry, we will, this year complete the construction of the new building at Ballykelly and will begin the transition of staff by moving around 240 staff into the new building by the end of March 2018.

While these were some of the challenges and achievements during 2016/17, the content of this Report sets out in considerable detail all of the issues addressed by DAERA in the last financial year.

The most significant issue that arose during 2016/17 and which faces the Department in the year ahead is preparing for the UK's exit from the EU. In recognition of the change in direction of the Department's work, a Brexit Division was established during the year. Our current focus is to take forward the programme of work necessary to ensure Northern Ireland specific implications and issues are highlighted and accounted for. The outworkings of the Brexit negotiations, and subsequent change in Government policy, will shape the future of the Agri-Food and Fisheries sectors, environment around us and our rural societies.



**Noel Lavery**  
**Permanent Secretary**  
**28 June 2017**

## Departmental Aims and Objectives

The Stormont House Agreement contained a commitment to reduce the number of Northern Ireland Civil Service Departments from 12 to 9 immediately following the 2016 Assembly Election.

One of the Departments established was the new Department of Agriculture, Environment and Rural Affairs (DAERA) to encompass:

- the existing functions of the Department of Agriculture & Rural Development (DARD), with the exception of Rivers Agency;
- Inland Fisheries, previously the responsibility of DCAL;
- environmental responsibilities previously carried out by DOE/NIEA; and
- responsibility for the Sustainability Strategy previously with OFMDFM.

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

- sustainable agri-food, fisheries, forestry and industrial sectors;
- a clean, healthy environment, benefitting people, nature and the economy; and
- a thriving rural economy, contributing to prosperity and wellbeing.

DAERA aims to operate as a well led, high performing organisation focused on outcomes.

The Department's Business Plan, 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.

The specific aims and objectives of the Department's two Executive Agencies, the Northern Ireland Executive Agency and the Forest Service, are documented in their own Annual Reports and Accounts published separately.

## Purpose and Activities

### Principal Activities

DAERA has responsibility for food, farming, environmental, fisheries, forestry and sustainability policy and the development of the rural sector in Northern Ireland. The Department assists the sustainable development of the agri-food, environmental, fishing and forestry sectors of the Northern Ireland economy, having regard to the needs of the consumers, the protection of human, animal and plant health, the welfare of animals and the conservation and enhancement of the environment.

# Annual Report and Accounts for the year ended 31 March 2017

DAERA provides a business development service for farmers and growers and a veterinary service for administration of animal health and welfare. The Department's College of Agriculture, Food and Rural Enterprise (CAFRE) delivers training and further and higher education courses in the agri-food sector. DAERA is responsible to the Department of the Environment, Food and Rural Affairs (DEFRA) in Great Britain for the administration of schemes affecting the whole of the United Kingdom. The Department also oversees the application of European Union agricultural, environmental, fisheries and rural development policy to Northern Ireland.

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 2016-17 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.

## 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)

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.

## 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 Body, the Loughs Agency of the Foyle, Carlingford and Irish Lights Commission\*#, for which funding is provided.

## 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, Climate Action and Environment.

## 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. A report to 30 September was also submitted to the Minister and DAERA Committee.

# Annual Report and Accounts for the year ended 31 March 2017

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 2017 in relation to each of the targets included in the Department's 2016/17 Business Plan under each of the four Strategic Outcomes. Of the total 31 targets, 22 were achieved, 5 partially achieved and 4 not achieved.

In addition, the Performance Analysis Section details all the key issues facing the Department during the 2016/17 financial year.

## Corporate Risks

During the year the Department managed the following 11 Corporate Risks:

1. Funding not fully utilised or allocated in line with corporate priorities.
2. Failure to manage and deploy appropriate staff resources in a timely manner to deliver Departmental objectives.
3. Significant business impact resulting from ineffective information assurance.
4. Failure to adequately achieve inclusion of the NI Specific requirements into the UK Government's Brexit negotiating position will significantly impact the agricultural industry and undermine the Departments position. Policy Frameworks not developed to meet corporate objectives post brexit.
5. Trans-boundary animal disease outbreak of significance.
6. Failure to prevent the introduction and establishment of organisms harmful to plant health and of significance to industry and the environment.
7. Failure by AFBI 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 Integrated Administration and Control System (IACS) Schemes; and
  - Pillar 2 non IACS Schemes not delivered in compliance with the EU Regulations.
9. Failure to remediate the Mobuoy illegal waste site in a timely and cost-effective manner.
10. Failure of the Tuberculosis (TB) Eradication Strategy to effect change in regard to the control of TB.
11. Failure to implement appropriately the DAERA EU Exceptional Adjustment Aid measures.

## Performance Analysis

The following is a summary of the outcomes at 31 March 2017 in relation to each of the targets included in the DAERA 2016/17 Business Plan:

### STRATEGIC OUTCOME 1: SUSTAINABLE AGRI-FOOD, FISHERIES, FORESTRY AND INDUSTRIAL SECTORS.

TARGET	POSITION AT 31 MARCH 2017
By 31 March 2017, publish a formal “ <i>Going for Growth</i> ” Progress Report.	<b>Not achieved by the target date</b> - In view of extension of the Agri-Food Strategy Board’s tenure (to 31 May 2017), the target timescale for publication of the formal “ <i>Going for Growth</i> ” progress report has not been met. However, progress continues to be monitored and routine reports published on a quarterly basis. A formal report is expected to be published later in 2017.
Deliver DAERA action within the NI Executive’s China Strategy and Action Plan by March 2017.	<b>Achieved.</b> The DAERA Minister led an outward mission to China in November 2016 to build relationships through technical and diplomatic engagement.
By 31 March 2017, submit application for BSE Negligible Risk (NR) Status for Northern Ireland to the World Organisation for Animal Health (OIE).	<b>Achieved.</b> Application forwarded to OIE by its 8 October 2016 deadline. The OIE Scientific Commission has concluded that NI’s application fulfils the requirements to be recognised as having negligible risk for BSE and recommended its recognition by the OIE World Assembly of Delegates at the 85 <sup>th</sup> General Session in May 2017.
By 31 March 2017: <ul style="list-style-type: none"> <li>• have opened the first tranche of the Farm Business Improvement Scheme (FBIS) - Capital with 500 investing; and</li> <li>• subject to resources, have opened the first tranche of the Agri-Food Processing Investment Scheme.</li> </ul>	<b>Partially achieved.</b> Applications received under the first tranche of FBIS-Capital Tier 1 and Tier 2 confirm the target of 500 investing is surpassed. The proposed timescale for launch of the Food Processing Grant Scheme has not been met due to competing work priorities.
By 31 March 2017, (i) 3,000 farmers developing their business through benchmarking, peer learning and knowledge & technology transfer, within Business Development Groups (BDGs); and (ii) 600 farmers receiving training in Farm Family Skills.	<b>Achieved.</b> Up to 31 March 2017, 3,039 farmers are developing their business through benchmarking, peer learning and knowledge & technology transfer, within BDGs and 696 farmers are receiving training in Farm Family Skills (Health & Safety and also Pig Health).

# Annual Report and Accounts for the year ended 31 March 2017

<p>By 31 March 2017, 2,300 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><b>Achieved.</b> Up to 31 March 2017, 2,653 people achieved nationally validated qualifications at Level II and above, and 10,514 people have participated on education and industry training programmes.</p>
<p>During 2016/17, AFBI to deliver DAERA-directed work programme to meet the Department's research, surveillance, diagnostic and analytical service needs effectively, within budget and on time.</p>	<p><b>Achieved.</b> While the formal year-end review of AFBI's delivery of the work programme has still to be completed, indications are that this has been delivered within budget and on time.</p>
<p>By 31 March 2017, launch a new tranche of the Research Challenge Fund to commission industry-led research, to stimulate the collaboration of at least 5 SMEs and industry levy boards with the research community.</p>	<p><b>Achieved.</b> The fifth and final tranche of the Research Challenge Fund launched on 20 February 2017 and is progressing in line with key milestones in the project plan.</p>
<p>By 31 March 2017, advise the Executive on the Minister's proposals in relation to the TB Strategic Partnership Group's TB Eradication Strategy and Implementation Plan (subject to the Minister's clearance).</p>	<p><b>Not achieved.</b> The ongoing political situation has meant that it has not been possible to obtain Ministerial views or agreement on the way forward, to consult, or to present a paper to the Executive for agreement.</p>
<p>Disallowance for area-based schemes to be limited to 3% for the 2016 scheme year.</p>	<p><b>Not achieved.</b> The European Commission undertook an Area Aids Audit in November 2016. The Commission has initially proposed a flat rate correction of 10% on scheme years 2015 and 2016. The Department is continuing to analyse the Commission's findings and early indications are that it will be able to reduce the disallowance penalty to 5%. Corrective action will be taken to address these weaknesses in 2017/18 to prevent future reoccurrence.</p>
<p>By 31 March 2017:</p> <ul style="list-style-type: none"> <li>• open phase 1 of the European Maritime Fisheries Fund (EMFF) for applications;</li> <li>• appoint a Fisheries Local Action Group to deliver a community-led Local Development Strategy; and</li> <li>• commit £2 million funding to eligible projects consistent with the UK's Operational Programme priorities.</li> </ul>	<p><b>Partially achieved.</b> Phase 1 of the EMFF Programme opened for applications on 13 September 2016 and £2.46m has been committed to successful applicants but there has been a 3 month slippage in the appointment of a Fisheries Local Action Group which is now anticipated to be achieved by 30 June 2017.</p>

## STRATEGIC OUTCOME 2: A CLEAN, HEALTHY ENVIRONMENT, BENEFITING PEOPLE, NATURE AND THE ECONOMY.

TARGET	POSITION AT 31 MARCH 2017
By 31 March 2017, open the Environmental Farming Scheme (EFS) for applications.	<b>Achieved.</b> The first tranche of EFS opened for applications on 27 February 2017.
Implement the relevant Departmental 2016/17 actions in the NI Biodiversity Strategy by 31 March 2017.	<b>Partially achieved.</b> 13 of the 15 targets in the Biodiversity Strategy have been implemented. The formal designation of two marine Special Protected Areas remains subject to Ministerial and then Secretary of State NI approval while the development of habitat maps for all cross border sites has not been fully completed.
Initiate management plans for 5 terrestrial and 2 Marine Special Areas of Conservation (SACs) by 31 March 2017.	<b>Achieved.</b> The development of 7 terrestrial and 2 Marine SAC management plans have been initiated.
Issue the 2017/18 Environment Fund offers by 30 November 2016.	<b>Achieved.</b> Offers were issued on 30 November 2016.
By 31 March 2017, have formally designated 3 Marine Conservation Zones (MCZs) and North Channel SAC.	<b>Achieved.</b> The designation process was completed for 4 MCZs (12 December 2016) and the North Channel SAC (30 January 2017).
By 31 March 2017, implement the EU Discard Reduction 2016 Plans for Irish Sea Haddock and Nephrops fisheries and report to the Commission on compliance.	<b>Achieved.</b> There is a long lead-in to this obligation with full compliance by 2019.
Review and undertake all agreed DAERA measures set out in cross-Departmental Climate Change Mitigation Action Plan by 31 March 2017.	<b>Achieved.</b> DAERA met the target by producing a 2016/17 Action Plan and completing, or continuing into 2017/18, action on all 12 of its commitments in the 2016/17 Action Plan.

# Annual Report and Accounts for the year ended 31 March 2017

By 31 March 2017, support ensuring that no more than 262,856 tonnes of Local Authority Collected Biodegradable Municipal Waste (LACBMW) is sent to landfill.	<b>Achieved.</b> 218,898 tonnes of LACBMW was land-filled in the year up 31 March 2016 based on the NI Local Authority Council Municipal Waste Statistics 2015/16 Annual Report (published December 2016).
By 31 March 2017, support increased household waste recycling in pursuit of the 2020 target of 50%.	<b>Achieved.</b> Provisional estimates for April to December 2016 show that the household waste recycling rate was 45.8% between April and December 2016 i.e. an increase on the 43.6% recorded during the same six months of 2015/16. The full year's validated results for 2016/17 will not be available until November/December 2017.
Complete the Agri GHG component of the Agriculture Sectoral Roadmap by 31 December 2016.	<b>Achieved.</b> Completed and published on 28 September 2016.
Provide effective and efficient regulation and enforcement to Regulated industry by aiming for 90% compliance with all Authorisations using Compliance Assessment Model by 31 March 2017.	<b>Achieved.</b> Evidence from compliance assessment models indicates 91.26% inspections compliant against the target of 90%.
Complete a biannual strategic assessment of waste crime in Northern Ireland by 30 November 2016 - assessments in May and November each year.	<b>Achieved.</b> Strategic Assessment Reports were produced in May and November 2016. These identified strategic waste crime priorities, provided analysis of incidents impacting the waste industry and identified individuals and businesses whose non compliance/criminality negatively impacted the environment.
By 31 March 2017 have 200ha of new woodland and supply 400,000 m <sup>3</sup> of timber to industry.	<b>Achieved.</b> New woodland - 208ha approved at year end - 104% of target. Timber - 414,617 m <sup>3</sup> total of sale lot schedules issued and sales allocation complete at year end - 103.65% of target.

## STRATEGIC OUTCOME 3: A THRIVING RURAL ECONOMY, CONTRIBUTING TO PROSPERITY AND WELLBEING.

TARGET	POSITION AT 31 MARCH 2017
Develop guidance, training and reporting arrangements to support Public Authorities in fulfilling their duties under the Rural Needs Act by 31 March 2017.	<b>Achieved.</b> Implementation arrangements developed to support the commencement of the Rural Needs Act on 1 June 2017.
Participate in the development of 8 EU funding proposals for submission under LIFE, Horizon 2020 or INTERREG VA by 31 March 2017.	<b>Achieved.</b> Participation in the SEUPB assessment and selection process for INTERREG VA for the 9 Environment Theme projects.

## STRATEGIC OUTCOME 4: A WELL LED, HIGH PERFORMING ORGANISATION FOCUSED ON OUTCOMES.

TARGET	POSITION AT 31 MARCH 2017
<p>During 2016/17:</p> <ul style="list-style-type: none"> <li>• 65% of annual Single Application Forms to be received on-line (including assisted digital);</li> <li>• 65% of animal births, deaths and movements notifications to be received on-line (including assisted digital); and</li> <li>• 50% of active farm businesses transacting online.</li> </ul>	<b>Partially achieved</b> - 57.8% of active farm businesses transacting online but 64.2% of Single Application Forms received online and 64.2% of births completed online, both marginally below the target uptake target of 65%.
Commence advance payments mid October 2016 with 95% of eligible Direct Payment applicants to receive full payment in December 2016.	<b>Achieved.</b> In mid October 2016, 90.72% of eligible farmers received an advance followed by full/balance payments reaching 96.25% of eligible farmers in December 2016. By 31 March 2017, 99.41% of eligible farmers had received their payment.

# Annual Report and Accounts for the year ended 31 March 2017

By 31 July 2016, have agreed the final building design and have started construction of the new headquarters building.	<b>Not achieved by the target date.</b> The start of the construction works was delayed due to the length of time taken to deal with a planning restriction. Construction started on 7 November 2016 and is programmed for completion in January 2018.
Provisional Resource and Capital outturn to be between 98.5% and 100% of Final Budget for 2016/17.	<b>Partially achieved.</b> The Capital Provisional Outturn figure was 99.8%. The Resource Provisional Outturn figure was 92%.
Successfully complete the scoping stage of the Brexit Programme by 31 December 2016.	<b>Achieved.</b> Initial scoping has been completed on the key policy areas and work programmes established.

**The following were the key issues for the Department during the 2016/17 year:**

## Brexit

The result of the Referendum on 23 June was a key event for the Department and will result in changes to how we manage our business.

Since June, we have established our own Project Board and a dedicated Brexit Division to take forward a programme of work to ensure that we are fully prepared for the challenges, opportunities and impacts of Brexit.

We have 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 and have also developed very good working relationships with our respective Department in the Republic of Ireland (Department of Agriculture, Food and Marine).

The Department has formed a Brexit Consultative Committee (BCC), a Committee made up of representatives from key stakeholder organisations across the agri-food sector, which has proven invaluable over the year. We envisage this engagement increasing over the coming period. We are also forming additional stakeholder groups to cover specifically the areas of Rural Society, Environment and Fisheries.

## 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 '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' meetings relate to the Foyle, Carlingford and Irish Lights Commission, 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 'Environment' Sectoral meetings include topics such as EU Funding, Fuel Laundering, Cross Border Movements of Waste, Waste Management and Water Quality.

All 3 meetings also covered the implications of the UK Referendum on EU membership.

During 2016/17, one meeting of the NSMC was held in each Sectoral format. The DAERA Minister made oral statements to the Assembly following each sectoral meeting. The Minister also attended two NSMC Plenary meetings.

## 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. The then Agriculture and Economy Ministers appointed an industry-led Agri-Food Strategy Board (AFSB), chaired by Tony O'Neill, to take forward this work. 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 actions to address over 80 recommendations. A formal Progress Report "*Delivering Growth*" was published in March 2016. DAERA has continued to lead action to address over 40 AFSB recommendations and, in particular during 2016/17, made further progress on key actions including:

- launch of Tranche 1 of the Farm Business Improvement Scheme-Capital in October 2016;

# Annual Report and Accounts for the year ended 31 March 2017

- a third Supply Chain Forum event on 8 February 2017 bringing together representatives from across the agri-food supply chain to improve communication and transparency;
- publication of a Sustainable Agricultural Land Management Strategy in October 2016 which seeks to increase farm profitability and improve environmental performance;
- publication of the TB Strategic Partnership Board's long term strategy for the eradication of TB; and
- secured a recommendation that Northern Ireland be recognised as an area having negligible risk for BSE.

DAERA continues to engage with InvestNI and industry in the outworkings of the Agri-Food Quest Competence Centre, which currently has 16 industry members. To date 6 industry-led research projects have been approved at a cost of £1.3m. DAERA also continued to work with the Economy Department and the AFSB to develop the model for a new Strategic Marketing Organisation, 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.

In 2016 DAERA continued to meet with both industry and their other government partners involved in trade to support export growth. This included regular meetings with Invest NI, the Food Standards Agency and with industry via the Meat Exporters Working Group. The biannual meetings of the DAERA/DAFM dairy export working group continued to provide the opportunity to agree mechanisms to support international exports of dairy products from the island of Ireland.

DAERA provided a number of new and important export opportunities for a range of agricultural commodities in 2016. Many of these helped mitigate the negative impacts on poultry meat exports from NI as a result of the Avian Influenza outbreaks in Great Britain during 2016.

DAERA's provision of veterinary export health certification (ECH) for meat and dairy exports continued with the demand again increasing over the year. While consignments of meat and dairy products can move within the European Union (EU) on a Commercial Document, products for export to non EU countries must be accompanied by an EHC completed and signed by a DAERA approved veterinarian. The importing country may also require additional documented standard operating procedures to be introduced, audited and verified by DAERA veterinary staff. DAERA hosts inward missions or inspections by officials from third countries as part of their approval process.

In 2016 veterinary government officials from the USA, Australia and the Philippines have undertaken inspections in Northern Ireland. Since the launch of *Going for Growth*, officials within DAERA's Veterinary Service Animal Health Group have supported DEFRA in facilitating access to 103 new markets (62 for the export of meat and meat products, including Canada, Singapore and Thailand for beef and India for pork).

## Sectoral Issues

The first half of 2016 was characterised by relatively low prices for many farm commodities. However, as the year progressed prices improved. Much of this improvement in prices can be attributed to 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 22% in 2016 (21% in real terms) to £244 million from a low base of £199 million in 2015.

The major factor was an 18% increase in the value of direct CAP subsidy payments as a result of the weakening of the value of Sterling against the Euro.

In response to the very difficult global market conditions that continued to affect farming across Europe at the start of the year, the EU Farm Commissioner announced a new Farm Support package in July 2016 which included temporary financial aid for the dairy and livestock sectors. This comprised €350 million Exceptional Adjustment Aid (EAA) for measures to be implemented by individual member states and €150 million 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 proposed package of measures to be funded under EAA was announced in November 2016. The first measure was launched in February 2017 and enables livestock farmers, including milk producers, to apply for assistance for the humane destruction of BVD infected calves within four weeks of an initial BVD test. The EAA aid package for Northern Ireland also included proposed measures to help farmers improve pig meat quality; manage soils and nutrients more effectively; and receive training in business planning and risk management. Further details of the remaining EAA measures will be published in due course.

The EU Milk Production Reduction Scheme was run on a UK basis by the Rural Payments Agency (RPA). The total number of claims submitted to the RPA in tranche one of the voluntary milk reduction scheme was 1,460, of which 452 were from customers in Northern Ireland. The current value of claims from Northern Ireland is £1,765,067. This is subject to the satisfactory conclusion of any outstanding inspections.

## 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 2016, we maintained our focus of maximising technology by increasing the number of applications made online from 46% to 62%. In 2016 advance payments of Direct Payments were issued for the first time. The target to pay 80% of applicants an advance was surpassed with 90.72% of eligible applicants receiving payment. 21,111 farm businesses received advance payments amounting to £158.4m in October, making Northern Ireland the first region of the United Kingdom to deliver advance payments.

Balance payments (or full payments for those not eligible for an advance) could be made from 1 December 2016. £92.8m in payments were made to 22,594 farmers in December. This represented 96% of eligible farmers, exceeding the target of 95% set.

We have now made full payments to over 99% 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 significantly better payment performance than any other region within the United Kingdom.

1,552 businesses (1,543 for BPS and 583 for ANC controls) were selected for the 2016 controls campaign and these inspections have been completed.

A series of policy decisions following the agreement on CAP Reform in 2013 included an announcement of support for Areas of Natural Constraint (the successor to the Less Favoured Areas Compensatory Allowances Scheme) which would continue to operate under Pillar II (Rural Development) for two years, with a review thereafter. It was also decided that there would be no coupled support scheme, but that this decision would be kept under review. As a result of these commitments, three consultations were launched on 16 February 2016 on the Options for Future Support to Areas of Natural Constraint, Designation of Areas of Natural Constraint and a Review of CAP Coupled Support Options. Following this consultation, a decision has now been taken that ANC will run for one more year and that the 2018 transitional payment will have a reduced £8m budget.

The European Commission was scheduled to review certain elements of the new Greening requirements by 31 March 2017. Towards the latter part of the 2015-2019 period, attention is likely to turn to a future reform of the CAP. The major issues are likely to be the size of the CAP budget, its allocation to Member States, and ending the link between the value of payments to individual farmers and production activity during an historic period (mostly 2000-2002).

## Area Aids Disallowance

Following an audit by the Commission in 2012, the Department had an agreed methodology in place to estimate financial corrections for Area Based Scheme payments from 2013 to 2016. Following a further audit in 2016, the Department has revised its approach and has no longer accrued these amounts on the basis that there is uncertainty regarding timing and amount due to the control weaknesses that were identified by the Commission in its 2016 audit.

The outcome of the 2016 audit has identified weaknesses in three key controls in relation to Pillar 1 schemes. Consequently, the Commission has proposed a flat rate correction of 10%. The Department is challenging the Commission's assumptions and is confident that it can reduce the proposed penalty to 5%. Further detail on disallowance is disclosed in Note 17.

Following an audit in May 2015 the Commission identified a number of issues relating to Cross Compliance and proposed applying a 5% flat disallowance penalty on 10% of the area based payments. The Department was successful in reducing the disallowance from approximately £4m to £0.7m through engagement with the Commission's conciliation process.

## Information Systems Security Audit

In May 2016, the European Commission carried out a conformity audit of Information Systems Security in relation to the IT systems employed in the administration of EAGF and EAFRD schemes. This examined compliance against the ISO 27002 information security controls. The Commission made a number of recommendations which DAERA have implemented and the enquiry is considered closed.

## 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 LPS are, therefore, continuing to work together to ensure the LPIS data is refreshed on a 3-4 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 2017 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, new 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 on-the-spot checks (OTSCs). In 2016 Remote Sensing had grown to comprise c96% of OTSCs with only 4% classic OTSCs being performed. In 2016, the Department committed to finalising 95% of eligible BPS claims for payment in December 2016. The overall target was exceeded, with the highest percentage of inspected businesses ever paid in December 2016 at 95%.

## **Supporting Local Industry and Rural Society**

### **Northern Ireland Rural Development Programme 2007-2013 - Ex Post Evaluation**

The ex-post evaluation of the 2007-13 RDP was carried out by the Northern Ireland Statistics and Research Agency (NISRA) and submitted to the European Commission in December 2016. The report concluded that the measures chosen to meet the needs identified at the outset of the programming period were broadly appropriate and that in many cases actions were taken throughout the programming period to refine schemes in the light of changing economic circumstances.

The Evaluators went on to make recommendations in the three key areas of Improving Communication, Promotion and Targeting; Development of timely and concise Guidance, Procedures and Direction; and the setting of relevant targets and baselines. These recommendations are intended to raise awareness and access to the programme for potential beneficiaries and to ensure the administration and processing of applications is effective and efficient; aid effective implementation of the programme in line with the overarching programme objectives; and to ensure the effective monitoring and evaluation of the programmes achievements.

These recommendations are currently being considered across the Department with a view to how they can be taken on board in the implementation of the 2014-2020 NIRDP.

## Tackling Rural Poverty and Social Isolation (TRPSI)

The Department also manages a Tackling Rural Poverty and Social Isolation (TRPSI) Programme. During 2016-17 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;
- maximising access to grants, benefits and services in Rural Areas (MARA) by supporting home visits by trained enablers to over 2,000 of our most vulnerable rural households;
- 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 micro-capital grants scheme to 500 community and voluntary sector organisations;
- a Farm Family Health Checks Programme which provided health screening to over 2,500 clients at marts and Rural Community venues;
- the RYE Connect transnational programme which has engaged with just under 300 young rural people;
- the Step Up to Sustainable Employment programme (SUSE+) which promotes employment and progression towards employment through education and training, engaging over 400 rural participants;
- the Rural Business Start and Social Farming Capital Grant Schemes that provided grants up to £5,000 to assist business; and
- in partnership with DfC, Sport NI and Libraries NI capital support for 7 pilot projects to support extended library opening hours and the improvement of sports facilities in rural areas.

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.

Through the TRPSI Community Development Support Programme, support has been provided through 8 contract holders to some 850 rural community groups operating

# Annual Report and Accounts for the year ended 31 March 2017

across the region. This has included support for individuals and communities, including farmers and farm families, to access the Northern Ireland Rural Development Programme. 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.

## Rural Development Programme (NIRDP) 2014 - 2020

Implementation of schemes under the Northern Ireland Rural Development Programme 2014 - 2020 continued during 2016.

### 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 being rolled out in a phased way and the first phase, Knowledge Transfer, was launched with **Business Development Groups (BDGs)** in November 2015. Over 3,000 eligible applications were received and, at 31 December 2016, 2,920 farmers were participating in the scheme and 865 training events had been held. A second call for applications from the dairy and pig sectors was made in late November 2016. Successful applicants were invited to join existing groups in early 2017.

**FBIS Farm Family Key Skills** (the second Knowledge Transfer element of the FBIS) was launched in March 2016 and contracts were awarded for Pig Health Training, Health and Safety Training. By 31 December 2016, 16 Pig Health training workshops had been delivered with 262 trainees, and 9 Health and Safety events having been held with 94 participants.

Following on from the first phase of implementation in November 2015, the **capital** component of the FBIS opened on 31 October 2016 with applications to be submitted for Tier 1 (projects less than £30,000) by 16 December, and applications for Tier 2 (projects over £30,000) between 19 December 2016 and 10 March 2017. In Tier 1, 3,550 applications were received, worth in excess of £20m and Letters of Offers started to issue from 30 January for those that met the eligibility criteria and were within the funding threshold.

In Tier 2, the applications received totalled 189 worth in excess of £21m. The assessment process for these applications has started, with Letters of Offer to be issued over summer 2017.

## 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 **Forestry Expansion Scheme** 184 hectares of new woodland were created in 2016, while 7 applications were received for replanting of 7.5 hectares affected by Ash dieback under the **Forest Protection Scheme**. In addition, 21 applications were received for replanting of 156 hectares under the **Woodland Investment Grant**.

The **Environmental Farming Scheme (EFS)**, which is the new agri-environment scheme under the 2014-2020 NIRDP, opened for applications in February 2017 and 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 will be offered a five year agreement to deliver a range of targeted environmental measures.

The **Areas of Natural Constraint Scheme** was programmed to operate in 2016 and 2017. This 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 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;

# Annual Report and Accounts for the year ended 31 March 2017

- provision of community based solutions to broadband black spots in rural areas;  
and
- projects which tackle rural poverty and social isolation.

Up to 30 April 2017, 494 applications worth £17.3m were received, and we have thus far committed to £5.1m spend with 184 Letters of Offer worth £4.4m issued. Payments have been made to projects totalling over £1.95m with 327 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 2,015. Members receive regular e-mail alerts and Departmental press releases on the opening of schemes.

In November, the Rural Network Support Unit helped facilitate 6 workshops to promote the FBIS-Capital scheme. Another major area of work was a cross-border Leader co-operation event held in November and attended by 120 delegates, including Northern Ireland and Ireland LAG members and Managing Authorities, the other UK Network Support Units and ENRD (European Network for Rural Development).

## Rural Needs Act

In May 2016, the Rural Needs Act (Northern Ireland) 2016 received Royal Assent. The Act will support the equitable treatment of rural dwellers by requiring their needs and the impact on rural communities to be appropriately addressed in the development and delivery of policy and public services by central and local government and other public authorities.

## Evidence & Innovation Strategy

To ensure that the Department's policy and operational activities are designed and targeted to achieve its Strategic Vision, scientific evidence informed by strategic policy drivers and research needs is required. 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-

# Annual Report and Accounts for the year ended 31 March 2017

relevant research and innovation during the period prior to the establishment of DAERA and for a period of one 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 2016/17, the PMBs commissioned a total of 28 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.	7 Projects
PMB2	To build the evidence base to inform the Department's broad rural policy agenda, including the fishing sector.	5 Projects
PMB3	Strategic approach to protecting animal and plant health and animal welfare supported by sound scientific evidence.	12 Projects
PMB4	To underpin improved environmental outcomes which are major factors in health and well being.	4 Projects

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

[www.daera-ni.gov.uk/publications/daera-directed-afbi-research-work-programme-201617](http://www.daera-ni.gov.uk/publications/daera-directed-afbi-research-work-programme-201617)

Developing local scientific expertise and training scientific leaders for the future are key objectives of the DAERA Postgraduate Studentship Programme. In 2016/17, 12 new studentships were awarded to address research priorities for DAERA. Details are available at:

[www.daera-ni.gov.uk/sites/default/files/publications/daera/pg-2016-%20seminar-%20brochure.PDF](http://www.daera-ni.gov.uk/sites/default/files/publications/daera/pg-2016-%20seminar-%20brochure.PDF)

In recognition of the very significant advantages to be gained through a collaborative approach to research and development for the agri-food sector, the Department established a Collaborative Research Fund in 2016/17. Recognising the very significant advantages to be gained through collaborating with government funders from other regions and countries on research and development for the agri-food sector in Northern Ireland, the Department established a Collaborative Research Fund in 2016/17. Working with the Department of Agriculture, Food and Marine (DAFM) in co-funding the annual DAFM Competitive Research Call and with the US Department of Agriculture and DAFM through the expansion of the US-Ireland research and development partnership to include agricultural science, the Department commissioned 8 projects in 2016/2017.

The DAERA-directed AFBI annual work programme continued to provide a range of analytical and diagnostic scientific testing, and emergency response capability during 2016/17. 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.

# Annual Report and Accounts for the year ended 31 March 2017

A science delivery scoping study commenced in 2016/17, forms part of the 2020 DAERA Change Agenda, and 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. Broad-ranging proposals for a DAERA Science Transformation Programme were developed to promote the delivery of world-class science to enable the Department meet its strategic outcomes most effectively and efficiently.

This programme will identify the science needs of the new Department through to 2021, reflecting the major role of science in directing, monitoring and evaluating DAERA's main activities. It will incorporate a tailored review of AFBI and seek to ensure a joined-up approach between research and development, education and knowledge transfer.

## Animal Health and Welfare

Work continued throughout the year to agree and implement actions aimed at delivering the All-Island Animal Health and Welfare Strategy Action Plan, including key priorities on liaising on the EU Animal Health Regulation and on-going co-operation between both jurisdictions. Examples of this joint working approach include:

- (i) Agreement on ways to enhance trade between the two jurisdictions, and in particular agreement on how to streamline the health certification processes for deer and pigs being moved to Northern Ireland for slaughter;
- (ii) a shared contract for the emergency supply of CO<sub>2</sub> for whole-house gassing of poultry is in place from June 2016 and will be valid for 3 years;
- (iii) a Memorandum Of Understanding for sharing livestock culling teams in the event of an exotic disease outbreak in either jurisdiction was signed by the Chief Veterinary Officers in June 2016.

Working closely with the farming industry the Department introduced a mandatory Bovine Viral Diarrhoea (BVD) eradication programme on 1 March 2016. The industry continues to take the lead in efforts to eradicate BVD with the support of the Department.

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. The OIE has recommended that the application is approved and adopted at its meeting in May 2017.

DAERA is also 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.

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 there has been African Swine Fever present since 2014. The threat of importing epizootic disease through live imports or meat products remains constant and both the Department and the wider industry must remain vigilant and take all necessary steps both on-farm and at ports to prevent entry of these devastating diseases.

There have also been significant numbers of outbreaks of High Pathogenic Avian Influenza in wild birds, domestic poultry and captive birds across Europe since October 2016. The H5N8 strain of the disease has also been found in both farmed and wild birds in Great Britain as well as in wild birds in Northern Ireland and the Republic of Ireland. In order to protect our industry the Department, as a precautionary measure, imposed additional movement controls on a variety of live poultry and related products from Britain. In addition, an Avian Influenza Prevention Zone was declared across Northern Ireland on 23 December 2016 requiring all keepers of poultry and other captive birds in Northern Ireland to keep their birds indoors or take all appropriate steps to keep them separate from wild birds, and to enhance biosecurity. From 17 March 2017, bird keepers have been allowed to let their birds outside provided that they follow additional biosecurity mitigation measures. A ban on shows and gatherings of certain species of birds was also introduced. DAERA has provided online guidance on labelling poultry products during the lifetime of this Prevention Zone.

The Department continues to take practical measures to prevent the entry of epizootic disease and to respond effectively should a disease outbreak occur. For example, DAERA Portal Officers have the use of a detector dog to locate meat products in arriving passengers' bags and DAERA's co-operation in contingency planning with our counterparts in DAFM continues through joint training and shared contingency arrangements.

Antimicrobial Resistance (AMR) is a significant threat to both human and animal health and is receiving increasing media attention. The use of antibiotics in human and animal medicine, especially the misuse, has been associated with the spread of antibiotic resistant infections in both humans and animals. In 2013, the UK Government published a 5 year Antimicrobial Resistance Strategy. Following on from this, the Department developed an AMR Action Plan which was published in 2014. The Action Plan focuses on encouraging good biosecurity practices and issuing antibiotic best practice guidance and increasing awareness of AMR among PVPs, farmers and those entering the industry. Work is continuing with AFBI in respect of ongoing surveillance and specific testing for AMR as required by EU Directive 2013/653. An FVO mission on the EU AMR requirements from this Directive is scheduled to take place in the UK at the end of March 2017. During the audit the auditors will spend 2 days in Northern Ireland.

# Annual Report and Accounts for the year ended 31 March 2017

During 2016-17, the Department has continued in partnership with key stakeholders to work towards the eradication of TB. The Department achieved EU Commission approval in 2016 for its 2017 TB Eradication Plan, with the opportunity of co-funding from the EU Veterinary Fund. The Minister's TB Strategic Partnership Group (TBSPG), tasked to prepare a TB eradication strategy and implementation action plan, published its Strategy in December 2016. The Strategy contains 38 recommendations under 7 thematic headings; Governance, Culture and Communication, Tools and Processes, Wildlife, Herd Health Management, Finance and Research. Officials in the Department are continuing to work through the recommendations so that they can provide advice to any new Minister. It is likely that the Department will consult on any planned approach.

Our EU Commission approved TB eradication programme will continue to be a priority to ensure access to the export trade by our livestock and livestock products industry. The Department entered into a new contract on 11 April 2016 for the delivery of TB testing services by private veterinarians. This was a significant development in the TB eradication programme. Primarily it has strengthened programme governance by bringing all private sector testing services under the checks and balances of a Public Service Agreement framework, and addressed various recommendations on the management of testing contractors made by the Public Accounts Committee (2009). The contract achieved an average unit cost saving of approximately 10% on the previous contract and enhanced the scope of the work to be delivered by contractors; they will now also be involved in important farm herd health biosecurity advice and DNA tagging of reactor animals. The contract has already seen encouraging trends in improving performance. The innovative approach to selection of contractors under this contract, under guidance from Central Procurement Directorate, was recognised through short listing in the Innovation category at the NICS 2016 Awards. This model is groundbreaking and signals the future collaborative approach between Government and industry which the Department intends to develop further. The commissioning of TB and wildlife research and studies continues, in line with DAERA's Evidence and Innovation Strategy, to provide the evidence base to further guide the TB eradication strategy. The 5-year "Test and Vaccinate or Remove (TVR)" wildlife intervention research project commenced in May 2014 in a 100km<sup>2</sup> area around Banbridge, County Down. TVR field activities continued during 2016 with all captured badgers that tested positive for TB removed and badgers that had a negative result vaccinated and released. 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.

With respect to the Welfare of Animals Act 2011, Department officials continue to provide advice and guidance to support Councils in their enforcement role in relation to other (non-farmed) animals under the Welfare of Animals Act and monitored their implementation of these statutory requirements.

In response to a Private Members Motion in the Assembly on 31 March 2014, the Minister established a Review of the Implementation of the 2011 Act, chaired jointly by officials in

the former DARD and DOJ. The Final Report to the Review was published on 29 February 2016. It sets out 68 recommendations which seek to improve the effectiveness of the enforcement bodies (DAERA Veterinary Service, Councils and the PSNI) in enforcing the Act, by improving the way they work with each other and learn from previous cases.

The Report recommended an increase in the maximum penalties in the Welfare of Animals Act 2011 to give the courts the strongest sentencing powers available anywhere on these islands. The Department of Justice agreed to carry the necessary amendments to the 2011 Act in their Justice Act (NI) 2016. DAERA agreed with the Department of Justice that they prepare an Order to commence the increased penalties for animal welfare offences, which came into effect from 1 August 2016. The penalty upon summary conviction for the offences of causing unnecessary suffering and animal fighting increased from 6 months imprisonment, a £5,000 fine or both, to twelve months imprisonment, a fine not exceeding £20,000 or both. For conviction on indictment, the maximum period of imprisonment increased from two years to five years.

The Report also recommended amending the Unduly Lenient Sentence scheme, which provides the DPP with the power to refer cases to the Court of Appeal where the sentence handed down is deemed to be unduly lenient, to include the most serious welfare offences. This became law on 1 April 2016.

Now that the Final Report has been published, DAERA has drawn up an Action Plan to ensure that its recommendations are implemented in a timely way and each enforcement body will be responsible for implementing the recommendations that fall under its responsibility. The Action Plan is published on the DAERA website and will be updated every six months.

## **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.

Since then, a minor adjustment has been agreed to the programme time-line to re-schedule some of the work that was initially due to fall around peak periods. The first deliverable, Herd and Flock Keeper Registration and Tag Supply Authorisation, is now entering User Acceptance Testing, and is anticipated to go 'live' in early June.

The Requirements Gathering exercise for Disease Control is also now complete, and analysis work is moving onto the cattle traceability elements of the system. These crucial aspects of the new system, with their respective interfaces into markets, meat plants, veterinary practices and laboratories are expected to be available from the spring and summer of 2018 respectively.

# Annual Report and Accounts for the year ended 31 March 2017

In a parallel development, Aphis-on-Line is being upgraded to incorporate feed-back from users, reflect the current 'look and feel' of DAERA on line applications and encourage increased registration of calves' sires (in support of the Agri-Food Strategy Board recommendations). The new look system is expected to be available in late summer 2017.

The Department has also begun development of a 'BVD test status indicator' to help the market and other buyers be confident of the BVD status of the animals being traded. This is also expected to be available in cattle markets, on Aphis-on-Line and printed herd lists from the summer.

## 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 2016/17 with 62% of Single Application Forms and 64% of bovine birth registrations completed online. Improvements to the services introduced in 2016, particularly in relation to online maps, 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.

As part of the DAERA 2020 Change Agenda the Department is developing a Customer Contact Model that will provide a long term, functioning model for customer contact across the DAERA Direct network by March 2020. Based upon the key assumptions of the 2016 Deloitte Review the project will focus on creating a customer contact model with a strong focus on online services and streamlining back office processing.

For the first time this year, we 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.

## Forest Service (including Plant Health)

The Forest Service is an Agency of the Department. During the year it approved over 200ha of new privately owned woodland planting under the Rural Development Programme, to promote forest expansion. The forests continued to provide opportunities for public access and enhance the environment, and supplied 400,000m<sup>3</sup> of sustainably grown timber as a resource for local industry.

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 2016/17 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. New legislation made during 2016/17 maintained our alignment with the overarching EU plant health regulation.

During the year the Service continued its work to make forestry resources available for the development of wind-farms on the forest estate by carrying out a market test with industry. That work will carry forward into 2017/18.

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

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.

# Annual Report and Accounts for the year ended 31 March 2017

In 2016-17 work continued on the preparation of the first Marine Plan for Northern Ireland to provide an overall framework for the sustainable use of marine and coastal resources. It will play a statutory role in the decision making process of public authorities on any proposals capable of affecting the marine area and will be the subject of a public consultation.

Four Marine Conservation Zones (MCZ) were designated on 12 December 2016. These are located at Rathlin, Waterfoot, Outer Belfast Lough and Carlingford Lough and fulfil obligations of the Marine Strategy Framework Directive and the Marine Act (Northern Ireland) 2013, to contribute towards an ecologically coherent network of marine protected areas, as well as wider biodiversity commitments at European and global level.

## 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.

The updated 'Efficient Farming Cuts Greenhouse Gases' Implementation Plan 2016-2020 was published on 28 September 2016 by the Greenhouse Gas Implementation Partnership. 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 focuses on encouraging the implementation of a series of on-farm efficiency measures which can improve farm performance and reduce the carbon intensity of local food production and signposts the support available to facilitate this. DAERA also published a time series study on the carbon footprint of Northern Ireland Dairy Farms which found a reduction of 30.7% in emissions on a per unit of production basis.

On 21 October 2016, the Expert Working Group (EWG) published their strategy entitled "Delivering Our Future, Valuing Our Soils: A Sustainable Agricultural Land Management Strategy (SALMS) for Northern Ireland. A Ministerial response was issued to the EWG on 1st March 2017 with the initial DAERA approach to implementation of the Strategy. The EWG have also been tasked by the previous DAERA Minister to examine Agri/Ammonia issues and develop an Ammonia annex to the SALMS report. The group is expected to report by August 2017 with its recommendations on Ammonia.

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 mid 2017.

## 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 commenced 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. The Cross Departmental Climate Change Mitigation Action Plan was agreed on 22 September 2016, by all departments for the year to March 2017. It contained 47 key actions to be carried out by all government departments to assist in reducing NI greenhouse gas emissions and included 12 key actions to be undertaken by DAERA. At 31 March 2017, 44 (93%) of actions in the Mitigation Action Plan had been completed or action will be ongoing into the 2017/18 action plan. Of the 12 key actions input to the Mitigation Action Plan 9 were completed and 3 are ongoing into 2017/18. The latest emission figures available for Northern Ireland show a long term decrease in GHG emissions of 17.4% since the 1990 base year.

The Department continued to deliver key aspects of the Northern Ireland Waste Management Strategy. £2.38m was provided in financial assistance to local councils to improve recycling services; £1.5m being specifically used to support kerbside food waste recycling. Financial assistance was also provided for a social enterprise circular economy project relating to the recycling of mattresses. The Department worked in partnership with local councils and WRAP to deliver a food waste communications campaign across Northern Ireland to support the implementation of the Food Waste Regulations (Northern Ireland) 2015.

The requirement that food businesses producing significant food waste present that food waste for separate collection came into operation on 1 April 2016 (The Food Waste Regulations (Northern Ireland) 2015). The Regulations already require, from 1 April 2015, separately collected food waste to be banned from landfill and to be transported separately from all other waste. Further measures to provide households with separate

# Annual Report and Accounts for the year ended 31 March 2017

food waste collection and extend the Regulations to businesses producing smaller amounts of food waste came into effect in April 2017.

The Waste (Amendment) Regulations (Northern Ireland) 2016 came into operation in July 2016. They amend a number of pieces of NI legislation to bring into effect the changes introduced by Commission Directive (EU) 2015/1127 amending Annex II of Directive 2008/98EC of the European Parliament and the Council on waste. The purpose of the Directive is to apply a climate correction factor to the R1 formula on the recovery of energy from waste.

The Waste (Fees and Charges) (Amendment) Regulations (Northern Ireland) 2016 (SR 2016 No. 401) came into operation on 16 December 2016. 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 Producer Responsibility Obligations (Packaging Waste) (Amendment) Regulations (Northern Ireland) 2017, came into operation on the 2 February 2017. The Regulations amend the Producer Responsibility Obligations (Packaging Waste) Regulations (Northern Ireland) 2007, to set the recycling targets for glass and plastic together.

## 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

Functional responsibility for sustainable development transferred from The Executive Office (TEO) to DAERA in May 2016.

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.

DAERA continued to progress sustainable development throughout 2016/17 by:

1. carrying out an initial scoping exercise on how sustainability was integrated into the draft PfG - the exercise aligned the PfG Outcomes, Indicators and SROs against the SDGs;
2. carrying out a mapping exercise, within DAERA, to align and determine current and planned sustainable development related programmes/policies and identify gaps with the UN's SDGs;
3. engaging with Local Government officials, council reps and NGOs on how best to promote and progress the sustainable development duty within the councils; and
4. liaising with NGO's on how to jointly promote sustainable development and the achievement of the SDGs in Northern Ireland

Other key actions are summarised as follows:

- Sustainable growth was identified as one of the key themes within the Agri-Food Strategy Board's *Going for Growth* report published in 2013, and the Executive response to *Going for Growth* published in 2014 which also welcomed the promotion of sustainability as a cornerstone of the NI brand.
- Implementation of actions arising from the Executive Response to *Going for Growth* has continued in 2016-17, including actions against six recommendations falling to this Department to address under the theme of sustainable growth. A number of those actions have been completed, including the launch of the capital element of the Farm Business Improvement Scheme (FBIS-Capital), the launch of the Environmental Farming Scheme and the publication of the Sustainable Agricultural Land Management Strategy, with the remainder all on target.
- The £40m FBIS-Capital scheme, launched in October 2016, 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

# Annual Report and Accounts for the year ended 31 March 2017

investments aimed at improving on-farm efficiency and environmental outcomes. The objective of Tier 1 is to improve farm sustainability. It will provide support for farmers and growers to invest in predefined off the shelf equipment and machinery. Tier 2 is designed to support 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 October 2016, an independent Expert Working Group comprised of farmers, environmentalists, the agri-food supply chain and government officials launched their Sustainable Agricultural Land Management Strategy. This strategy contains a series of recommendations which aim to increase farm profitability whilst improving environmental performance. Proposals in the strategy include an NI-wide soil analysis, aerial scanning of agricultural land, enhanced monitoring of water quality, optimising nutrient management, incorporating more trees within farming systems and encouraging longer term leasing of land.
- The Sustainable Use of Poultry Litter (SUPL) project continued to be progressed through the SUPL loan scheme. The SUPL project is a joint initiative between DAERA, DETI, InvestNI and the Strategic Investment Board. The aim of the project is to find sustainable alternatives to the practice of spreading poultry litter on local agricultural land. Phase one of the project was a Small Business Research Initiative (SBRI). It funded nine projects through to feasibility stage and successfully accelerated the technical development of alternative solutions to utilise poultry litter. Phase two is the SUPL loan scheme has provided loan funding of some £18m to co-fund the capital costs of two plants which will process approximately 65,000 tonnes of poultry litter per year using Anaerobic Digestion technologies. The two plants will be operational in 2017.
- 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, reduced ammonia emissions and improved air quality. METS has funded investment in over 320 spreading systems. In 2016/17, DAERA has continued to provide financial support for METS equipment through the capital element of the Farm Business Improvement Scheme.

## Annual Report and Accounts for the year ended 31 March 2017

- 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 590 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 on 27 February 2017. Further tranches will open over the next three years and DAERA plans to have some 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, 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

# Annual Report and Accounts for the year ended 31 March 2017

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.

- The Minister launched a second phase of the Forest Expansion Scheme under the 2014-2020 Rural Development Programme and this resulted in 37 applications for the creation of new woodlands of five hectares or greater. Forest Service approved grant payments for 208 hectares of new woodland delivering a wide range of ecosystem services to people. Sustainable management of privately owned woodlands was supported by grant aiding 62 hectares of replanting to improve woodland resilience following harvesting and 3 hectares were replanted to replace losses from tree disease. Prolonged and heavy rainfall in late 2015 resulted in flooding in parts of Northern Ireland and research indicates that woodland creation can contribute to flood alleviation. A project commissioned by Forest Service and prepared by Forest Research provided spatial data sets and maps which identify priority areas for woodland creation to benefit flood risk management. This woodland ecosystem service will be incorporated as one criterion for assessment of Forest Expansion Scheme applications in 2017. Forest Service obtained an income of £10.44 million from forest resources, mostly arising from the sale of timber certified as coming from Forest Service's sustainably managed forests.
- 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.
- The Greenhouse Gas Implementation Partnership published the updated 'Efficient Farming Cuts Greenhouse Gases Implementation Plan 2016-2020' on 28 September 2016. 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 implementation of efficiency measures to improve farm performance and reduce the carbon intensity of local food production and signposts the support available to facilitate this. DAERA, in partnership with AFBI, also completed and published a time-series study on the carbon footprint of Northern Ireland Dairy Farms in January 2017. The study found that dairy farms have achieved a 30.7% reduction in emissions on a per unit of production since 1990.
- 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.

- There was sustainable management of the DAERA estate through compliance with such measures as the Carbon Reduction Commitment Energy Efficiency Scheme and the Energy Performance of Buildings Regulations.
- 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.
- CAFRE (College of Agriculture, Food & Rural Enterprise) continued to be re-accredited with Carbon Trust Standard for 2015/2017 and seeks to retain certification for 2017/2019 across the three College Campuses. This programme commits organisations with over 6000mWh of energy usage to put in place plans to reduce their carbon emissions. A number of measures to improve energy efficiency across the CAFRE estate included:
  - replacement of single glazed windows;
  - conversion of oil type used in boilers;
  - replacement of boilers with Biomass;
  - replacement lighting with LED's; and
  - renewable technologies.
- The E-car Project introduced an electric vehicle charging infrastructure to Northern Ireland. The introduction of this infrastructure means that 320 fast charge points are now installed and 14 rapid charge points installed in many towns and cities. DAERA has maintained a number of electric vehicle charge points throughout the estate, including four NIEA sites at Peatlands Park Nature Reserve, Dungannon, Roe Valley Country Park, Limavady, Ness Country Park, Claudy and Crawfordsburn Country Park in North Down.
- 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 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.

## College of Agriculture, Food and Rural Enterprise

The College of Agriculture, Food and Rural Enterprise (CAFRE) continues to deliver a wide portfolio of Higher and Further education programmes in agriculture, horticulture, food, equine and agri-food business. Currently 44 programmes are on offer with 1,660 students enrolled in the 2016-17 academic year and 778 students graduating with a qualification

# Annual Report and Accounts for the year ended 31 March 2017

at Level 2 or above. CAFRE courses are delivered on a full or part time basis at one of the three campuses at Greenmount, Loughry and Enniskillen. The courses on offer cover a wide academic range from Level 2 apprenticeship programmes, delivered on a part time basis, to degree and masters programmes offered in partnership with the local Universities, Queens University Belfast and Ulster University.

CAFRE's Development Service aims to develop the competence of people who currently work in the agri-food industry, and continues to have a significant impact. This Service has a focus on the delivery of the Rural Development Programme (2014-2020) schemes called Business Development Groups and Farm Family Key Skills. These Schemes are two of the knowledge transfer elements of the Farm Business Improvement Scheme (FBIS) which is a key recommendation within the *Going for Growth* Report 2013.

By 31 March 2017, 3,039 farmers and growers were enrolled on 154 Business Development Groups which provide a training forum to share knowledge and technical skills with the aim of improving technical efficiency and profitability. As a result of participating in BDGs, participants will produce a business development plan, undertake an element of benchmarking of their business as well as adopt new technologies. By 31 March 2017, 2,885 business development plans had been prepared, 2,685 enterprises were benchmarked and 1,091 technologies were adopted.

By 31 March 2017, 696 farmers had participated in Farm Family Key Skills training programmes which offered a range of courses in animal health (pigs) and health and safety. Training courses which are being developed in business planning and animal health (other sectors) will be delivered later in 2017.

CAFRE also offers business development planning and training opportunities to the NI food industry, and by 31 March 2017, 2,026 people had received training, 602 people had gained a qualification at Level II or above, 248 businesses had prepared a business development plan and 125 businesses had adopted technologies.

## 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 2016/17 the Major Emergency Response Plan was reviewed and revised to reflect the new department, DAERA.

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 2016/17 to test key communication and co-ordination

aspects of contingency plans which included epizootic disease outbreak preparedness and a Classical Swine Fever exercise.

## 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's Quality of Service Complaints Procedure was reviewed in 2016/17 and new DAERA procedures were put in place with effect from 1 February 2017. The most significant change was the reduction of the previous 3 Step process to a new 2 Step process.

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. 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 Board, 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 38 complaints relating to quality of service received by the Department in 2016-17. The Department will arrange to publish this information on its website during the 2017-18 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 2016-17, 94.46% of DAERA bills were paid within this standard (the 2015-16 DARD figure was 96.68%).

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.

# Annual Report and Accounts for the year ended 31 March 2017

During 2016-17, 86.87% of DAERA bills were paid within the 10 day target (the 2015/16 DARD figure was 90.34%).

The performance was affected by the merging of DARD, DOE and DCAL into DAERA. The Department continues to work closely with AccountNI Shared Service Centre and DAERA business areas to improve the payment of supplier's performance.

The Department's payment performance for 2016-17 is available at the following link:

[AccountNI - NICS Prompt Payment Table \\*\\*](#)

\*\* Note the table summarises separate performance for new Departments and Departments that merged during the financial year.



**Mr Noel Lavery**  
**Accounting Officer**  
**Department of Agriculture, Environment and Rural Affairs**  
**28 June 2017**

## Financial Performance 2016-17

### Departmental Expenditure Limit (DEL) Outturn against Budget

The Department had a DEL Final Resource Budget of £216m and Final Capital Budget of £38.8m for 2016-17.

The Department's 2016-17 Business Plan Target 4 of Strategic Outcome 4 is:

*“Provisional Resource and Capital outturn to be between 98.5% and 100% of Final Budget for 2016/17.”*

On **Resource DEL** there is a £0.17m (0.08%) underspend against a budget of £216m. On **Capital DEL** there is a £0.08m (0.2%) underspend against a budget of £38.8m. This equates to a **Total DEL** underspend of £0.25m (0.1%) of the Total DEL budget of £254.8m.

Although the Department's Capital Provisional Outturn figure of 99.8% met the Business Plan Target, the Resource Provisional Outturn of 92.0% was 6.5% below the target. This was mainly due to the EU Commission reporting the findings of its most recent audit to DAERA on 3 April 2017 which led to a late reduction in the CAP Disallowance charge being presented in the 2016-17 Annual Report and Accounts.

### Resource and Capital DEL Outturn Compared to Budget 2014-15 to 2016-17 (£'m)

	2014-15	2015-16	2016-17
Resource DEL budget	207.5	226.2	216.0
Resource DEL outturn	207.3	226.0	215.9
<b>Underspend</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>
Capital DEL budget	49.1	30.9	38.8
Capital DEL outturn	49.0	30.8	38.7
<b>Underspend</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>

### 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 £22.3m. The Provisional AME Outturn of (£4.4m) resulted in an underspend of £26.5m which was mainly due to movements in provisions (£13.3m) and the upward revaluation of Forest Service biological assets (£12.5m).

# Annual Report and Accounts for the year ended 31 March 2017

## 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 91. The underspend of £14.8m is mainly due to a reduction in the CAP disallowance accrual, movements in provisions and upward revaluations of Forest Service and Departmental assets.

## Staff Numbers and Costs

During the year the Department employed 2,856 (2015-16 3,153) of full time equivalent staff at a cost of £118m (£141m). The costs in year were lower than in 2015-16 as there were significant costs associated with the voluntary exit scheme in 2015-16 year. The reduction in staff numbers through the VES led to further staff cost savings in the 2016-17 year. Full analysis of staff numbers and related costs are provided in the Remuneration and Staff Report.

## Net Cash Requirement

The Department's net cash requirement outturn was £201m against an estimate of £271m.

## Budget 2017-18

On 24 April 2017 the Secretary of State for Northern Ireland submitted a written ministerial statement on Northern Ireland finances to Parliament in the absence of an agreed Executive Budget for 2017-18. This included the opening indicative Budget position for each Department in three main categories. The Secretary of State advised that the totals for each Department would not constrain the future ability of an incoming Executive to adjust its priorities during the course of the year.

DAERA's opening 2017-18 position included a non ring-fenced Resource Budget of £190.8 million. This is a £6.3 million (3.2%) reduction on the previous year. As part of the ongoing work for the Budget 2017-18 exercise Senior Management has considered a range of Resource savings scenarios. These included reducing operating costs across DAERA and identifying savings from the planned completion of existing programmes. Further work is required in refining the reductions and the final savings will be agreed with the new Minister in due course. Given the significant savings previously identified in 2015-16 and 2016-17 in relation to the reduction of payroll costs, further staff reductions were not considered in these scenarios.

On Capital the allocation of £44 million is sufficient to cover all existing contractual commitments. The Capital position will be reviewed on an ongoing basis in 2017-18 and the Department will seek funding from the Department of Finance for any additional requirements as part of the in-year Monitoring Round process.

# Annual Report and Accounts for the year ended 31 March 2017

The tables below summarises 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.

<b>DAERA Indicative Resource Allocation</b>	<b>2017-18 £'000</b>
Administration Expenses	42,426
Administration Receipts	(496)
Other Resource Expenses (including CAP)	530,466
Other Resource Receipts (including CAP)	(381,572)
Non Ring-fenced Resource DEL	<b>190,824</b>
Administration Non Cash	4,002
Other Resource Non Cash	13,989
Ring-fenced Resource DEL	<b>17,991</b>
<b>NET RESOURCE DEL</b>	<b>208,815</b>

<b>DAERA Indicative Capital Allocation</b>	<b>2017-18 £'000</b>
Capital	50,735
Capital Receipts	(14,469)
Capital Grant	10,866
Capital Grant Receipts	(3,164)
<b>NET CAPITAL DEL</b>	<b>43,968</b>

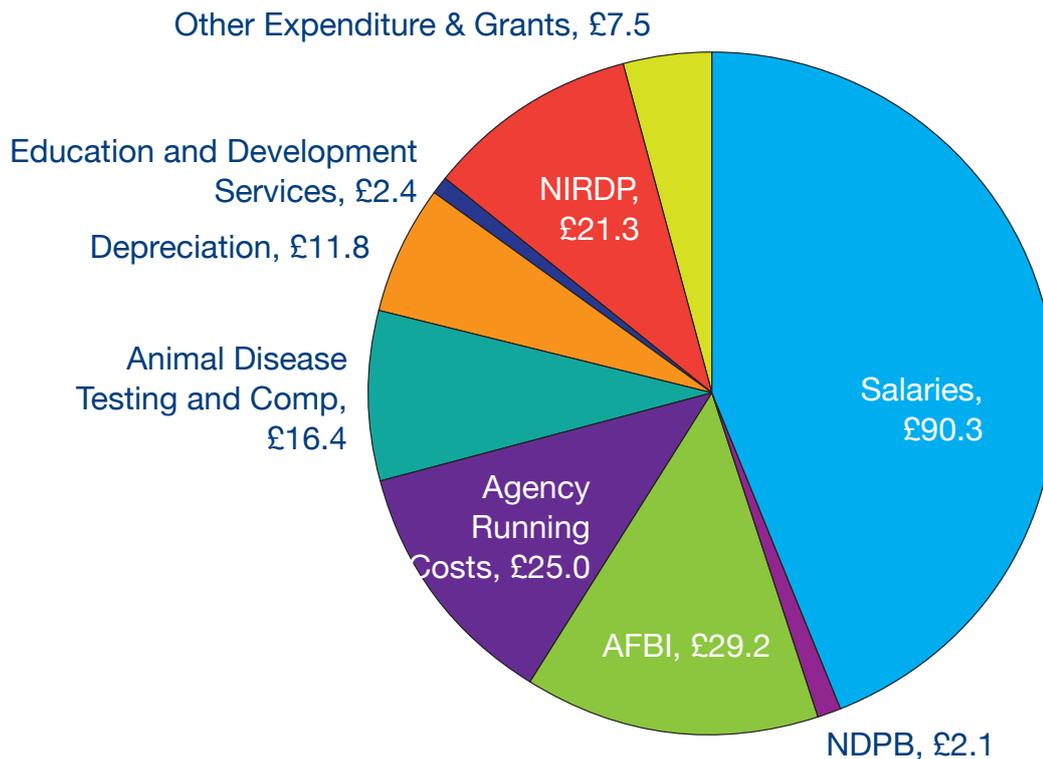
## Budgetary Outlook

Work on the Budget 2018-21 exercise will continue throughout 2017-18. 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. There will therefore be significant financial challenges over this period and the department will have to critically assess how future services can be delivered to citizens within a declining budget.

## Expenditure Analysis and Trends

Figure 1 - DAERA Resource and Grant Expenditure 2016-17

### Grants and Resource (£'m)

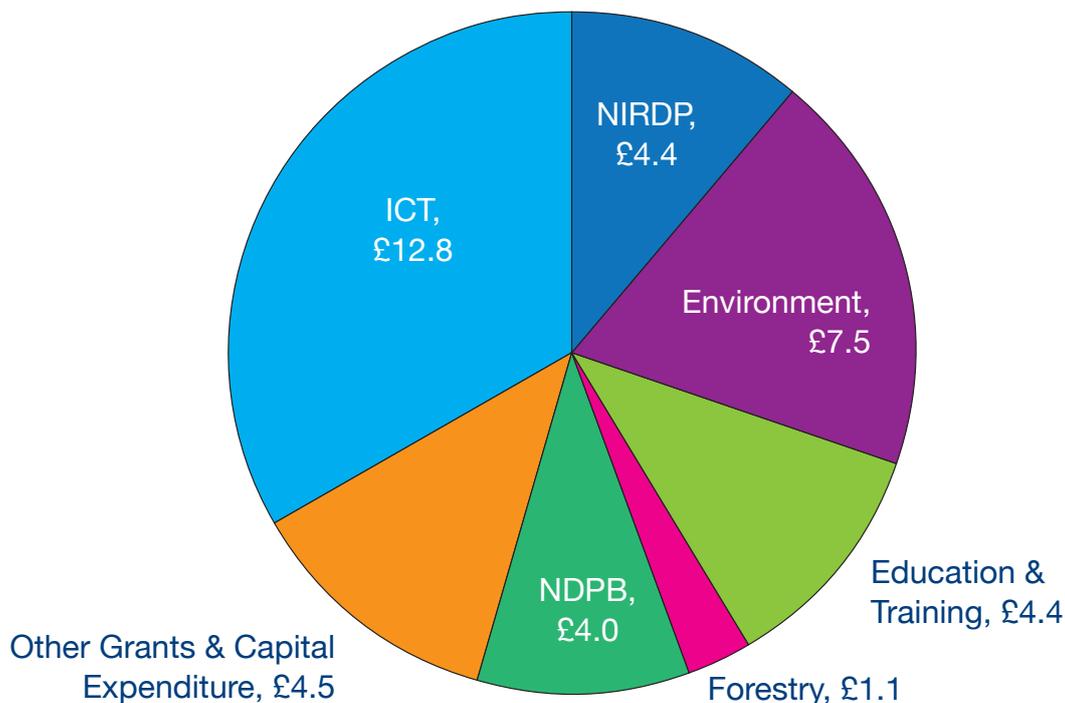


#### Notes

CAP disallowance represents a reduction of £7.1m in the 2016-17 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 £276m 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.

**Figure 2 - DAERA Capital and Capital Grant 2016-17**

### Capital (£'m)



**Notes**

NIRDP and Other Grants are partially funded by the European Commission, therefore spend is shown net of EU income in Figure 2.

**Departmental Expenditure**

The table below highlights the main areas to which the Department allocates funding. The additional Voluntary Exit Scheme funding of £17m received in the 2015-16 year has helped to generate savings in Departmental salaries and AFBI running costs in the 2016-17 year. NIRDP funding is shown net of EU income and reflects the continued focus that the Department has on maintaining the Northern Ireland Rural Development Programme.

# Annual Report and Accounts for the year ended 31 March 2017

Resource and Grant Expenditure	2013-14 £'m	2014-15 £'m	2015-16 £'m	2016-17 £'m
AFBI	41	39	35	29
NIRD	17	17	16	21
Agency Running Costs*	19	5	3	25
Disallowance	11		17	(7)
Animal and Disease Testing	11	15	16	16
Depreciation	8	8	9	12
Education Development Services and Grants	4	6	3	2
NDPB's	2	2	2	2
Other expenditure & grants	24	9	11	7
Salaries Excluding Agencies*	89	106	96	90
Voluntary Exit Scheme	-	-	17	-
<b>Total</b>	<b>226</b>	<b>207</b>	<b>225</b>	<b>197</b>

*\*With the transfer of River's Agency into the Department in 2014-15, its costs were transferred from "Agency Running Costs" to "Salaries Excluding Agencies" and "Other Expenditure".*

Following departmental restructuring in May 2016, the functions of the Department of Agriculture and Rural Development transferred to the newly established Department of Agriculture, Environment and Rural Affairs. The figures given for long term expenditure trends have not been restated in line with the Statement of Assembly Supply not being restated. Consequently, the figures given for 2013/14, 2014/15 and 2015/16 are the figures previously reported for the former DARD. Figures for 2016/17 are those of the DAERA. The figures across the years are not directly comparable as DAERA received functions from DOE and DCAL and transferred functions to DFC.



**Mr Noel Lavery**  
**Accounting Officer**  
**Department of Agriculture, Environment and Rural Affairs**  
**28 June 2017**

## ACCOUNTABILITY REPORT

### Corporate Governance Report

### Director's Report

#### Departmental Accounting Boundary

DAERA, a devolved Government Department in the local Executive, was under the direction and control of Minister, Michelle McIlveen, MLA until 2 March 2017.

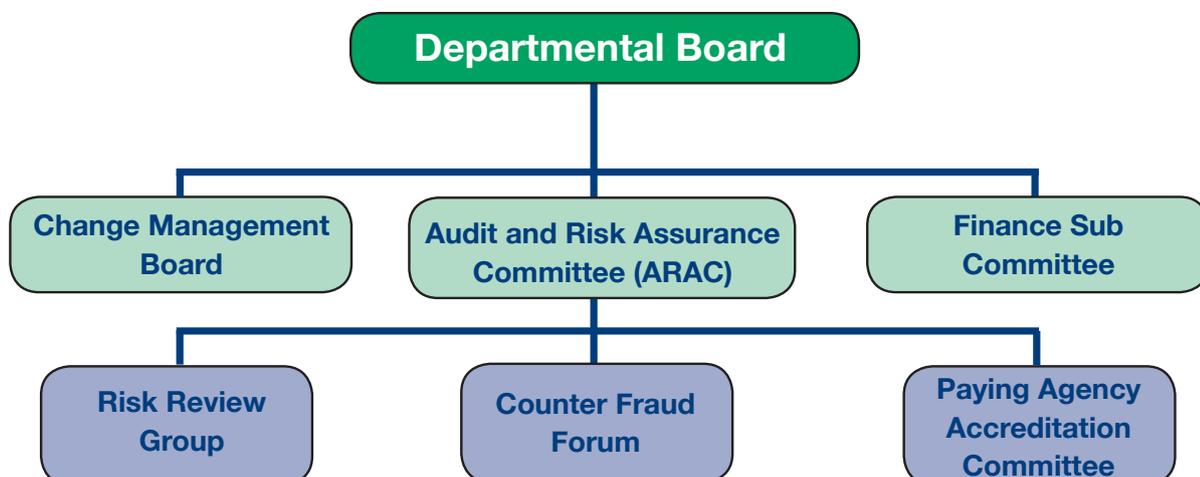
The Permanent Secretary, Noel Lavery, as Principal Accounting Officer, is responsible for the overall operation and performance of the Department.

The Chief Executive of the Forest Service is the Agency's Accounting Officer who was directly responsible to the Minister until 2 March 2017, through the Principal Accounting Officer, for the Agency's performance and operations.

The Chief Executive of the Northern Ireland Environment Agency was the Agency's Accounting Officer directly responsible to the Minister until 2 March 2017, through the Principal Accounting Officer, for the Agency's performance and operations.

DAERA's Accounts for the financial year ended 31 March 2017 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 2017

## Departmental Board

The Department is headed by its Permanent Secretary, who in 2016-17 was supported by a Departmental Board (DB) of seven senior officials and three Independent Non-Executive Board Members (IBMs). The Board meets at least ten times a year to discuss Departmental business at a strategic level. During 2016/17, the composition of the Board\* was as follows:

Mr N Lavery	Permanent Secretary.
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).
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 T Teague	Director of Corporate Services (until August 2016).
Mrs P Rooney	Acting Director of Corporate Services (from August 2016 until 19 March 2017).
Mrs G Fee	Director of Corporate Services (from 20 March 2017).
Mr R Downey	Acting Finance Director (until 7 May 2016).
Mr G Wilkinson	Acting Finance Director (from 8 May 2016 until 5 February 2017 and Brexit Programme Director (from 6 February 2017).
Mr D Reid	Acting Finance Director (from 6 February 2017).
Mr D Russell	Independent Board Member.
Mr F Caddy	Independent Board Member.
Mr J Brooks	Independent Board Member (from 8 May 2016).

\*In April 2016 a “Shadow” DAERA Departmental Board was in place in advance of the formation of DAERA on 8 May 2016. The responsibilities of Board members shown above are reflective of the arrangements in DAERA.

## 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 and the Change Management Board (CMB) to oversee and provide advice on specific areas of work.

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

## 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 Department is committed to the safeguarding of personal data and has set in place appropriate measures to ensure its security. 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 an Information Loss Handling 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

# Annual Report and Accounts for the year ended 31 March 2017

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 2016/17 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 2016-17 resulted in a notional audit fee of £88,000. This is included in non-staff administration costs in the 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 (VFM) studies, which report to the Assembly on the economy, efficiency and effectiveness with which the Department's financial resources have been used.



**Mr Noel Lavery**  
**Accounting Officer**  
**Department of Agriculture, Environment and Rural Affairs**  
**28 June 2017**

## 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 DFP, 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 *Government Financial Reporting Manual* 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*.

### 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.



**Mr Noel Lavery**  
**Accounting Officer**  
**Department of Agriculture, Environment and Rural Affairs**  
**28 June 2017**

## Governance Statement

This is the first Annual Governance Statement for the Department of Agriculture, Environment and Rural Affairs (DAERA) as required by DAO (DFP) 10/12. This Statement sets out the governance, risk management and internal control arrangements that have operated in the Department since its creation on 8 May 2016 to 31 March 2017 and also takes account of any relevant issues in the period 1 April to 7 May 2016 prior to Departmental restructuring.

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 Arms’ 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.

## 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 2017, 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, and ultimately the 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.

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

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

## Departmental Board

As Accounting Officer, I am supported in the discharge of my role and responsibilities by the Departmental Board (DB) of seven senior officials, and three Independent Non-Executive Board Members (IBMs). 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 three 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 HR Division (copied to the Principal Accounting Officer and Board Secretariat).

## Conflict of Interest

During 2016-17, 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. There have been no such incidences during 2016/17.

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.

# Annual Report and Accounts for the year ended 31 March 2017

Attendance of Board Members		Meetings Attended (11)
Mr N Lavery	Permanent Secretary.	11/11
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).	10/11
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).	9/11
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).	11/11
Mrs T Teague	Director of Corporate Services (until August 2016).	4/4
Mrs P Rooney	Acting Director of Corporate Services (from 10 October 2016 until 19 March 2017).	5/5
Mrs G Fee	Director of Corporate Services (from 20 March 2017).	1/1
Mr R Downey	Acting Finance Director until 7 May 2016.	1/1
Mr G Wilkinson	Finance Director (from 8 May 2016 until 5 February 2017).	9/9
Mr D Reid	Acting Finance Director (from 6 February 2017).	1/2
Mr G Wilkinson	Brexit Programme Director (from 6 February 2017).	2/2
Mr D Russell	Independent Board Member.	10/11
Mr F Caddy	Independent Board Member.	11/11
Mr J Brooks	Independent Board Member.	9/10

## 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;
- agreement of the Human Resources Strategy; 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 2017

A Review of Board Effectiveness was 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.

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 AccountNI 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) and the Change Management Board (CMB) to oversee and provide advice on specific areas of work.

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) has been 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.

Membership of CMB comprises the DAERA Deputy Secretaries and Directors of Finance, Corporate Services and Digital Services. The CMB met 6 times in 2016-17.

## 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 Savings 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
- consideration of Business Cases before submission to DoF on behalf of the Board.

The FSC met five times during the 2016/17 financial year (on 10 May, 21 June, 7 September, 17 November 2016 and 8 February 2017). The Committee considered a range of financial issues facing the Department as well as a number of significant Business Cases, including the Environmental Farming Scheme and the Capital element of the Farm Business Improvement Scheme.

## 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 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.

# Annual Report and Accounts for the year ended 31 March 2017

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 and one independent external member (Sharon Hetherington, NI Courts and Tribunals Service) drawn from the wider Northern Ireland Civil Service. ARAC is chaired by Independent Board Member, David Russell.

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 29 November 2016, and on 21 February 2017). A further meeting was held on 18 January 2017 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 myself as DAERA's 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	7/7
Mr F Caddy	Independent board member	6/7
Ms S Hetherington	Independent external member	7/7

## ARAC Annual Report

The Chairman has also provided me with his 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.

Following the creation of DAERA, the Corporate Risk Register (CRR) was subject to a full review and 11 DAERA Corporate Risks were identified.

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.

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.

# Annual Report and Accounts for the year ended 31 March 2017

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 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 2016 EAF Accounts have been submitted to the Commission and will be assessed under the annual "Clearance of Accounts" process in May 2017.

## Risk and Control Framework

The Department's approach to risk management is objective driven. Our Aim and Strategic Outcomes, agreed at Ministerial level, 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 2016-17 incorporating:

1. Funding not fully utilised or allocated in line with corporate priorities.
2. Failure to manage and deploy appropriate staff resources in a timely manner to deliver Departmental objectives.
3. Significant business impact resulting from ineffective information assurance.
4. Failure to adequately achieve inclusion of the NI Specific requirements into the UK Government's Brexit negotiating position will significantly impact the agricultural industry and undermine the Departments position. Policy Frameworks not developed to meet corporate objectives post Brexit.
5. Trans-boundary animal disease outbreak of significance.
6. Failure to prevent the introduction and establishment of organisms harmful to plant health and of significance to industry and the environment.
7. Failure by AFBI 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 Integrated Administration and Control System (IACS) Schemes; and
  - Pillar 2 non IACS Schemes not delivered in compliance with the EU Regulations.

9. Failure to remediate the Mobuoy illegal waste site in a timely and cost-effective manner.
10. Failure of the Tuberculosis (TB) Eradication Strategy to effect change in regard to the control of TB.
11. Failure to implement appropriately the DAERA EU Exceptional Adjustment Aid 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. 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

# Annual Report and Accounts for the year ended 31 March 2017

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 Digital Information Management Committee and the Department's Senior Information Risk Officer (SIRO), supported by trained Information Asset Owners (IAOs). Other assurance is also provided to me by the Departmental Security Officer, the Departmental IT Security Officer, IT Assist, Information Management Branch, 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.

## Whistle blowing

During 2016/17, 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 2016/17 a total of 19 whistleblowing notifications were received by the Department and reported to ARAC. This compared to 13 notifications in 2015/16. These notifications included allegations of corruption, misconduct by staff members, conflicts of interest and damage to animal feeds.

All whistleblowing notifications are investigated and addressed by the relevant business area and in cases of suspected fraud an investigation by the 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 2016 - 2017 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 Head of Internal Audit in the Department of Finance (DoF) on the various components of Enterprise Shared Services. These include AccountNI which is responsible for the Department's transaction processing, HR Connect which is responsible for the Department's Human Resource management arrangements, and IT Assist which provided our IT support services.

I note that the Head of Internal Audit in the Department of Finance has provided a satisfactory audit opinion on Enterprise Shared Services overall.

## 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.

One Ministerial Direction was issued to me by the Minister during the year 1 April 2016 to 31 March 2017. This was in relation to the implementation of a one year Areas of Natural Constraint (ANC) Scheme in 2018.

# Annual Report and Accounts for the year ended 31 March 2017

A consultation on options for future support to ANC was carried out from 16 February to 29 April 2016 in order to review support arrangements. In subsequent deliberations, the Minister received advice from officials indicating that whilst farmers in the Severely Disadvantaged Area (SDA) incurred additional costs of production and generated less output than counterparts operating elsewhere, a Pillar II ANC support measure would be very unlikely to demonstrate value for money. The reasons for this assessment were outlined to the Minister.

The Minister, however, recognising that farming in the SDA comes with distinct challenges and that an abrupt ending of ANC support would cause business disruption, wished to implement a more orderly withdrawal from this intervention. Therefore, the Minister decided to make a final transitional allocation under the ANC Scheme with payments being made in 2018, after which ANC support would cease. Farmers will be able to apply to the 2018 ANC scheme on their 2017 Single Application Form. In keeping with the transitional nature of this approach, the budget for this final year of the scheme will be £8 million.

## 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 2016-2017.

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; and
- continue to improve monitoring of ALB Governance arrangements and compliance with all key guidance.

## Internal Audit

For 2016-17, the Annual Internal Audit report provided a satisfactory opinion. The opinion of DAERA Internal Audit Branch (IAB) was based on the results of 44 Final Reports and 8 Draft Reports. 38 of these reports had positive opinions, 1 had a 'limited' opinion and there were 13 Special Exercises where no opinion was relevant.

## Key issues reported by DAERA IAB over the period

### NICS Information Assurance/ICT Scoping Review

During the period 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.

### Review of APHIS and APHIS Support Unit

This review of APHIS security controls was instigated as a result of a security incident involving manipulation of (APHIS) by (now former) members of staff from the APHIS Support Unit (ASU).

Internal Audit raised concerns about the number of staff with "Super User" access and the lack of effective management control in this area. They were also concerned about costs of the on call service and the limited number of staff within the Support Unit who were able or willing to perform the out of hours service.

Internal Audit made a number of recommendations to facilitate compliance with the ISO standards and to enable effective management control in the areas of system access; conflicts of interest; on call services; and ASU structures/resources. Management responded positively to IA's recommendations and have recruited an additional Staff Officer for ASU (in post since January 2017) which should enhance current management control arrangements.

## **LFACA Debt Management (See also other control issues below)**

This review was requested by the DAERA Permanent Secretary in response to issues surrounding the management and calculation of LFACA debts arising in the period 2007-2013.

Internal Audit were concerned that delays in applying retrospective penalty action has impacted on the Department's ability to effectively recover the related debts. Internal Audit also warned of a high risk of legal challenge of any recovery action due to the time lapse in raising the related debts. Audit testing also highlighted a significant number of debt calculation errors which raises concerns about the accuracy of the total debt amount stated by the Department and the accuracy and effectiveness of the debt calculation process.

Internal Audit made a number of recommendations to enhance debt management/scheme administration effectiveness. Management's agreed corrective actions include a review of the proposed level of debt calculation validation checks, following concerns about the level of calculation errors as well as seeking further legal advice on the recovery of these debts. Further legal advice has now been taken and the Department is concluding on its approach to recovery.

## **Other Control Issues Reported**

### **Area Aids Disallowance**

Following an audit by the Commission in 2012, the Department had an agreed methodology in place to estimate financial corrections for Area Based Scheme payments for 2013 to 2016. In 2016 the Commission carried out a further audit however this audit did not focus on the 2013 and 2014 Schemes. In light of this the Department has released the disallowance accrual in respect of these years which amounted to a write back of £19.2m. Any attempt by the Commission to impose penalties for these years would face significant challenge from the Department on the basis that the audit of the 2015 and 2016 schemes identified no evidence of the control weaknesses that led to the disallowance penalty in 2012 and the subsequent accruals in 2013 and 2014.

Further accruals with respect to Less Favoured Areas Compensatory Allowances (£2.5m) and the Agri-Environment Schemes (£2.5m) for the 2013 to 2015 schemes have also been written back.

The Department was successful in reducing the disallowance in respect of Cross Compliance through engagement with the Commission's conciliation process. This has resulted in a write back of £2.7m with respect to scheme years 2013 to 2015. The outcome of the 2016 audit was notified to the Department in April 2017. As a result

of the audit, the Commission identified 3 key control weaknesses in relation to Pillar I schemes and consequently are proposing a flat rate correction of 10% on these schemes. The Department is challenging the Commission's assumptions and is confident that it can reduce the proposed penalty to 5%. On this basis, £13.5m has been accrued in respect of the 2016 scheme and the 2015 scheme accrual has been increased by £3.7m.

## **Less Favoured Areas Compensatory Allowance**

As previously reported, as part of the control framework which supports the delivery of the Less Favoured Areas Compensation Allowance (LFACA) scheme, the Department completed inspections of farm businesses which receive funding, to confirm the land areas against which claims were submitted. 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.

Potential overpayments valued at £5.26m were made during the 2007-2013 period. Consideration continues to be given to the most appropriate way forward.

## **Loughs Agency Irregular Expenditure**

In the absence of the political institutions, The Loughs Agency does not yet have an approved Business Plan and Budget in place for 2017. There was, therefore, no approval in place for cash grant payments to the Agency after 31 December 2016 with the consequence that expenditure incurred from 1 January 2017 to 31 March 2017 must be classified as irregular.

A contingency arrangement was triggered in February 2017 and approval obtained from DoF to provide the Loughs Agency with a cash Grant of £0.5m to cover the period up to 31 March 2017. DoF subsequently advised of a further contingency arrangement to cover the period 1 April to 31 May 2017.

## **2017-18 Budget Position**

The Northern Ireland Assembly was dissolved as from 26 January 2017 for an election which took place on 2 March, on which date Ministers also ceased to hold office. An Executive was not formed following the election within the period specified in the legislation. As a consequence, a Budget Act is not yet in place for 2017-18. In the absence of a budget for 2017-18 determined by an Executive, Section 59 of the Northern Ireland Act 1998 and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2001 provide for the Permanent Secretary of the Department of Finance to issue cash to departments from the NI Consolidated Fund. These powers are an interim measure designed to ensure that services can be maintained until such times as a budget is agreed and a Budget Act passed.

## Remuneration and Staff Report

### 1. Departmental Remuneration Report 2016-17

#### Remuneration Policy

The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The 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.

#### 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](http://www.nicscommissioners.org)

# Annual Report and Accounts for the year ended 31 March 2017

## 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.

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

Ministers	2016-17				2015-16			
	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)
<b>Minister Mrs Michelle O'Neill MLA</b> (1 April 16 - 5 May 16)	3,677	-	2,000	6,000	38,000	-	13,000	51,000
<b>Minister Miss Michelle McIlveen MLA</b> (25 May 16 - 2 March 17)	29,419	-	9,000	38,000	-	-	-	-

\* 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 or any increase or decreases due to a transfer of pension rights.

Officials	2016-17				2015-16				
	Salary £'000	Benefits in kind (to nearest £100)	Pension Benefits* (to nearest £1,000)	Total £'000	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Pension Benefits** (to nearest £1,000)	Total £'000
<b>Mr N Lavery</b> Permanent Secretary	110-115	-	42	155-160	105-110	-	-	46,000	155-160
<b>Mr G Lavery</b> Senior Finance Director (1 April 15 - 30 September 15)	-	-	-	-	45-45 (100-105 full year equivalent)	-	-	6,000	45-50
<b>Mr G Wilkinson</b> Senior Finance Director (1 April 16 - 8 May 16)	5-10 (85-90 full year equivalent)	-	12	20-25	35-40 (80-85 full year equivalent)	-	-	49,000	85-90

# Annual Report and Accounts for the year ended 31 March 2017

Officials	2016-17				2015-16				
	Salary £'000	Benefits in kind (to nearest £100)	Pension Benefits* (to nearest £1,000)	Total £'000	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Pension Benefits** (to nearest £1,000)	Total £'000
<b>Mr G Wilkinson</b> Finance Director (9 May 16 - 5 Feb 17) Director of Brexit (6 February 17 - 31 March 17)	60-65 (70-75 full year equivalent)	-	14	75-80	-	-	-	-	-
<b>Mr D Small</b> Deputy Secretary	90-95	-	39	125-130	80-85 (85-90 full year equivalent)	-	-	34,000	115-120
<b>Mr N Fulton</b> Deputy Secretary (1 May 16 - 31 March 17)	80-85 (85-90 full year equivalent)	-	155	235-240	-	-	-	-	-
<b>Mr R Huey</b> Deputy Secretary	80-90	-	31	115-120	85-90	-	-	32,000	115-120
<b>Ms P Rooney</b> Acting Director of Corporate Services (10 October 16 - 19 March 17)	30-35 (65-70 full year equivalent)	-	14	45-50	-	-	-	-	-
<b>Ms G Fee</b> Director of Corporate Services (from 20 March 17)	0-5 (70-75 full year equivalent)	-	1	0-5	-	-	-	-	-
<b>Ms L Warde Hunter</b> Deputy Secretary	85-90	-	28	115-120	85-90	-	-	30,000	110-115
<b>Mr G Wilkinson</b> Finance Director (1 April 15 - 18 October 15)	-	-	-	-	35-40 (65-70 full year equivalent)	-	-	17,000	50-55
<b>Mr R Downey</b> Finance Director (1 April 16 - 7 May 16)	5-10 (65-70 full year equivalent)	-	11	15-20	25-30 (65-70 full year equivalent)	-	-	38,000	65-70

# Annual Report and Accounts for the year ended 31 March 2017

<b>Mr D Reid</b> Acting Finance Director (6 February 17 - 31 March 17)	10-15 (65-70 full year equivalent)	-	16	25-30	-	-	-	-	-
<b>Mr M Beatty</b> Assistant Secretary	75-80	-	29	105-110	70-75	-	-	31,000	105-110
<b>Mrs T Teague</b> Director of Corporate Services (1 April 16 - 18 September 16)	30-35 (65-70 full year equivalent)	-	24	50-55	65-70	-	-	37,000	100-105
<b>Mr D Russell</b> Non-Executive Director	10-15	-	-	10-15	10-15	-	-	-	10-15
<b>Mr J Brook</b> Non-Executive Director***	5-10	-	-	5-10	-	-	-	-	-
<b>Mr F Caddy</b> Non-Executive Director	15-20	-	-	15-20	15-20	-	-	-	15-20
<b>Band of Highest Paid Director's Total Remuneration</b>	110-115			105-110					
<b>Median Total Remuneration</b>	£29,317			£29,027					
<b>Ratio</b>	3.8			3.7					

Bonus payments are not applicable to departments but may be applicable to other organisations.

\*\* 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 or any increase or decreases due to a transfer of pension rights.

\*\*\* Previously on DOE Board with DAERA since 8 May 2016.

## 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 gratia payments.

The Department of Agriculture and Rural Development was under the direction and control of Mrs Michelle O'Neill during the period 1 April 2016 to 5 May 2016 and then Miss Michelle McIlveen during the period 25 May 2016 to 2 March 2017. Their salaries

# Annual Report and Accounts for the year ended 31 March 2017

and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in 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.

## 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 2016-17 was £110,000 - £115,000 (2015-16 restated: £105,000 - £110,000). The ratio was 3.8 times (2015-16 restated: 3.7) the median remuneration of the workforce, which was £29,317 (2015-16 restated: £29,027).

No employees received remuneration in excess of the highest paid director in either year. Remuneration ranged from £16,550 to £92,167 (2015-16 restated: £14,216 to £96,969).

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.

These calculations have been based on guidance in FD (DoF)08/16 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]

Minister	Accrued pension at pension age as at 31-03-17	Real increase in pension at pension age	CETV at 31-3-17	CETV at 31-3-16	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Miss Michelle McIlveen MLA	0-5	0-1	27	20	3
Mrs Michelle O'Neill MLA	0-5	0-1	35	34	-

## Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2016 (AMPS). In 2011 the Assembly passed the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) establishing a Panel to make determinations in relation to the salaries, allowances and pensions payable to members of the Northern Ireland Assembly. In April 2016 the Independent Financial Review Panel issued The Assembly Members (Pensions) Determination (Northern Ireland) 2016 which introduced a Career Average Revalued Earnings scheme for new and existing members. Existing members born on or before 1 April 1960 retain their Final Salary pension arrangements under transitional protection until 6 May 2021. The new scheme is named Assembly Members' Pension Scheme (Northern Ireland) 2016 and replaces the 2012 scheme.

As Ministers are Members of the Legislative Assembly they also accrue an MLA's pension under the AMPS (details of which are not included in this report). Pension benefits for Ministers under transitional protection arrangements are provided on a "contribution factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate (1/50th or 1/40th) multiplied by the cumulative contribution factors and the relevant final salary as a Member. Pension benefits for all other Ministers are provided on a career average (CARE) basis.

Benefits for Ministers are payable at the same time as MLAs' benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Prices Index. Ministers pay contributions of either 9% or 12.5% of their Ministerial salary, depending on the accrual rate. There is also an employer contribution paid by the Consolidated Fund out of money appropriated by Act of Assembly for that purpose representing the balance of cost. This is currently 14.4% of the Ministerial salary. The accrued pension quoted is the pension the Minister is entitled to receive when they reach normal pension age for their section of the Scheme. Ministers under transitional protection arrangements may retire at age 65. Ministers in the CARE scheme have a pension age aligned to their State Pension Age.

## The Cash Equivalent Transfer Value (CETV)

This 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. It 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total office

# Annual Report and Accounts for the year ended 31 March 2017

holder service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## The real increase in the value of the CETV

This is the increase in accrued pension due to the department's contributions to the AMPS, and excludes increases due to inflation and contributions paid by the Minister and is calculated using valuation factors for the start and end of the period.

### Pension Entitlements [Audited information]

Officials	Accrued pension at pension age as at 31-3-17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31-3-17 or date of leaving if earlier	CETV at 31-3-16 or date of commencement if later	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
<b>Mr N Lavery</b> Permanent Secretary	30 - 35 plus lump sum of 20 - 25	0 - 2.5 plus lump sum of 0 - 2.5	679	610	39	-
<b>Mr M Beatty</b> Deputy Secretary	35 - 40 plus lump sum of 110 - 115	0 - 2.5 plus lump sum of 2.5 - 5	805	779	27	-
<b>Mr N Fulton</b> Deputy Secretary (1 May 16 - 31 Mar 17)	40 - 45	7.5 - 10	696	540	130	-
<b>Mr G Wilkinson</b> Senior Finance Director (1 Apr 16 - 7 May 16)	15 - 20	0 - 2.5	216	208	7	-
Finance Director (8 May 16 - 5 Feb 17)	10 - 15	0 - 2.5	230	216	2	-
Brexit Director (6 Feb 17 - 31 Mar 17)						
<b>Mr D Small</b> Deputy Secretary (1 May 16 - 31 Mar 17)	40 - 45 plus lump sum of 125 - 130	0 - 2.5 plus lump sum of 5 - 7.5	880	808	34	-
<b>Mr R Huey</b> Deputy Secretary	30 - 35 plus lump sum of 90 - 95	0 - 2.5 plus lump sum of 2.5 - 5	683	624	29	-
<b>Ms L Warde Hunter</b> Deputy Secretary	10 - 15	0 - 2.5	293	244	23	-
<b>Ms G Fee</b> Director of Corporate Services (20 Mar 17 - 31 Mar 17)	20 - 25 plus lump sum of 60 - 65	0 - 2.5 plus lump sum of 0 - 25	405	404	1	-

# Annual Report and Accounts for the year ended 31 March 2017

Officials	Accrued pension at pension age as at 31-3-17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31-3-17 or date of leaving if earlier	CETV at 31-3-16 or date of commencement if later	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
<b>Mrs T Teague</b> Director of Corporate Services (1 Apr 16 - 18 Sept 16)	20 - 25 plus lump sum of 60 - 65	0 - 2.5 plus lump sum of 0 - 2.5	385	363	14	-
<b>Mr R Downey</b> Acting Finance Director (1 Apr 16 - 8 May 16)	10 - 15 plus lump sum of 35 - 40	0 - 2.5 plus lump sum of 0 - 2.5	199	178	6	-
<b>Ms P Rooney</b> Acting Director of Corporate Services (10 Oct 16 - 31 Mar 17)	25 - 30 plus lump sum of 75 - 80	0 - 2.5 plus lump sum of 2.5 - 5.0	496	477	11	-
<b>Mr D Reid</b> Acting Finance Director (6 Feb 17 - 31 Mar 17)	10 - 15 plus lump sum of 35 - 40	0 - 2.5 plus lump sum of 0 - 2.5	194	184	9	-

## 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). Staff in post prior to 30 July 2007 premium and classic plus. These arrangements are unfunded with the cost of benefits met by monies voted by the Assembly each year. From April 2011 pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. Prior to 2011, pensions were reviewed in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium 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 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 current rate is 2.3%. CARE pension benefits are reviewed annually in line with changes in the cost of living.

A new pension scheme, alpha, was introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements have also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their

# Annual Report and Accounts for the year ended 31 March 2017

normal pension age will 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 also 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 will be 2.32%. CARE pension benefits are reviewed annually in line with changes in the cost of living.

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with 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 2016 was 1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2017.

Employee contribution rates for all members for the period covering 1 April 2017 - 31 March 2018 are as follows:

## Scheme Year 1 April 2017 to 31 March 2018

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 2017 to 31 March 2018	From 01 April 2017 to 31 March 2018
£0	£15,000.99	4.6%	4.6%
£15,001.00	£21,422.99	4.6%	4.6%
£21,423.00	£51,005.99	5.45%	5.45%
£51,006.00	£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 pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos. The normal 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>

## **Cash Equivalent Transfer Values**

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 pension 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 cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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

# Annual Report and Accounts for the year ended 31 March 2017

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 2017.

## 2. Staff Report

### 2.1 Staff costs comprise [Audited Information]:

	Year Ended 31 Mar 17					Year Ended 31 Mar 16 Restated
	Permanently employed staff* £'000	Others** £'000	Ministers*** £'000	Special Advisors £'000	Total £'000	Total £'000
Wages and salaries	86,249	3,015	33	60	89,357	96,749
Social security costs	9,029	16	4	9	9,058	4,749
Other pension costs	19,615	12	5	16	19,648	21,071
Other Staff costs****	(94)	-	-	-	(94)	18,204
<b>Sub total</b>	<b>114,799</b>	<b>3,043</b>	<b>42</b>	<b>85</b>	<b>117,969</b>	<b>140,773</b>
Recoveries from outward secondments	(121)	-	-	-	(121)	(77)
<b>Total net costs*****</b>	<b>114,678</b>	<b>3,043</b>	<b>42</b>	<b>85</b>	<b>117,848</b>	<b>140,696</b>

Of which:

	Charged to Administration £'000	Charged to Programme £'000	Total £'000
Core Department	34,497	54,475	88,972
Agency	-	28,997	28,997
<b>Total net costs</b>	<b>34,497</b>	<b>83,472</b>	<b>117,969</b>

\*Permanently employed staff includes the cost of the Department's Special Advisers are paid in the pay band £59,627 - £91,809 (2015-16: £59,037 - £91,809).

\*\*In 2015-16 the department received a refund of £2,422k that related to a payment

without prejudice made to HMRC in 2014-15 in respect of employers and employees National Insurance Contributions for Private Veterinary Practitioners for the period ended 2010-2014.

\*\*\* Ministers salary is a notional charge.

\*\*\*\* Other staff costs relate to the Voluntary Exit Scheme.

\*\*\*\*\* Excluded from the total is £1,147,195 (2015-16 £1,332,266) which has been charged to capital.

The Northern Ireland Civil Service 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 2017.

For 2016-17, employers' contributions of £19,581,359 were payable to the NICS pension arrangements (2015-16: £17,733,359) 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 2017-18, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 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 £61,266 (2015-16 £49,991) 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% (2015-16 3% to 14.7%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,963, 0.5% (2015-16: £2,140, 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.

6 persons (2015-16: 12 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £5,547 (2015-16: £26,870).

# Annual Report and Accounts for the year ended 31 March 2017

## 2.2 Average number of persons employed

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

	2016-17					Restated 2015-16
Departmental Strategic Objective	Permanent staff	Others	Ministers	Special advisers	Total Number	Total Number
RFR A	2,737	70	1	1	2,809	3,123
Staff engaged on capital projects	47	-	-	-	47	30
<b>Total</b>	<b>2,784</b>	<b>70</b>	<b>1</b>	<b>1</b>	<b>2,856</b>	<b>3,153</b>
<b>Core Department</b>	<b>2,112</b>	<b>36</b>	<b>-</b>	<b>-</b>	<b>2,148</b>	<b>2,841</b>
<b>Agency</b>	<b>672</b>	<b>34</b>	<b>1</b>	<b>1</b>	<b>708</b>	<b>312</b>

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

							2016-17	2015-16 Restated
Core Department				Consolidated			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	Total number of exit packages by cost band	
<£10,000	-	-	-	-	-	-	-	
£10,000 - £25,000	-	2	2	-	2	2	1	
£25,000 - £50,000	-	4	4	-	4	4	2	
£50,000 - £100,000	-	-	-	-	-	-	-	
£100,000 - £150,000	-	-	-	-	-	-	-	
£150,000 - £200,000	-	-	-	-	-	-	-	
<b>Total number of exit packages</b>	<b>-</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>6</b>	<b>3</b>	
<b>Total Resource Cost £</b>	<b>-</b>	<b>191,524</b>	<b>191,524</b>	<b>-</b>	<b>191,524</b>	<b>191,524</b>	<b>102,245</b>	

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.

In 2015 the department had leavers in the VES scheme. The total number of staff leaving as a result of this scheme was 392. The total resource cost was £12m. For further details please refer to the Resource Accounts for the Year ended 31 March 2016.

In 2016-17, Special Advisors received an exit package in accordance with the Code Governing the Appointment of Special Advisors issued under the Civil Service (Special Advisors) Act (Northern Ireland) 2013.

## Staff Composition

The following is an analysis of staff numbers at the 31 March 2017:

Group	Male	Female	Total
Board Members	9	2	11
Senior Managers	11	7	18
Other Employees	1,640	1,302	2,942
<b>Total</b>	<b>1,660</b>	<b>1,311</b>	<b>2,971</b>

Departmental employees are eligible for pension benefits that are disclosed in Note 1.16 and Note 3 to the Accounts and the Remuneration Report.

There was one Equal Pay payment made to a member of DAERA staff in the 2016/17 financial year totalling £770. There are 51 DAERA staff to sign agreements totalling £34,276. The increase is due to the amalgamation of DoE and DCAL staff into the new Department from May 2016.

Sickness absence rates for the Department for the period April 2016 to March 2017 were, provisionally, 9.6 working days lost per staff member. No Ministerial target was set for 2016/17. In the previous year, 2015-16, the Department achieved 9.7 working days against a target of 7.5 working days.

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.

# Annual Report and Accounts for the year ended 31 March 2017

## Off Payroll engagements

There were no off payroll engagements at a cost of over £58,200 per annum in place during the financial year 2016-17.

## Consultancy Costs

The following table is an analysis of consultancy and temporary staff costs for 2016-17

	2016-17		2015-16 (restated)	
	Core	Consolidated	Core	Consolidated
Consultancy	86	166	711	715
Temporary staff costs	666	3,043	(2,066)	(166)
<b>Total</b>	<b>752</b>	<b>3,209</b>	<b>(1,355)</b>	<b>(549)</b>

In 2015-16 included in temporary staff costs is a refund for NIC of £2,422,792 that relates to a without prejudice payment made to HMRC in 2014-15 in respect of employer and employee National Insurance Contributions for Private Veterinary Practitioners for the period 2010-2014.

## 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.

## Health and Safety

The Department of Agriculture, Environment and Rural Affairs is 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 Departmental

Health & Safety Policy Statement which was introduced on day one of the new Department.

The main Health & Safety focus for 2016/17 has been to ensure that the high performance standards from the previous Departments were maintained during the initial period of change. Fifty-five Health & Safety Audits were carried out across the Department. Staff consultation has been encouraged through quarterly meetings of the Whitley sub-committee and the provision of various Health & Safety Committees at a more local level. Incident analysis suggests that Health & Safety standards have been maintained this year, with major injuries/incidents decreasing significantly from fourteen in 2015/16 to seven in 2016/17.

In addition to maintaining a high standard of Health & Safety, there has been a specific focus on harmonising the Health & Safety management systems of the constituent parts of the new Department. A Department wide Health & Safety Review was carried out resulting in the Departmental Board agreeing a new Health & Safety Management Framework, and introducing steps to ensure that Health & Safety becomes integrated into the Departments' governance systems in 2017/18.

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). It is working closely with the FSP partners in finalising its third Action Plan (April 2017 - March 2020). This plan aims to build on areas which have yielded improvements, address issues identified as affecting behavioural change and introduce new actions designed to enhance the ability, understanding and willingness to manage risk appropriately and work in a safe, healthy and sustainable way.

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

As part of the Rural Development Programme, the Farm Business Improvement Scheme (FBIS), Farm Safety is a mandatory element of the Business Development Groups and also a key area of training as part of Farm Family Key Skills. All farmers have to complete the on-line 'Making it Safer' farm safety risk assessment tool when making application to the capital element of the scheme and the Department encourages all farmers to complete this assessment, not just those that need it for an application.

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 the PFG target to “Advance the relocation of the Headquarters of the Department of Agriculture and Rural Development to a rural area by 2015”, the headquarters of Fisheries Division was relocated to Downshire Civic Centre in Downpatrick in June 2015 and the headquarters of Forest Service relocated to Inishkeen House, Enniskillen in September 2015. The relocation of the Rivers Agency Headquarters was completed by their new Department, DfI, in October 2016. The last of the relocation projects will see DAERA move posts to a new building on the former military site, Shackleton, in Ballykelly.

A Staff Transition Plan has been developed that sets out the first phase of functions and posts that will relocate to Ballykelly between 2018 and 2021. This plan will see at least 320 DAERA posts relocate by 2021 (240 in early 2018 when the building is completed).

The Full Business Case, which was completed in February 2016, makes provision for a review to be carried out by the end of 2019; this will inform the transition of further DAERA and/or NICS posts into Ballykelly.

The Department is currently utilising accommodation in Coleraine and Derry/Londonderry for staff coming to DAERA to take up posts in Ballykelly. Work continues on the human resources aspects to ensure that the necessary skilled people are in place to continue to meet DAERA business needs.

The target for the first staff to move into the new building in Ballykelly is February 2018.

## Assembly Accountability and Audit Report

### Statement of Assembly Supply [Audited Information]

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (*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.

As a result of departmental restructuring during 2016-17, the prior year comparative figures in the IFRS-based primary statements have been restated in accordance with *FReM* accounting requirements. However, the prior year comparatives for the Statement of Assembly Supply have not been restated as this statement is indelible. As no Supply Estimate was presented to the Assembly for the 2015-16 year for the new DAERA, the prior year comparatives in the SOAS for 2016-17 have been shown as zero.

### Summary of Resource Outturn 2016-17

								2016-17	2015-16
Request for Resources	Note	Estimate			Outturn			Net total outturn compared with estimate: saving/ (excess)	Outturn Net Total
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Request for Resources A	SOAS 1	582,726	(307,559)	275,167	567,831	(307,512)	260,319	14,848	-
<b>Total resources</b>		<b>582,726</b>	<b>(307,559)</b>	<b>275,167</b>	<b>567,831</b>	<b>(307,512)</b>	<b>260,319</b>	<b>14,848</b>	<b>-</b>
<b>Non-operating cost</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Accruing Resources</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Annual Report and Accounts for the year ended 31 March 2017

## Net Cash Requirement 2015-16

		2016-17			2015-16
		Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)	Net total outturn
	Note	£'000	£'000	£'000	£'000
Net cash requirement	SOAS3	270,813	201,388	69,425	-

## 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).

	2016-17 Forecast			2016-17 Outturn	
	Note	Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
Total	SOAS4	-	-	39,802	38,186

The Department has incurred excess accruing resources of £37.9m which would have reasonably expected to be approved during January Monitoring if it had taken place.

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

The notes on pages 91-96 form part of these accounts.

# Annual Report and Accounts for the year ended 31 March 2017

## SOAS1: Analysis of net resource outturn by function

	2016-17 Outturn						2016-17 Estimate			2015-16 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
<b>Request for Resources A:</b> - 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.										
<b>Departmental Expenditure in DEL:</b>										
1. European Programmes and Agricultural Education	25,605	33,648	16,484	<b>75,737</b>	(3,607)	<b>72,130</b>	93,379	21,249	(2)	-
2. Veterinary Service	5,529	58,159	-	<b>63,688</b>	(15,099)	<b>48,589</b>	39,528	(9,061)	1	-
3. Animal Welfare, Agrifood, Research and Fisheries	7,761	11,147	4,666	<b>23,574</b>	(7,357)	<b>16,217</b>	19,182	2,965	(1)	-
4. Environment	5,569	42,771	5,466	<b>53,806</b>	(12,910)	<b>40,896</b>	32,116	(8,780)	-	-
5. Forest Service Agency	1,659	14,426	629	<b>16,714</b>	(9,448)	<b>7,266</b>	6,781	(485)	-	-
6. Common Agricultural Policy (CAP)	-	281,617	8,358	<b>289,975</b>	(259,091)	<b>30,884</b>	-	(30,884)	(45)	-
EU Community Initiatives	-	-	-	-	-	-	-	-	-	-
<b>Annually Managed Expenditure</b>										
7. Forest Service Timber	-	(7,503)	-	<b>(7,503)</b>	-	<b>(7,503)</b>	5,000	12,503	-	-
8. Provisions	-	(566)	-	<b>(566)</b>	-	<b>(566)</b>	13,620	14,186	1,740	-
9. Revaluations due to changes in market values	-	2,337	-	<b>2,337</b>	-	<b>2,337</b>	3,050	713	713	-

# Annual Report and Accounts for the year ended 31 March 2017

	2016-17 Outturn						2016-17 Estimate			2015-16 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
10. Fisheries	-	93	-	93	-	93	100	7	7	-
<b>Non-Budget:</b>										
11. Agri-Food and Biosciences Institute	-	-	33,767	33,767	-	33,767	35,170	1,403	1,403	-
12. The Loughs Agency of the Foyle, Carlingford and Irish Lights Commission	-	-	71	71	-	71	2,140	2,069	2,069	-
13. Notional Charges	16,138	-	-	16,138	-	16,138	25,101	8,963	8,963	-
<b>Total</b>	<b>62,261</b>	<b>436,129</b>	<b>69,441</b>	<b>567,831</b>	<b>(307,512)</b>	<b>260,319</b>	<b>275,167</b>	<b>14,848</b>	<b>14,848</b>	<b>-</b>

## Explanation of variance between Estimate and Outturn

As the Assembly was dissolved in January 2017 and the process of approving 2016-17 Spring Supplementary Estimates and associated Budget Bill did not take place, many of the variances between estimate and outturn are due to the changes that would have reasonably expected to happen in the January Monitoring Round.

The main reasons for the underspend of £14.8m are as follows:

1. The net overspend in Resource DEL resulted from accruing resources which were anticipated in the Spring Supplementary Estimates but due to the political situation were not approved. These are mainly within Common Agricultural Policy and relate to exchange rate differences.
2. The Forest Service Timber variance of £13m 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 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.

3. Provisions were made in the estimates for CAP disallowance however these amounts were accrued and led to an underspend in AME.
4. Within Non Budget, notional costs across a range of categories were less than estimated, resulting in an underspend of £9m. An underspend of £2.0m in the Lough's Agency Grant in Aid resulted from a reduced requirement as insurance recoveries (£0.8m) for the sinking of the boat MMV Ostrea were received and grant in aid from January to March was limited to £500k by way of a contingency measure.

## SOAS2: Reconciliation of outturn to net operating cost

		2016-17			2015-16
	Note	Outturn £'000	Supply Estimate £'000	Outturn compared with Estimate £'000	Outturn £'000
Net Resource outturn (Note a)	SOAS1	260,319	275,167	14,848	-
Unrealised exchange (gain)/loss (Note b)		(1,436)	-	1,436	-
Non-supply income (CFERs) (Note c)	SOAS4	(37,875)	-	37,875	-
<b>Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure (Note a)</b>		<b>221,008</b>	<b>275,167</b>	<b>54,159</b>	<b>-</b>

**Note a** - Net operating cost is the total of expenditure and income appearing in the 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** - CFERs represents accruing resources which would have reasonably expected to be approved in the Spring Supplementary Estimates had the Assembly not been dissolved.

# Annual Report and Accounts for the year ended 31 March 2017

## SOAS3: Reconciliation of net resource outturn to net cash requirement

				2016-17
	Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/ (excess) £'000
		£'000	£'000	£'000
<b>Resource Outturn</b>	SOAS1	275,167	260,319	14,848
<b>Capital:</b>				
Acquisition of Property, Plant and Equipment	7,8	32,830	22,710	10,120
<b>Non-operating Accruing Resources</b>				
Net Book value of asset disposals	4,5	-	-	-
<b>Accruals to cash adjustments</b>				
<b>Adjustments to remove non-cash items</b>				
Depreciation	4,5	(21,463)	(15,636)	(5,827)
New provisions, and adjustments to previous provisions	4,5	(13,620)	340	(13,960)
Other non-cash items		(25,101)	(14,057)	(11,044)
<b>Changes in working capital other than cash</b>				
- Increase/(Decrease) in inventories			183	
- Increase/(Decrease) in receivables			(2,633)	
- (Increase)/Decrease payables falling due within one year			(11,865)	
<b>Total changes in working capital other than cash</b>		<b>23,000</b>	<b>14,315</b>	<b>(37,315)</b>
Changes in payables falling due after more than one year	17		412	(412)
Use of provision	18	-	(199)	199
Excess cash receipts surrenderable to the Consolidated Fund	SOAS4	-	(38,186)	38,186
<b>Net cash requirement</b>		<b>270,813</b>	<b>201,388</b>	<b>69,425</b>

## Explanation of variance between Estimate and Outturn

The variance of £69m comprises of the CFER income which arose because the Spring Supplementary Estimates process did not take place and the need to have cash cover in place in the event that accrued CAP disallowance liabilities in respect of the 2010 to 2015 scheme years fell due for payment in the year.

## 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 2016-17			Outturn 2016-17	
	Note	Income £'000	<i>Receipts</i> £'000	Income £'000	<i>Receipts</i> £'000
Operating income and receipts - excess Accruing Resources		-	-	37,875	<i>38,186</i>
Other operating income and receipts not classified as Accruing Resources		-	-	-	-
Non-operating income and receipts - excess Accruing Resources		-	-	1,927	-
Amounts collected on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund		-	-	-	-
<b>Total income payable to the Consolidated Fund</b>		-	-	<b>39,802</b>	<b><i>38,186</i></b>

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

		2016-17	2015-16
	Note	£'000	£'000
Operating income	6	345,387	-
Non-operating Income		-	-
Gross income		<b>345,387</b>	-
Income authorised to be Accruing Resources	SOAS1	(307,512)	-
<b>Operating income payable to the Consolidated Fund</b>	SOAS4	<b>37,875</b>	-

# Annual Report and Accounts for the year ended 31 March 2017

## SOAS6: Non-Operating Income - Excess Accruing Resources

		2016-17	2015-16
	Note	£'000	£'000
Non-operating income - excess Accruing Resources	SOAS4	1,927	-

## Assembly Accountability Disclosure (Audited Information)

### Losses and Special payments

#### Losses Statement

	2016-17	2015-16
	Core Department & Agencies £'000	Core Department & Agencies £'000
Total number of losses/cases	77	98
Total value of losses	160	132

#### Special Payments

	2016-17	2015-16
	Core Department & Agencies £'000	Core Department & Agencies £'000
Total number of losses/cases	9	27
Total value of losses	12	341

These cases include Ex Gratia payments, compensation payments, and Extra Statutory payments. There were no cases over £250,000 which required further disclosure.

#### Fees & Charges [Audited Information]

Finance Division commissions an annual review of the application of Fees and Charges relating to the schemes and services across the Department.

Business areas are asked to review the services that they provide and complete a detailed Memorandum Trading Account (MTA) detailing forecast income and expenditure in support of the charging proposals for schemes/services. This includes costs of providing any services, where charges are not currently applied.

# Annual Report and Accounts for the year ended 31 March 2017

This exercise facilitates a review of 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 table below summarises the range of activities undertaken by the Department against which it receives income based on charges. The basis of against which charges are applied has also been highlighted. 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 and where that is achievable, it has been highlighted below.

		Value 2016-17	Restated Value 2015-16
Category of Income	Basis of Charges	£'000	£'000
Timber sales	Market Value	8,978	9,957
Farm sales	Market Value	1,155	961
Compensation for diseased animals	Market Value	3,049	2,438
FSA Income	Full cost recovery on FSA Share of work	7,197	6,727
Rent to NPDB	Market value	6,079	6,188
Recreation income	Maximum market can bear due to commercial competing activities	1,937	1,704
Inspection	£4.7m in funding is provided by the EU in support of animal testing and inspection	8,089	5,930
Carrier Bag Levy	Full cost recovery	4,966	4,586
Resource Efficiency Pollution	Full cost recovery	7,724	7,394
Other	Full cost recovery	3,336	4,448

This note is to meet DoF requirements on fees and charges and not for the purposes of IFRS 8.

## Remote Contingent Liabilities

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 2016-17, no such liabilities were reported which are not covered in Provisions Note 18 or the contingent liabilities Note 19.

## 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. Any discrepancies are identified and flagged as possible irregular payments.

As the Loughs Agency has no approved Business Plan or Budget for 2017 due to the political situation, there was no approval in place for cash grant payments to the Agency after 31 December 2016. A contingency arrangement was triggered in February 2017 with approval from DoF to provide the Loughs Agency with a cash Grant of £0.5m to cover the period up to 31 March 2017.



**Mr Noel Lavery**  
**Accounting Officer**  
**Department of Agriculture, Environment and Rural Affairs**  
**28 June 2017**

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

I certify that I have audited the financial statements of the Department of Agriculture, Environment and Rural Affairs for the year ended 31 March 2017 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 Remuneration and Staff Report and the Assembly Accountability and Audit Report that is described in those reports as having been audited.

### Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's 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. 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 conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining 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. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Performance Report and Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

# Annual Report and Accounts for the year ended 31 March 2017

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 for qualified opinion on regularity**

The Department has accrued expenditure of £15.9 million as amounts due to European Commission (EU Commission) in respect of disallowances. These disallowances represent a loss to public funds as a consequence of not complying with EU regulations in the proper administration of EU funding. I consider that this expenditure does not conform to the authorities which governs it, being the EU regulations, and is therefore irregular.

## **Qualified opinion on regularity arising from EU Commission disallowances of £15.9 million**

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 2017 and shows that those totals have not been exceeded; and
- except for £15.9 million EU Commission disallowances expenditure accrued in the Department's resource accounts, 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 for qualified opinion on financial statements**

The financial statements contain accruals for EU Commission disallowances totalling £28.8m. Of this amount, the Department was unable to provide sufficient or appropriate audit evidence to support accrued disallowances totalling £26.4m. There were no additional audit procedures that I could undertake to provide me with assurance over this element of accrued expenditure. As a result the audit opinion has been qualified on this amount due to a limitation in scope.

## **Qualified opinion on financial statements arising from insufficient evidence to support accrued disallowances**

In my opinion, except for any possible effects of material misstatement in the accruals for disallowance as outlined above:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2017 and of its net operating cost for the year then ended; and

- the financial statements 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 other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit 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 Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## 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 Remuneration and Staff Report and the Assembly Accountability and Audit 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 Department of Finance's guidance.

Details of the qualification of my audit opinion are explained more fully in my Report.



**K J Donnelly**  
**Comptroller and Auditor General**  
**Northern Ireland Audit Office**  
**106 University Street**  
**Belfast BT7 1EU**  
**29 June 2017**

## DEPARTMENT OF AGRICULTURE, ENVIRONMENT AND RURAL AFFAIRS

### Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

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.

		2016-17	Restated 2015-16
	Notes	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Income from sale of goods and services	6	(54,021)	(50,456)
EU Income	6	(291,366)	(258,813)
<b>Total Operating Income</b>		<b>(345,387)</b>	<b>(309,269)</b>
Staff costs	3	117,969	140,773
EU expenditure	4,5	291,313	258,902
National grant expenditure and disallowance	4,5	67,155	88,035
Purchase of goods and services	4,5	31,656	34,441
Depreciation and impairment charges	4,5	15,636	11,535
Provision expense	4,5	(340)	(3,643)
Other operating expenditure	4,5	50,507	52,270
Growing Timber Revaluation	4,5	(7,501)	(32,790)
<b>Total Operating Expenditure</b>		<b>566,395</b>	<b>549,523</b>
<b>Net Operating Expenditure</b>		<b>221,008</b>	<b>240,254</b>
<b>Net Expenditure for the year</b>		<b>221,008</b>	<b>240,254</b>
<b>Other comprehensive net expenditure</b> <b>Items that will not be reclassified to net operating costs:</b>			
Net (gain)/loss on revaluation of Property, Plant and Equipment	7	10,951	4,752
Net (gain)/loss on revaluation of Intangible Assets	8	(560)	(167)
<b>Comprehensive Net Expenditure for the year ended 31 March 2017</b>		<b>231,399</b>	<b>244,839</b>

All income and expenditure are derived from continuing operations.

The notes on pages 108 - 146 form part of these accounts.

# Annual Report and Accounts for the year ended 31 March 2017

## Department of Agriculture, Environment and Rural Affairs

### Consolidated Statement of Financial Position as at 31 March 2017

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.

		2016-17	Restated 2015-16	Restated 1 Apr 2015
	Notes	Core Dept & Agencies £'000	Core Dept & Agencies £'000	Core Dept & Agencies £'000
<b>Non-current assets</b>				
Property, plant and equipment	7.1	332,717	348,413	358,365
Biological assets	7.2	187,886	180,052	147,587
Heritage assets	7.3	2,735	2,735	3,334
Intangible assets	8	28,283	17,905	10,408
Financial assets	11.2	26	26	26
<b>Total non-current assets</b>		<b>551,647</b>	<b>549,131</b>	<b>519,720</b>
<b>Current assets</b>				
Assets classified as held for sale	13	1,169	1,499	1,175
Inventories	14	2,161	1,978	1,967
Trade and other receivables	16	72,349	34,149	38,273
Cash and cash equivalents	15	645	2,225	372
<b>Total current assets</b>		<b>76,324</b>	<b>39,851</b>	<b>41,787</b>
<b>Total assets</b>		<b>627,971</b>	<b>588,982</b>	<b>561,507</b>
<b>Current liabilities</b>				
Trade and other payables	17	(123,702)	(113,764)	(99,086)
Cash and cash equivalents	15	(3,303)	(1,686)	(5,300)
Provisions	18	(866)	(814)	(770)
<b>Total current liabilities</b>		<b>(127,871)</b>	<b>(116,264)</b>	<b>(105,156)</b>

The notes on pages 108 - 146 form part of these accounts.

# Annual Report and Accounts for the year ended 31 March 2017

		2016-17	Restated 2015-16	Restated 1 Apr 2015
	Notes	Core Dept & Agencies £'000	Core Dept & Agencies £'000	Core Dept & Agencies £'000
<b>Total assets less current liabilities</b>		<b>500,100</b>	<b>472,718</b>	<b>456,351</b>
<b><i>Non-current liabilities</i></b>				
Other payables	17	-	(412)	(1,267)
Provisions	18	(226)	(419)	(5,210)
<b><i>Total non-current liabilities</i></b>		<b>(226)</b>	<b>(831)</b>	<b>(6,477)</b>
<b>Total assets less total liabilities</b>		<b>499,874</b>	<b>471,887</b>	<b>449,874</b>
<b>Taxpayers' equity &amp; other reserves:</b>				
General fund		355,452	313,577	282,610
Revaluation reserve		144,422	158,310	167,264
<b>Total equity</b>		<b>499,874</b>	<b>471,887</b>	<b>449,874</b>



**Mr Noel Lavery**  
**Accounting Officer**  
**Department of Agriculture, Environment and Rural Affairs**  
**28 June 2017**

The notes on pages 108 - 146 form part of these accounts.

## Department of Agriculture, Environment and Rural Affairs

### Consolidated Statement of Cash Flows for the year ended 31 March 2017

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.

		2016-17	Restated 2015-16
	Notes	Core Dept & Agencies £'000	Core Dept & Agencies £'000
<b>Cash flows from operating activities</b>			
<b>Net operating cost</b>		(221,008)	(240,254)
<b>Adjustments for non-cash transactions</b>	4,5	23,931	(421)
(Increase)/Decrease in trade and other receivables <i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	16	(38,200)	6,057
		40,833	(3,024)
(Increase)/Decrease in inventories	14	(183)	(55)
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>	17	9,526	11,895
		(36,486)	1,064
Use of Provisions	18	199	(560)
<b>Net cash outflow from operating activities</b>		<b>(221,388)</b>	<b>(225,298)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7.1	(8,474)	(9,177)
Purchase of intangible assets	8	(13,788)	(9,952)
Proceeds of disposal of property, plant and equipment		173	147
<b>Net cash outflow from investing activities</b>		<b>(22,089)</b>	<b>(18,982)</b>

The notes on pages 108 - 146 form part of these accounts.

# Annual Report and Accounts for the year ended 31 March 2017

		2016-17	Restated 2015-16
	Notes	Core Dept & Agencies £'000	Core Dept & Agencies £'000
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) - current year		238,970	246,248
From the Consolidated Fund (Supply) - prior year		1,320	4,434
From the Consolidated Fund (Deemed Supply)		3,251	-
<b>Net financing</b>		<b>243,541</b>	<b>250,682</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund</b>		64	6,402
Payments of amounts due to the Consolidated Fund		(3,261)	(934)
<b>Net increase/(decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund</b>	15	<b>(3,197)</b>	<b>5,468</b>
<b>Cash and cash equivalents at the beginning of the year</b>	15	<b>539</b>	<b>(4,929)</b>
<b>Cash and cash equivalents at the end of the year</b>	15	<b>(2,658)</b>	<b>539</b>

The notes on pages 108 - 146 form part of these accounts.

# Annual Report and Accounts for the year ended 31 March 2017

## Department of Agriculture, Environment and Rural Affairs

### Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

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
<b>Balance at 31 March 2015 Restated</b>		<b>282,610</b>	<b>167,264</b>	<b>449,874</b>
Net Assembly Funding - drawn down		246,285	-	246,285
Net Assembly Funding - deemed		2,207	-	2,207
Supply receivable adjustment	17	(1,931)	-	(1,931)
CFERs payable to the Consolidated Fund		(324)	-	(324)
Comprehensive Net Expenditure for the year	CSoCNE	(240,254)	(4,578)	(244,832)
Asset transfer from Other Department		(39)	-	(39)
<b>Non-Cash Adjustments</b>				
Accommodation and other charges		20,506	-	20,506
Auditor's remuneration		141	-	141
Transfers between reserves		4,376	(4,376)	-
<b>Balance at 31 March 2016 Restated</b>		<b>313,577</b>	<b>158,310</b>	<b>471,887</b>
Net Assembly Funding - drawn down		238,970	-	238,970
Net Assembly Funding - deemed supply		3,251	-	3,251
Supply receivable adjustment	16	40,833	-	40,833
CFERs payable to the Consolidated Fund	SOAS 4	(39,802)	-	(39,802)
Comprehensive Net Expenditure for the year	CSoCNE	(221,008)	(10,391)	(231,399)
<b>Non-Cash Adjustments</b>				
Accommodation and other charges	4,5	16,016	-	16,016
Auditor's remuneration	4	118	-	118
<b>Movements in Reserves</b>				
Transfers between reserves		3,497	(3,497)	-
<b>Balance at 31 March 2017</b>		<b>355,452</b>	<b>144,422</b>	<b>499,874</b>

The notes on pages 108 - 146 form part of these accounts.

## Department of Agriculture, Environment and Rural Affairs

### RESOURCE ACCOUNTS AT 31 MARCH 2017

#### Notes to the Departmental Resource Accounts

##### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2016-17 *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.

Since the Department of Agriculture, Environment and Rural Affairs was established on 9 May 2016, the comparative figures represent expenditure of parts the former Department Agriculture and Rural Development, the Department for Culture and Leisure, The Office of First Minister and Deputy First Minister and the Department of the Environment as if it had been in existence during the 2015-16 year. This is required under merger accounting. The component functions of the former Departments which are now part of the Department of Agriculture, Environment and Rural Affairs are as follows:

Department of Agriculture and Rural Affairs: the majority of the portfolio with the exception of Rivers Agency;  
Department for Culture and Leisure: inland fisheries  
Department of the Environment: all environmental functions including regulation;  
Office of the First Minister and Deputy First Minister: the sustainability strategy.

This consolidation boundary ensures that all items which fall within the Department's expenditure are reflected in the statement of comprehensive net expenditure, whereas the summary of resource outturn reflects only those items which fall within the supply process.

A full list of bodies and funds consolidated within the accounts is given in Note 22, together with a list of excluded bodies. Transactions between entities included in the consolidation are eliminated.

## **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.

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 (LPS), Division of Department of Finance. 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.

# Annual Report and Accounts for the year ended 31 March 2017

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. 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.

### **Land Rights**

Other intangibles relate to Forest Service land rights (shooting and turbarry 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 (LPS), Division of Department of Finance as at 1 April 2014. There is no in year amortisation charge as the life span is land-bases 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 and 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.

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 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 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 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](http://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.

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 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.

# Annual Report and Accounts for the year ended 31 March 2017

When a financial asset is deemed unrecoverable the amount of the asset is reduced directly and the impairment loss is recognised in the 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.

The IASB have issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards are effective within EU adoption from 1 January 2014.

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.

## 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 divisions, as well as its agency, representing an individual business unit.

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.

# Annual Report and Accounts for the year ended 31 March 2017

2016-17						
	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	59,473	381,389	59,287	10,918	55,328	566,395
Income	18,443	298,692	15,241	11,443	1,568	345,387
Net Expenditure (Income)	41,030	82,697	44,046	(525)	53,760	221,008

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.

**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 - 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.

## 3. Staff Costs

	2016-17	Restated 2015-16
	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Wages and salaries	89,357	96,749
Social security costs	9,058	4,749
Other pension costs	19,648	21,071
NICS voluntary exit scheme costs	(94)	18,204
<b>Sub total</b>	<b>117,969</b>	<b>140,773</b>
Less recoveries in respect of outward secondments	(121)	(77)
<b>Total Net Costs</b>	<b>117,848</b>	<b>140,696</b>

of which:

Charged to Administration	34,497	53,813
Charged to Programme	83,472	86,960
	<b>117,969</b>	<b>140,773</b>

# Annual Report and Accounts for the year ended 31 March 2017

## 4. Other Administration Costs

### 4 (a) Administration Costs

	2016-17	Restated 2015-16
	Core Dept & Agencies £'000	Core Dept & Agencies £'000
<b>Purchase of goods &amp; services</b>		
Office services	2,422	2,750
Contracted out services	2,650	2,700
Professional costs	142	500
Consultancy costs	61	82
Other expenses	57	263
<b>Total</b>	<b>5,332</b>	<b>6,295</b>
<b>Depreciation &amp; impairment charges</b>		
<b>Non - cash costs :</b>		
Depreciation-property, plant and equipment	258	203
Amortisation of intangible assets	3,457	1,963
Impairment/revaluation of asset	-	-
<b>Total</b>	<b>3,715</b>	<b>2,166</b>
<b>Other operating expenditure</b>		
Rentals under operating leases	17	26
Staff related costs	2,522	2,343
Accommodation costs	52	87
<b>Sub-Total</b>	<b>2,591</b>	<b>2,456</b>
Loss on disposal of assets	30	-
<b>Sub-Total</b>	<b>30</b>	<b>-</b>
<b>Notional Charges</b>		
Notional auditor's remuneration	118	141
Notional accommodation	7,477	6,329
Other notional costs	8,501	14,077
<b>Sub-Total</b>	<b>16,096</b>	<b>20,547</b>
<b>Total</b>	<b>18,717</b>	<b>23,003</b>
<b>Total Administration Costs</b>	<b>27,764</b>	<b>31,464</b>

# Annual Report and Accounts for the year ended 31 March 2017

## 4 (b) 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)
<b>Total</b>	<b>62,261</b>	<b>504,134</b>	<b>566,395</b>

## Total Operating Expenditure Reconciliation

			Restated 2015-16
	Administration Expenditure £'000	Programme Expenditure £'000	Total £'000
Staff costs	53,813	86,960	140,773
EU expenditure	-	258,902	258,902
National grant expenditure and disallowance	-	88,035	88,035
Purchase of goods & services	6,295	28,146	34,441
Depreciation & impairment	2,166	9,369	11,535
Provision expenses	-	(3,643)	(3,643)
Other operating expenditure	23,003	29,267	52,270
Growing timber revaluation	-	(32,790)	(32,790)
<b>Total</b>	<b>85,277</b>	<b>464,246</b>	<b>549,523</b>

# Annual Report and Accounts for the year ended 31 March 2017

## 5. Programme Costs

### 5 (a) Programme Costs

	2016-17	Restated 2015-16
	Core Dept & Agencies £'000	Core Dept & Agencies £'000
<b>Grant Expenditure</b>		
<b>EU Grants &amp; Subsidies:</b>		
Capital grants & subsidies	2,270	3,021
Current grants & subsidies - Area Aids Basic Payment Scheme	275,503	231,098
Current grants & subsidies - other	13,540	24,783
	<b>291,313</b>	<b>258,902</b>
<b>National Grants &amp; Subsidies:</b>		
Grant in aid	33,838	40,475
Capital grants & subsidies	7,282	5,979
Current grants & subsidies	33,161	24,216
	<b>74,281</b>	<b>70,670</b>
CAP Disallowance	(7,126)	17,365
<b>Total</b>	<b>358,468</b>	<b>346,937</b>
<b>Purchase of Goods &amp; Services</b>		
Office services	2,337	2,478
Contracted out services	5,417	5,325
Private veterinary practitioners fees & expenses	7,181	7,362
Professional & legal costs	4,307	4,926
Consultancy costs	256	631
Consumables & materials	2,827	3,138
Other goods and services	3,999	4,286
<b>Total</b>	<b>26,324</b>	<b>28,146</b>

## Annual Report and Accounts for the year ended 31 March 2017

<b>Depreciation &amp; Impairment Charges</b>		
<b>Non Cash Costs:</b>		
Depreciation - property, plant & equipment	8,341	8,176
Amortisation of intangible assets	433	571
Impairment/revaluation of assets	3,147	622
<b>Total</b>	<b>11,921</b>	<b>9,369</b>
Provision expense	(340)	(3,642)
<b>Provisions Total</b>	<b>(340)</b>	<b>(3,642)</b>
<b>Other Operating Expenditure</b>		
Rentals under operating lease	664	530
Staff related costs	2,861	2,757
Accommodation costs	6,792	7,104
Exchange rate losses/(gains) - realised	947	(638)
Exchange Rate losses/(gains) - unrealised	(1,436)	2,150
Diseased animals compensation	18,402	15,523
Non-capital plant and equipment purchases	1,257	1,461
Irrecoverable VAT	-	(1,837)
Vehicle and plant costs	2,583	2,330
<b>Sub Total</b>	<b>32,070</b>	<b>29,380</b>
<b>Non cash items</b>		
Gain on disposal of assets	(14)	(67)
Provision for doubtful debt	(266)	(46)
<b>Non Cash Total</b>	<b>(280)</b>	<b>(113)</b>
<b>Total</b>	<b>31,790</b>	<b>29,267</b>
Growing timber revaluation	(7,501)	(32,790)
<b>Total Programme Expenditure</b>	<b>420,662</b>	<b>377,287</b>

# Annual Report and Accounts for the year ended 31 March 2017

## 5 (b) 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)
<b>Total</b>	<b>19,883</b>	<b>3,800</b>	<b>23,683</b>

## Non Cash Costs

Restated 2015-16			
	Administration Expenditure £'000	Programme Expenditure £'000	Total £'000
Ministers Notional Salary	50	-	50
Depreciation & impairment	2,166	9,369	11,535
Provision expenses	-	(3,643)	(3,643)
Other operating expenditure	20,548	(113)	20,435
Growing Timber Revaluation	-	(32,790)	(32,790)
<b>Total</b>	<b>22,764</b>	<b>(27,177)</b>	<b>(4,413)</b>

# Annual Report and Accounts for the year ended 31 March 2017

## 6 Income

	2016-17	Restated 2015-16
	Core Dept & Agencies £'000	Core Dept & Agencies £'000
<b>Sales of Goods</b>		
Timber and other forest produce	8,978	9,957
Diseased animal salvage	3,049	2,438
Farm sales	1,155	965
	<b>13,182</b>	<b>13,360</b>
<b>Sales of Services</b>		
Food Standards Agency	7,197	6,727
Rental income from NDPB	6,079	6,188
Seconded staff	121	77
Education	2,116	2,329
Rent & recreational income	1,937	1,704
Inspection	8,089	5,930
Resource efficiency pollution costs recovered	7,724	7,394
Resource efficiency criminal assets seizures	-	129
Carrier Bag Levy	4,966	4,586
Fishing, Permits and Licences	627	513
Other	1,983	1,519
	<b>40,839</b>	<b>37,096</b>
<b>Total Sales of Goods and Services</b>	<b>54,021</b>	<b>50,456</b>
<b>EU Income</b>		
Area Aids and Single Farm Payment	275,503	231,098
Other EU programme income	15,863	27,715
	<b>291,366</b>	<b>258,813</b>
<b>Total Income</b>	<b>345,387</b>	<b>309,269</b>

# Annual Report and Accounts for the year ended 31 March 2017

## 7.1 (a) Property, Plant and Equipment 2016-17

	Land & Buildings £'000	Plant & Machinery £'000	Transport & Equipment £'000	Information Technology £'000	Assets under Construction £'000	Total £'000
<b>Cost or valuation</b>						
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)
<b>At 31 March 2017</b>	<b>322,603</b>	<b>22,843</b>	<b>11,409</b>	<b>3,795</b>	<b>11,260</b>	<b>371,910</b>
<b>Depreciation</b>						
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
<b>At 31 March 2017</b>	<b>15,927</b>	<b>14,176</b>	<b>6,694</b>	<b>2,396</b>	<b>-</b>	<b>39,193</b>
<b>Carrying Amount at 31 March 2016</b>	<b>325,478</b>	<b>7,120</b>	<b>4,511</b>	<b>1,574</b>	<b>9,730</b>	<b>348,413</b>
<b>Carrying Amount at 31 March 2017</b>	<b>306,676</b>	<b>8,667</b>	<b>4,715</b>	<b>1,399</b>	<b>11,260</b>	<b>332,717</b>
<b>Asset financing:</b>						
Owned	306,242	8,667	4,715	1,399	11,260	332,283
Land at Baronscourt	434	-	-	-	-	434
<b>Carrying Amount At 31 March 2017</b>	<b>306,676</b>	<b>8,667</b>	<b>4,715</b>	<b>1,399</b>	<b>11,260</b>	<b>332,717</b>

# Annual Report and Accounts for the year ended 31 March 2017

	Land & Buildings £'000	Plant & Machinery £'000	Transport & Equipment £'000	Information Technology £'000	Assets under Construction £'000	Total £'000
<b>Of the total:</b>						
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
<b>Carrying Amount At 31 March 2017</b>	<b>306,676</b>	<b>8,667</b>	<b>4,715</b>	<b>1,399</b>	<b>11,260</b>	<b>332,717</b>

## Notes:

(a) Land and Buildings includes land with a net book value of £152,356,244.

(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 (LPS) Division of Department of Finance.

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

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.

Transfers in year include a £1.8m transfer to DoF in respect of land and a Right of Way to access the new building at Ballykelly. These were transferred to DoF, as managers of the NICS estate, on a no gain no loss basis.

# Annual Report and Accounts for the year ended 31 March 2017

## 7.1 (b) Property, plant and equipment 2015-16 (Restated)

	Land & Buildings £'000	Plant & Machinery £'000	Transport & Equipment £'000	Information Technology £'000	Assets under Construction £'000	Total £'000
<b>Cost or valuation</b>						
At 1 April 2015	353,395	23,693	11,171	4,084	14,009	406,352
Additions	2,791	707	803	839	2,504	7,644
Disposals	(333)	(693)	(443)	(523)	-	(1,992)
Reclassifications	5,049	1,113	21	(208)	(6,212)	(237)
Transfers	(2,841)	(2,622)	(779)	(1)	(682)	(6,925)
Revaluations to CSoCNE	(1,880)	6	4	(10)	(187)	(2,067)
Revaluations through revaluation reserve	(20,908)	68	43	(10)	298	(20,509)
<b>At 31 March 2016</b>	<b>335,273</b>	<b>22,272</b>	<b>10,820</b>	<b>4,171</b>	<b>9,730</b>	<b>382,266</b>
<b>Depreciation</b>						
At 1 April 2015	21,640	16,841	6,508	2,661	-	47,650
Charged in year	5,849	1,230	827	474	-	8,380
Disposals	(334)	(640)	(418)	(522)	-	(1,914)
Reclassifications	-	(15)	15	-	-	-
Transfers	(425)	(2,095)	(540)	(1)	-	(3,061)
Revaluations to CsoCNE	(1,450)	4	2	(1)	-	(1,445)
Revaluations through revaluation reserve	(15,484)	(174)	(85)	(14)	-	(15,757)
<b>At 31 March 2016</b>	<b>9,796</b>	<b>15,151</b>	<b>6,309</b>	<b>2,597</b>	<b>-</b>	<b>33,853</b>
<b>Carrying Amount at 31 March 2015</b>	<b>331,755</b>	<b>6,852</b>	<b>4,663</b>	<b>1,423</b>	<b>14,009</b>	<b>358,702</b>
<b>Carrying Amount at 31 March 2016</b>	<b>325,477</b>	<b>7,121</b>	<b>4,511</b>	<b>1,574</b>	<b>9,730</b>	<b>348,413</b>
<b>Asset financing</b>						
Owned	324,977	7,121	4,511	1,574	9,730	347,913
Land at Baronscourt	500	-	-	-	-	500
<b>Carrying Amount at 31 March 2016</b>	<b>325,477</b>	<b>7,121</b>	<b>4,511</b>	<b>1,574</b>	<b>9,730</b>	<b>348,413</b>
<b>The net book value of Property, plant and equipment comprises:</b>						
Core department	192,444	5,556	4,095	1,140	8,022	211,257
Agencies	133,033	1,565	416	434	1,708	137,156
<b>Carrying Amount at 31 March 2016</b>	<b>325,477</b>	<b>7,121</b>	<b>4,511</b>	<b>1,574</b>	<b>9,730</b>	<b>348,413</b>

## 7.2 Biological Assets

	2016-17	Restated 2015-16
Growing Timber	Core Dept & Agencies £'000	Core Dept & Agencies £'000
Value at 1 April	180,052	147,587
<b>Revaluation adjustment</b>		
Transfer to assets held for sale	(1,169)	(1,500)
Timber removals	(8,221)	(8,308)
Timber lost to fire	(5)	(3)
Timber lost to disease	-	-
Price/growth increment	17,229	42,276
<b>Value at 31 March 2017</b>	<b>187,886</b>	<b>180,052</b>
<b>Revaluation adjustment:</b>		
Credit/(charged) to Statement of Comprehensive Net Expenditure	7,501	32,790
In year movement in assets held for sale	331	(325)
<b>Movement in timber valuation</b>	<b>7,832</b>	<b>32,465</b>

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 2015-16 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

	2016-17	Restated 2015-16
	Core Dept & Agencies £'000	Core Dept & Agencies £'000
<b>Value at 31 March</b>	<b>2,735</b>	<b>2,735</b>

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

# Annual Report and Accounts for the year ended 31 March 2017

## 8.1 Intangible Assets

2016-17	Forest Land Rights £'000	Software £'000	Software Licences £'000	Asset under construction £'000	Total £'000
<b>Cost or valuation</b>					
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
<b>Total Cost</b>	<b>1,364</b>	<b>42,971</b>	<b>3,624</b>	<b>3,103</b>	<b>51,062</b>
<b>Amortisation</b>					
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
Revaluation to CSoCNE	-	4	-	-	4
Revaluations through Revaluation Reserve	-	404	59	-	463
<b>Total Depreciation</b>	<b>-</b>	<b>20,232</b>	<b>2,547</b>	<b>-</b>	<b>22,779</b>
<b>Carrying Amount at 31 March 2016</b>	<b>1,419</b>	<b>13,388</b>	<b>822</b>	<b>2,276</b>	<b>17,905</b>
<b>Carrying Amount at 31 March 2017</b>	<b>1,364</b>	<b>22,739</b>	<b>1,077</b>	<b>3,103</b>	<b>28,283</b>

2015-16 (Restated)	Forest Land Rights £'000	Software £'000	Software Licences £'000	Asset under construction £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2015	1,408	20,887	4,682	-	26,977
Additions	-	8,810	538	637	9,985
Disposals	-	(40)	(622)	-	(662)
Reclassifications	-	-	(1,417)	1,401	(16)
Revaluations to CSoCNE	-	6	-	-	6
Revaluations through Revaluation Reserve	11	335	37	-	383
Transfers	-	(31)	-	238	207
<b>Total Cost</b>	<b>1,419</b>	<b>29,967</b>	<b>3,218</b>	<b>2,276</b>	<b>36,880</b>

# Annual Report and Accounts for the year ended 31 March 2017

2015-16 (Restated)	Forest Land Rights £'000	Software £'000	Software Licences £'000	Asset under construction £'000	Total £'000
<b>Amortisation</b>					
At 1 April 2015	-	14,476	2,561	-	17,037
Charged in year	-	1,955	447	-	2,402
Disposal Depreciation	-	(35)	(621)	-	(656)
Reclassifications	-	-	(16)	-	(16)
Revaluations to CSoCNE	-	2	1	-	3
Revaluations through Revaluation Reserve	-	192	24	-	216
Transfers	-	(11)	-	-	(11)
<b>Total Depreciation</b>	<b>-</b>	<b>16,579</b>	<b>2,396</b>	<b>-</b>	<b>18,975</b>
<b>Carrying Amount at 31 March 2015</b>	<b>1,408</b>	<b>6,411</b>	<b>2,121</b>	<b>-</b>	<b>9,940</b>
<b>Carrying Amount at 31 March 2016</b>	<b>1,419</b>	<b>13,388</b>	<b>822</b>	<b>2,276</b>	<b>17,905</b>

## 9. Impairments

	2016-17	Restated 2015-16
	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

	2016-17	Restated 2015-16
	Core Department & Agencies £'000	Core Department & Agencies £'000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property, plant & equipment	<b>10,609</b>	<b>13,240</b>

# Annual Report and Accounts for the year ended 31 March 2017

## 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.

	2016-17	Restated 2015-16
	Core Department & Agencies £'000	Core Department & Agencies £'000
<b>Land</b>		
Not later than one year	25	8
Later than one year and not later than five years	79	28
Later than five years	419	427
	<b>523</b>	<b>463</b>
<b>Buildings</b>		
Not later than one year	131	132
Later than one year and not later than five years	167	225
Later than five years	266	267
	<b>564</b>	<b>624</b>
<b>Other</b>		
Not later than one year	72	153
Later than one year and not later than five years	31	97
Later than five years	59	27
	<b>162</b>	<b>277</b>

### 10.2.2 Finance leases

The Department had no finance leases during 2016-17 or 2015-16.

## 10.3 Commitments under PFI and Other Service Concession Arrangements

The Department had no PFI commitments at 31 March 2017.

## 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 2017.

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

	2016-17	Restated 2015-16
	Core Department & Agencies £'000	Core Department & Agencies £'000
<b>EU Grants/Schemes</b>		
Not later than one year	17,276	15,343
Later than one year and not later than five years	19,553	23,974
Later than five years	1,665	1,367
	<b>38,494</b>	<b>40,684</b>
<b>National Grant Schemes</b>		
Not later than one year	2,772	4,494
Later than one year and not later than five years	486	2,084
Later than five years	-	911
	<b>3,258</b>	<b>7,489</b>
<b>Total EU Grants/Schemes/National Grant Schemes</b>		
Not later than one year	20,048	19,837
Later than one year and not later than five years	20,039	26,058
Later than five years	1,665	2,278
	<b>41,752</b>	<b>48,173</b>

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 £38.5 million, which includes EU and National funding for EU Grants/Schemes, is EU £24.3 million (63%) and DAERA £14.2 million (37%). In 2015-16 the split of the total commitment of £40.6 million was EU £18.1 million (45%) and DAERA £22.5 million (55%).

# Annual Report and Accounts for the year ended 31 March 2017

## 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:

	United Dairy Farmers Ltd. £'000
<b>Balance at 1 April 2015</b>	<b>26</b>
Additions	-
Disposals	-
<b>Balance at 31 March 2016</b>	<b>26</b>
Additions	-
Disposals	-
<b>Balance at 31 March 2017</b>	<b>26</b>

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

## 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	2016-17	Restated 2015-16
		Core Department & Agencies £'000	Core Department & Agencies £'000
<b>Forestry - Timber</b>			
Opening Balance as at 1 April	#1	1,500	1,175
Additions		1,169	1,500
Disposals		(1,500)	(1,175)
<b>Total balance at 31 March 2017</b>		<b>1,169</b>	<b>1,500</b>

#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.

# Annual Report and Accounts for the year ended 31 March 2017

## 14 Inventories

	2016-17	Restated 2015-16
	Core Department & Agencies £'000	Core Department & Agencies £'000
<b>Livestock:</b>		
CAFRE	959	978
Inland Fisheries	327	260
<b>Consumable materials and supplies:</b>		
CAFRE	517	437
Forest Service Agency	46	52
Inland Fisheries	106	-
Veterinary Service	123	145
Northern Ireland Environment Agency	77	100
Animal Health & Welfare	6	-
Central Services Group	-	6
<b>Total Inventories</b>	<b>2,161</b>	<b>1,978</b>

## 15 Cash and Cash Equivalents

	2016-17	Restated 2015-16
	Core Department & Agencies £'000	Core Department & Agencies £'000
At 1 April 2016	539	(4,928)
Net change in cash and cash equivalent balances	(3,197)	5,467
<b>At 31 March 2017</b>	<b>(2,658)</b>	<b>539</b>
The following balances at 31 March were held at:		
Government Banking Service	(2,705)	491
Commercial banks and cash in hand	47	48
<b>At 31 March 2017</b>	<b>(2,658)</b>	<b>539</b>
The balance comprises:		
Cash & bank	645	2,225
Bank overdraft	(3,303)	(1,686)
	<b>(2,658)</b>	<b>539</b>

# Annual Report and Accounts for the year ended 31 March 2017

## 16 Trade Receivables, Financial and Other Assets

	2016-17	Restated 2015-16
	Core Department & Agencies £'000	Core Department & Agencies £'000
<b>Amounts falling due within one year</b>		
VAT	1,651	899
Trade receivables	5,989	3,882
Other receivables	181	916
Prepayments & accrued income	13,663	9,812
Amounts due from Rural Payments Agency in relation to Common Agricultural Policy (CAP)	10,032	18,640
	<b>31,516</b>	<b>34,149</b>
Amounts due from Consolidated Fund in respect of supply	40,833	-
<b>Total at 31 March due within one year</b>	<b>72,349</b>	<b>34,149</b>

There are no amounts sitting in trade receivables that are due to the Consolidated Fund at 31st March 2017 (2015-16: nil).

# Annual Report and Accounts for the year ended 31 March 2017

## 17 Trade Payables And Other Current Liabilities

	2016-17	Restated 2015-16
	Core Department & Agencies £'000	Core Department & Agencies £'000
<b>Amounts falling due within one year</b>		
Taxation and social security	21	-
Trade payables	742	540
Other payables	4,207	8,605
Accruals and deferred income	28,413	34,686
CAP Disallowance (*)	28,789	37,351
EU grant creditors - Common Agricultural Policy	7,584	19,609
Other grant creditors	13,844	10,731
	<b>83,600</b>	<b>111,522</b>
<b>Amounts due to consolidated fund in respect of supply</b>	-	<b>1,931</b>
<b>Consolidated Fund extra receipts due to be paid to the Consolidated Fund:</b>		
Received-Other	38,175	-
Receivable-Other	1,927	311
	<b>40,102</b>	<b>311</b>
<b>Total at 31 March 2017 due within one year</b>	<b>123,702</b>	<b>113,764</b>
<b>Amounts falling due after more than one year</b>		
Deferred Income	-	412
<b>Total at 31 March 2017 due after more than one year</b>	<b>-</b>	<b>412</b>

### (\*) CAP Disallowance

The SFP, BPS, ANC and Agri Environment disallowances in 2015/16 were based on the findings of the most recent Commission audit (2010 to 2012) at that time. This methodology enabled the Department to calculate the risk to fund for Single Farm Payment and a majority of Basic Payment Scheme. For ANC, Agri and the Greening element of BPS the Department assumed a flat rate correction, generally 5%.

# Annual Report and Accounts for the year ended 31 March 2017

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 has proposed a flat 10% correction on both years for EAGF Schemes (BPS, YF and Greening). This is based on the identification of 3 control weaknesses. The Department now enters a process of challenge where the Department challenges the Commission's findings.

The Department is content that the Commission has misinterpreted 1 control weakness and is confident that the number of control weaknesses will be reduced to 2. This immediately reduces the penalty to 5% which has been used to calculate the accrual for 2015 and 2016.

The absence of any reference to the 2013 and 2014 years in Commission's most recent findings, leads to uncertainty of both timing and amounts associated with the 2013 and 2014 accrual and as such these years have been excluded from the accrual.

A further accrual has been included for cross compliance on the basis of the conclusion of the latest bi-lateral process on cross compliance penalties.

The Department will continue to recover overpayments to minimise future disallowance.

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

Scheme Year	Estimated Risk	Closing Accrual 31 March 2016	(Credited) to SoCNE 2017(**)	Closing Accrual 31 March 2017
	%	£m	£m	£m
<b>Area Based Schemes</b>				
2010-12 LFA		-	-	-
2010-12 AE		-	-	-
2013-15 LFA/ANC	7.05%/6.54%	2.5	(2.5)	-
2013-15 AE/AEC	5.00%	1.4	(1.4)	-
2013-15 Cross Compliance	5.00%	3.7	(2.7)	1.0
2013 SFP	3.94%	9.5	(9.5)	-
2014 SFP	3.95%	9.7	(9.7)	-
2015 BPS/YF	5.00%	5.6	3.4	9.0
2015 Greening	5.00%	3.6	0.3	3.9
2016 BPS/YF	5.00%	-	9.4	9.4
2016 Greening	5.00%	-	4.1	4.1
<b>Subtotal</b>		<b>36</b>	<b>(8.6)</b>	<b>27.4</b>
<b>NIRD</b>		<b>1.1</b>	<b>0.1</b>	<b>1.2</b>
<b>Leader Disallowance</b>		<b>0.2</b>	<b>-</b>	<b>0.2</b>
<b>Total</b>		<b>37.3</b>	<b>(8.5)</b>	<b>28.8 (**)</b>

(\*\*) Included within the amounts credited to SOCNE is £1.4m of exchange rate loss. This is included within exchange rate movements in note 5.

# Annual Report and Accounts for the year ended 31 March 2017

## 18 Provisions For Liabilities and Charges

	2016-17	Restated 2015-16
	Core Department & Agencies £'000	Core Department & Agencies £'000
<b>Balance at 1 April 2016</b>	1,233	5,673
Provided in the year	429	792
Provisions not required written back	(769)	(4,436)
Provisions transferred	-	(236)
Provisions utilised in the year	199	(560)
<b>Balance at 31 March 2017</b>	<b>1,092</b>	<b>1,233</b>

### Analysis of expected timing of discounted flows

	2016-17	Restated 2015-16
	Core Department & Agencies £'000	Core Department & Agencies £'000
Not later than one year	866	814
Later than one year and not later than five years	226	419
Later than five years	-	-
<b>Balance at 31 March 2017</b>	<b>1,092</b>	<b>1,233</b>

	2016-17 Core Department & Agencies		
	Litigation Claims	Other Provisions	Total
	£'000	£'000	£'000
Not later than one year	749	117	866
Later than one year and not later than five years	226	-	226
Later than five years	-	-	-
<b>Balance at 31 March 2017</b>	<b>975</b>	<b>117</b>	<b>1,092</b>

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

## 18.1 Early Departure Costs

The Department meets the additional costs of benefits beyond the normal PCSPS(NI) benefits in respect of employees who retire early, by paying the required amounts annually to the PCSPS(NI) over the period between early departure and normal retirement date. The Department and its Agencies provides for this in full when early retirement programme becomes binding by establishing a provision for the estimated payments.

## 18.2 Litigation & Other

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 agency have the following quantifiable contingent liabilities:***

### **Less Favoured Areas Compensatory Allowance**

As part of the control framework which supports the delivery of the Less Favoured Areas Compensatory Allowance (LFACA) scheme, the Department completed inspections of farm businesses who receive funding, to confirm the land areas against which claims were submitted. 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 failed to apply this principle of retrospection to the LFACA scheme between the years of 2007 and 2013. In addition, as a result of historic staff shortages and system issues, the Department had been unable to fully recognise overpayments relating to the LFACA scheme. This is a complex matter and the Department has used additional resources to try and quantify the potential financial implications. Whilst it is estimated at this stage, that overpayments could amount to approximately £5.2m for the years 2007 and to 2013 extensive analysis and checking is on-going to try and improve the accuracy of this figure. Legal opinion has also been sought on the potential for full recovery of these overpayments and this advice will have to be considered in conjunction with the costs associated with recovery action and the likelihood of success. When the value of the debt is accurately determined, the Department will make a decision on how to proceed. Regardless of whether or not the Department pursues recovery, the European Funding element is likely to be repaid to the European Union however at this stage the amount cannot be reliably estimated.

### **European Agricultural Fund - Potential Disallowance for 2013 and 2014**

In 2015-16 the financial statements included accrual disallowances in respect of area aids for the 2013 and 2014 year. The SFP, BPS, ANC and Agri Environment disallowances estimate was based on the letter issued by the Commission on conclusion of the 2012

audit. 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 April 2017, the Commission issued its findings of the 2016 EAF which did not refer to the 2013 and 2014 years. The lack of reference to these years and the advice received from the UK CoB 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 has been removed from the 2016-17 financial statements. The Commission could still audit the 2013 and 2014 scheme years and apply a financial correction however that possibility is considered remote.

### **2015 & 2016 Basic Payment Scheme cases not yet processed**

The Department has not provided for or accrued any amounts in respect of the 2015 and 2016 Basic Payment 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 361 cases with a potential total amount due of £3.1m however based on the average rate of 10% for successful reviews this liability is more likely to be £0.3m. 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.

### **2001 to 2012 Less Favoured Areas Compensatory Allowance**

The Department has not provided for or accrued any amounts in respect of the 2001 to 2012 LFACA applications have been deemed eligible but have not yet been paid. There are a variety of reasons why a claim may not have been paid yet including probate. There are 249 cases with a total amount due of £271k. As this scheme is co-financed by the European Union, £163k of the element due to farmers will be fully recouped by the Department from the European Union.

### **Legal Cases**

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

### **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, where they could have been reasonably expected to have been submitted more than 6 months ago. There are a variety of reasons why these claims have not been submitted, including 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 £550k, 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 is assessing 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 and it will take time to confirm who will be eligible for a payment and the amount due. It is not possible at this time for the Department to estimate the payments that could result annually from these historic claims. As these payments are received from The European Union, they have a nil impact on the Department's financial outturn.

## **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.

The Department receives EU funding through the Department for Environment Food and Rural Affairs (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:

Seven 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

# Annual Report and Accounts for the year ended 31 March 2017

Seven 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's spouse is the Chief Executive of an environmental non-government organisation, which interacts with the department on a regular basis and also receives CAP payments on lands owned by the organisation. One officer's relative is Director of part of an Organisation which interacts with 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 2017 are set out in the table below.

Consolidated			
Northern Ireland Central Investment Fund for Charities	No. of Shares	Market Value at 31 March 2017	Restated Market Value at 31 March 2016
Description		£	£
DAERA Moore Memorial Fund	96	1,215	1,057
DAERA Thomson Memorial Account	990	12,525	10,899
DAERA Thompson Bequest Account	10,973	138,823	120,800
Vaughan Charity	181,395	2,294,883	1,996,941
Vaughan Charity - Fermanagh Pig Project	1,099	13,904	12,099
<b>Total</b>	<b>194,553</b>	<b>2,461,350</b>	<b>2,141,796</b>

# Annual Report and Accounts for the year ended 31 March 2017

Third-party account balances as at 31 March	Bank Accounts		Consolidated Fund	
	2017 £	2016 £	2017 £	2016 £
DAERA Horse Racing Fund Account	1,134	115	11,372	4,472
Enniskillen College of Agriculture (ECA) Sport and Tuck Shop	17,630	14,861	-	-
ECA Vaughan Charity - current account	5,000	5,000	-	-
ECA Vaughan Charity - deposit account	56,960	38,408	-	-
Greenmount College Floristry Club	23	23	-	-
Greenmount College Sports Fund	11,338	9,863	-	-
Greenmount College Sports and Recreation Club	2,240	2,240	-	-
GCR Enterprise Management	3,919	2,614	-	-
Greenmount Travel - Current	47,116	47,840	-	-
Greenmount Travel - Business Reserve	8,707	8,703	-	-
Greenmount - Projects	1,155	1,287	-	-
Greenmount - Cream Advisory	26,419	26,340	-	-
Greenmount College Rugby Club	119	191	-	-
Greenmount College Football Club	12	12	-	-
Greenmount Horse Riding Club	193	193	-	-
Greenmount Bursaries	18,593	10,469	-	-
Greenmount Erasmus Euro account	23,876	13,106	-	-
Greenmount Erasmus Sterling account	2,274	2,101	-	-
Loughry Student Affiliation Account	7,022	9,277	-	-
DAERA Moore Memorial Fund	44	52	1,470	1,470
DAERA Thomson Memorial Account	483	553	12,320	12,320
DAERA Thompson Bequest Account	132	50	1,485	1,485
<b>Totals</b>	<b>234,427</b>	<b>193,298</b>	<b>26,647</b>	<b>19,747</b>

## 22 Entities within the departmental boundary

The entities within the boundary during 2016-17 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 29 June 2017.

## Report by the Comptroller and Auditor General to the Northern Ireland Assembly

### Department of Agriculture, Environment and Rural Affairs

#### Resource Accounts 2016-17

#### Introduction

1. I am required under the Government Resources and Accounts Act (Northern Ireland) to report my opinion as to whether the Resource Accounts give a true and fair view. I am also required to report my opinion on regularity, that is, whether in all material respects the expenditure and income have been applied for the purposes intended by the Northern Ireland Assembly (the Assembly) and the financial transactions conform to the authorities which govern them.
2. This report reviews the results of my 2016-17 audit of the Department of Agriculture, Environment and Rural Affairs ('the Department') and explains:
  - the background to the disallowances on European Union (EU) Funding imposed on 'the Department';
  - the basis of my qualified audit opinions; and
  - actions the Department is taking to reduce the disallowances determined by the European Commission ('the Commission').
3. The report also highlights concerns relating to the Less Favoured Area Compensatory Allowances Scheme (LFACA) which is likely to result in a significant loss of public funds.

#### Background to the disallowances imposed on the Department

4. Throughout the 2016-17 year Northern Ireland continued to benefit from support through the European Agricultural Funds. The Northern Ireland farming community benefited from Common Agricultural Policy (CAP) subsidies by the EU to the value of £291 million (2015-16 £260 million).
5. Disallowances are financial penalties or corrections made by the Commission. They are imposed where the Commission considers errors have incurred in the payment of EU funds administered by the Department. The types of errors or deficiencies identified by the Commission include weaknesses in the controls for farm inspections, mapping system issues and compliance with EU environmental standards/requirements.

# Annual Report and Accounts for the year ended 31 March 2017

6. The Department has paid approximately £80 million back to the EU relating to disallowances of EU funding across Area Aids Schemes for claim years 2004 to 2012.

## Key Developments in 2016-17

7. At 31 March 2016, the Department's Resource Accounts contained accruals for expected disallowances totalling £37.3 million. During 2016-17, a number of developments including significant reductions of previous disallowance accruals across a number of schemes contributed to a decrease in the total amount of disallowance accruals from £37.3 million to £28.8 million at 31 March 2017.
8. During 2016-17, a total of £25.8m of disallowances that had been previously accrued have been removed. These accrued disallowances across a number of schemes had originally been based on the findings of the Commission as a result of a 2012 audit. Under the relevant regulations<sup>1</sup>, the Commission has a right to apply disallowance in subsequent years until it is satisfied that control weaknesses identified have been addressed.
9. A subsequent area aids audit was carried out by the Commission in November 2016. Under the Regulations, the Commission reserves the right to apply financial penalties of 5% where it finds weaknesses in one or two key controls and penalties of 10% where it finds weaknesses in three or more key and ancillary controls. In April 2017 the Commission issued its findings proposing a 10% disallowance for the 2015 and 2016 years on the basis that weaknesses in three key and ancillary controls had been identified. In its Letter of Findings, the Commission did not refer to the 2013 and 2014 Scheme Years and consequently, the Department decided to remove £25.8m of disallowances previously accrued in relation to these scheme years.
10. The Department has told us that it is taking a range of actions to strengthen and enhance the control environment in respect of the handling and management of Area Aids funding. This will address the underlying control weaknesses that led to the disallowance proposed by the European Commission following its Area Aids Audit in November 2016. The Department is continuing to seek to reduce the level of farmer error in applications, maintain a more accurate LPIS, maximise the use of Control with Remote Sensing, enhance inspector training and to reduce the risk to the Fund accordingly. In addition, the Department is engaging with the Commission auditors on their preliminary findings and will respond formally to the Commission in July.
11. The movement in the disallowance accruals and the balance at 31 March 2017 is included at note 17 to the accounts and is also summarised in Table 1.

---

<sup>1</sup>Para 8, Article 31 of Regulation (EC) No1290/2005.

**Table 1: Movement in Disallowance Accruals 2016-17**

	£ million	£ million
Removal of SFP disallowance accrual for claim years 2013 and 2014	(19.2)	
Removal of LFA/ANC/AE/AEC disallowance accruals for claim years 2013-2015	(3.9)	
Reduction in Cross Compliance disallowance accrual	(2.7)	
<b>Total reduction in disallowance accruals 2016-17</b>		<b>(25.8)</b>
Increase in BPS, Young Farmers and Greening disallowance accruals for claim year 2015	3.7	
New disallowance accruals for BPS, Young Farmers and Greening for claim year 2016	13.5	
Increase in NIRDP disallowance accrual	0.1	
<b>New disallowance accruals 2016-17</b>		<b>17.3<sup>2</sup></b>
<b>Total charge to expenditure in 2016-17</b>		<b>(8.5)</b>

Source: Departmental Resource Accounts 2016-17

## Basis of my qualified true and fair audit opinion

12. I have qualified my opinion on the truth and fairness of the financial statements due to a limitation in scope arising from insufficient evidence to support a significant element of the disallowances that have been accrued by the Department.
13. The Department accrues for disallowances of EU funding when it is satisfied, on the basis of information available, that a liability exists and the amount can be reliably determined. At this point the disallowance is regarded as certain. The Department has accrued a total of £28.8 million for EU disallowances at 31 March 2017. However, the Department has been unable to provide me with sufficient or appropriate audit evidence to support the treatment of £26.4 million of this as an accrual. This relates to the new direct payment schemes funded under the reformed CAP.
14. I consider that given the ongoing conciliation process and the ongoing work by the Department to reduce the number of control failures as identified and notified by the Commission, the final liability due is not yet confirmed and therefore remains subject to uncertainty. We note that past trends in conciliation processes indicate that there is generally scope for negotiation resulting in significant reductions from corrections that have been initially proposed by the Commission.

<sup>2</sup>Includes £1.4m of exchange rate losses.

15. The uncertainty around the value of the final penalty imposed by the Commission is demonstrated by the significant reductions in recent years of amounts that have been previously accrued by the Department. The Department considers it has correctly accounted for the proposed disallowances. However, I consider that there is material uncertainty as to the final amounts that will be due in respect of these disallowances and therefore I have not obtained sufficient evidence to support the amounts accrued by the Department.

## **Basis of my qualified audit opinion on regularity**

16. My opinion on 'regularity' is qualified in respect of disallowances of £15.9 million (see table 1, new disallowance accrual less exchange rate loss) which relates to new disallowances recorded in year. I consider the amount of £15.9 million to be irregular as it is expenditure that does not conform to the authorities which govern it, being the EU regulations. The amounts due to be paid to the Commission in respect of disallowances represent a loss of public funds as a consequence of not complying with the required EU regulations in the administration of European funding. My opinion has been qualified on a similar basis since 2009-10.

## **Other Matters**

### **Less Favoured Area Compensatory Allowance Debt Management**

I wish to draw attention to the Less Favoured Area Compensatory Allowance (LFACA) Scheme which is likely to result in a significant loss of public funds.

### **Background Information**

17. LFACA was an Area Based Scheme under the 2007-2013 Northern Ireland Rural Development Programme (NIRDP) as part of the Common Agricultural Policy (CAP). The scheme was funded by the European Agriculture Fund for Rural Development (EAFRD) and National funds and administered by the Department.
18. Payments under the scheme were based on the area of land claimed by farm businesses in the areas of Northern Ireland designated as Disadvantaged Areas or Severely Disadvantaged Areas. It was the responsibility of each farm business to ensure the area claimed was accurate and in line with the Department's Land Eligibility requirements. The Department had an obligation to undertake control checks in accordance with the Commission's requirements and to provide farmers with the most up to date information available to assist them in making their claims.

## Overpayments

19. When carrying out inspections the Department has the responsibility to identify differences between inspection results and eligible areas claimed. These differences were applied for the year of the inspection and should also have been applied to all relevant earlier years. Whilst this occurred for the Single Farm Payment (SFP) scheme which operated under the same land eligibility conditions, retrospective changes were not applied to LFACA claims for LFACA Scheme Years 2007 to 2013. As a result, overpayments to Farm Business for claim years 2007 - 2013 relating to the LFACA scheme were not calculated, communicated to the affected businesses or recovery proceedings initiated. The Department has provided a number of explanations for the failure to raise the required overpayments as required under the EU Regulations including the lack of staff resources and IT functionality required to accurately calculate, apportion and raise the overpayments.
20. This issue is confined solely to the 2007-13 LFACA scheme and has not manifested beyond claim year 2013. Since Scheme Year 2014, over-declarations for the LFACA and its replacement Areas of Natural Constraint (ANC) scheme have been applied retrospectively.

## NIAO Recommendations

21. NIAO first identified issues relating to overpayments under the LFACA scheme whilst completing testing for the European Agricultural Fund (EAF) 2014 audit and which was reported to the Commission and the Department in January 2015. In the EAF 2014 report, NIAO recommended that the Department should address the weaknesses in the system and to ensure that all outstanding debts were recognised, communicated to the applicant and recorded in the debtors' ledger. In its response the Department had initially stated a completion date of September 2015 for the calculation and the recovery of debts from affected farm businesses but the target date has been consistently revised.

## Departments Response

22. Despite the 2007-13 LFACA issue being raised on a number of occasions the Department has been slow to respond. Although initially the Department committed to have the issue addressed by September 2015 it was only in January 2016 that the Department established a team within the Area Based Scheme Payments Branch to process the errors identified in LFACA cases where retrospective penalties were applicable. Work carried out to date by the Department has estimated that a total debt of approximately £5.26 million exists with 12,000 farm businesses affected; of

which £3.19 million applies to nationally funded elements and £2.07 million to EU funded elements. The total debt estimate includes businesses with significant levels of debt including 44 businesses with a debt in excess of £10k each and one business with a debt in excess of £75k.

23. Subsequent detailed testing carried out by the Department's Internal Audit unit has identified issues relating to the accuracy of the total debt calculated by the Department after a significant number of debt calculation errors were identified. Given the level of uncertainty over the accuracy of the amount initially estimated, the Department was unable to recognise overpayments in the 2016-17 financial statements relating to the LFACA scheme and were also unable to recognise the EU funded element that would be due back to the EU. The amount which may be due to the EU may also need to take into account previous disallowance payments that have been made by the Department. Given the level of uncertainty the Department has disclosed a contingent liability at note 19 to the 2016-17 financial statements.
24. The Department told us that it is currently considering the most appropriate method of resolving the issue and have sought legal advice from the Departmental Solicitors Office (DSO) and Counsel on the legality of recovering LFACA debts. The legal issues involved are very complex. Given the delays in the Department taking action and the potential for legal challenge against the Department if debts were raised against farm businesses, it is considered that much of the debt may be unrecoverable. As time passes the proportion of unrecoverable debt continues to grow thereby exposing the public purse to even greater losses.

## Summary and Conclusions

25. I have qualified my opinion on the truth and fairness of the financial statements due to a limitation in scope arising from insufficient evidence to support £26.4 million of the disallowances accrued by the Department.
26. I have also qualified my audit opinion on the Department's 2016-17 Resource Accounts on the grounds of regularity. During the 2016-17 financial year, the Department accrued a further £15.9 million as amounts due to be paid to the EU in respect of disallowances. The amount has been accrued in the Department's Resource Accounts and represents a loss to public funds as a consequence of not fully complying with the required EU regulations in the proper administration of EU funding. I have therefore concluded that expenditure is not in conformity with the authorities which govern it.

27. I am also concerned about the slow response by the Department in addressing the LFACA issue and the likely significant loss of public funds. Despite the Department initially indicating a completion date of September 2015 for the calculation and the recovery of debts the Department have to date been unable to provide an accurate listing of actual debt owed to the Department by farm businesses. As time passes the proportion of debt that may become unrecoverable by the Department continues to grow thereby exposing the public purse to even greater losses. This is an area which I expect to return to when the Department finalises its course of action.



**K J Donnelly**  
**Comptroller and Auditor General**  
**Northern Ireland Audit Office**  
**106 University Street**  
**Belfast BT7 1EU**  
**29 June 2017**

# Annual Report and Accounts for the year ended 31 March 2017

ISBN: 978-1-84807-797-3



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

[www.daera-ni.gov.uk](http://www.daera-ni.gov.uk)

