2014-15

Resource Accounts

For the year ended 31 March 2015

Department of
Agriculture and
Rural Development
www.dardni.gov.uk
AN ROINN
Talmhaíochta agus
Forbartha Tuaithe
MÄNNYSTRIE O
Fairms an
Kintra Fordèrin

Department of Agriculture and Rural Development
Resource Accounts
for the year ended 31 March 2015

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

on

03 July 2015

This publication is also available on our website at http://www.dardni.gov.uk

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

Department of Agriculture and Rural Development
Dundonald House
Upper Newtownards Road
Ballymiscaw
Belfast BT4 3SB

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Introduction

The Department of Agriculture and Rural Development (DARD) presents its Accounts for the financial year ended 31 March 2015.

Departmental Accounting Boundary

DARD is a devolved Government Department in the local Executive. The Department has been under the direction and control of Minister, Michelle O'Neill, MLA.

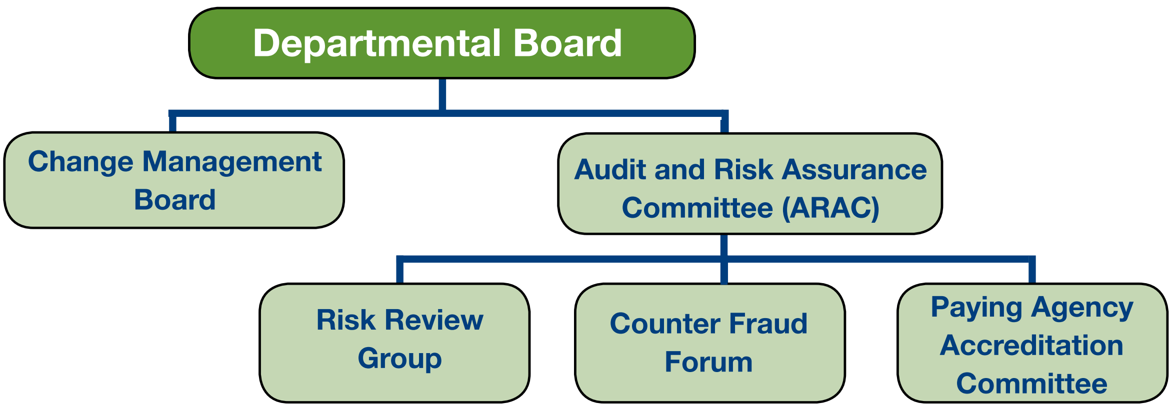
The Permanent Secretary, Noel Lavery, as Principal Accounting Officer, is responsible for the overall operation and performance of the Department.

The Chief Executive of the Forest Service was an Agency Accounting Officer directly responsible to the Minister for the Agency's performance and operations, with Gerry Lavery, as Senior Finance Director, in the role of Fraser Figure[1].

DARD's Accounts for the financial year ended 31 March 2015 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 and Forest Service.

As at 1 April 2014, the functions of the Rivers Agency were transferred into the Core Department. In accordance with IFRS 3 *Business Combinations under Common Control*, this was accounted for as a 'transfer by absorption' in the Department's accounts for 2014-15 and comparative figures for 2013-14 have not been restated.

Corporate Governance Structure



[1] *The Fraser Figure acts as a sponsor to the Agency and in his capacity as sponsor, advises the Minister on the strategic direction of the agency in the context of wider departmental and cross-governmental objectives.*

Departmental Board

The Department is headed by its Permanent Secretary, who in 2014-15 was supported by a Departmental Board (DB) of six senior officials and two Independent Non-Executive Board Members (IBMs). The Board meets at least ten times a year to discuss Departmental business at a strategic level. The composition of the Board was as follows:

Mr N Lavery	Permanent Secretary
Mr G Lavery	Senior Finance Director
Mr D Small	Service Delivery Group (responsible for the College of Agriculture, Food and Rural Enterprise (CAFRE), Rural Payments Division (RPD), Rural Development Division (RDD) and European Union Compliance Division (EUCD))
Mr R Huey	Chief Veterinary Officer (responsible for Veterinary Service)
Ms L Warde Hunter	Central Policy Group (responsible for Policy and Economics; Food, Farming and Environmental Policy; Animal Health and Welfare Policy; Fisheries, Climate Change & Renewable Energy; and Science, Evidence and Innovation Policy)
Mrs T Teague	Director of Corporate Services
Mr G Wilkinson	Finance Director
Mr D Russell	Independent Board Member
Mr F Caddy	Independent Board Member

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 21 to the Accounts.

Board Committees

The Board has established two Committees, the Audit and Risk Assurance Committee (ARAC) 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

DARD'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 and Personnel (DFP). DARD's progress against Programme for Government Commitments, as well as outturn in relation to Departmental Business Plan targets, is reported upon in the Strategic Report.

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

http://www.dfpni.gov.uk/spring_supplementary_estimates_2014_-_2015.pdf

Staff related information

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

Sickness absence rates for the Department for the period April 2014 to March 2015 were 9.6 working days lost per staff member compared to a target of 7.5. In the previous year, 2013-14, the Department achieved 9.1 working days against a target of 7.8 working days.

The following is an analysis of staff numbers at the 31 March 2015:

Group	Male	Female	Total
Board Members	7	2	9
Senior Managers	9	6	15
Other Employees	1,844	1,164	3,008
Total	**1,860**	**1,172**	**3,032**

Provision of information to and consultation with employees

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.

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 information and guidance to staff on a wide range of equal opportunity issues is available through the Department Human Resource (DHR) intranet site. 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.

The Department continues to provide disabled staff with an opportunity to discuss disability issues and help bring about changes/improvements for staff via its DisAbility Forum. Representatives from the DisAbility Forum have a seat on the Equality Steering Group and have a good relationship with the Department's Disability Champion. During 2014-15 the DisAbility Forum helped develop a staff disability survey issued to staff in December 2014. This purpose of the survey was to raise awareness of disability issues and to promote the work of the DisAbility Forum. Departmental HR and the DisAbility Forum are considering the findings from the survey.

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 are appropriately trained.

Should such an incident occur, each business area in DARD has an Information Asset Register in place, and an Information Loss Handling Plan and assurances are sought that these are reviewed and tested annually.

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

There was an inadvertent release of data in February 2015 when two separate emails were sent to two different cohorts of current CAFRE students. The matter was reported to the Information Commissioner who decided to take no action on the basis that adequate policies, procedures and mandatory staff training had been put in place by DARD.

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 2014-15 resulted in a notional audit fee of £104,000. This is included in non-staff administration costs in the Statement of Comprehensive Net Expenditure.

The NIAO also undertakes the audit of DARD's European Agricultural Funds Accounts (an accredited Paying Agency). 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 bi-annual National Fraud Initiative exercise on the 2014-15 year was carried out by the NIAO at a hard charged cost of £4,929.

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. During the year, VFM reviews were completed in respect of Strangford Lough and Farm Inspections; the Department has accepted the NIAO's recommendations in respect of these studies and is working towards their implementation. The 2013 NIAO-PAC Value for Money review of AFBI continues to be reported in the Governance Statement.

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.

Mr Noel Lavery
Accounting Officer
Department of Agriculture and Rural Development
25 June 2015

STRATEGIC REPORT

The Context

The Department and its customers are facing into a period of change. Within DARD there are a range of factors that will change the look and feel of the Department. These changes will see the Department become a more efficient, leaner and more modern organisation.

At the end of 2013, EU regulations implementing reform to the Common Agricultural Policy (CAP) were adopted. Following stakeholder consultation and Executive approval, the Department notified the full set of CAP implementation decisions to the EU Commission on 1 August 2014, with the new CAP regime beginning in 2015.

In this context, we are introducing a new suite of EU funded Programmes, including the Area-based schemes that have such an important role to play in supporting the local agriculture sector. We have been working with the industry over the course of the last year to develop and explain the rules associated with the various schemes and the application process is well advanced. There will undoubtedly be challenges during the process, however the investment made to date should ensure that the extent of these challenges are minimised.

We are also preparing to launch the largest ever Rural Development Programme (£623m). Significant work has been undertaken over the course of the 2014-15 financial year to develop the schemes which are due to open in the next financial year.

The Department is in the process of relocating our Headquarters functions to a number of rural locations. Again, this will change the way we interact with our customers in the future.

The shape of the NICS is also changing and the number of Government Departments will reduce from 12 to 9. This too will impact on DARD as we make the transition to the creation of a new department - The Department of Agriculture, Environment and Rural Affairs (DAERA).

A key driver to the change is the current financial environment. The Department faces a budget reduction of £29.9m, or 15.1%, in 2015-16. This scale of cut is unprecedented and requires a transformational change to how the organisation conducts its business in the future.

These cuts are in addition to the reductions of £40m already delivered by DARD over the Budget 2010 period, and subsequent in-year cuts of £8m in the 2014-15 financial year.

As well as the internal considerations, the Department is aware of the extremely challenging financial environment for those in the Agri-Food industry. Farm gate prices across all sectors have been reducing over the last year causing significant cash flow issues for the industry. This has been influenced by a range of factors, including the significant fluctuation in exchange rates.

Principal Activities

DARD aims to promote sustainable development of the agri-food industry and the countryside; stimulate the economic and social revitalisation of rural areas; reduce the risks to life and property from flooding; promote sustainable development of the sea fishing and aquaculture industries; and manage, protect and expand forests in a sustainable way.

The Department contributes to the development of the European Union agricultural, rural development and fisheries policy and oversees the implementation of these policies in Northern Ireland.

In discharging its functions, the Department acts in two main ways:

- with the Department for Environment, Food and Rural Affairs and the Rural Payments Agency in the field of economic support for the agricultural and fisheries industries and the implementation of European Union (EU) policies. This includes payments under the Common Agricultural Policy and capital grants to farmers; and
- as a Northern Ireland Department in respect of all other aspects involved in the development of agriculture, including education and training services, research, technology transfer, analytical and diagnostic work and special support measures, as well as rural development, sea fisheries and aquaculture, forestry, land drainage and flood defences. The Department's role includes helping to ensure the economic and social revitalisation of rural areas.

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

Key Aims and Objectives

The Department has in place a Strategic Plan to 2020 and a Corporate Plan for the two year period 2014-2016.

Both documents define the Department's Vision, Aim and Role and focus upon five Strategic Goals and a range of strategic objectives and key actions which should lead to change and measurable success.

The Vision of the Department is *a thriving and sustainable rural economy, community and environment to promote social and economic equality.*

To meet this Vision, the Department aims to *work with stakeholders, build partnerships, tackle disadvantage and value its staff; strive to work efficiently, respond quickly to change and focus on achieving sustainable outcomes.* This will involve:

- helping the agri-food industry prepare for future market opportunities and economic challenges;
- improving the lives of farmers and other rural dwellers, targeting resources where they are most needed;
- enhancing animal, fish and plant health and animal welfare on an all Ireland basis;
- helping to deliver improved sustainable environmental outcomes; and
- managing our business and delivering services to our customers in a cost effective way.

The Department's Corporate Plan along with the Annual Business Plan and Business Units' Plans set out the more operational detail which will not only contribute to the higher level aspirations through the achievement of annual targets but also provide 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 Department has established a focussed monitoring system to ensure that progress towards the achievement of performance targets, and ultimately the Strategic Goals, is maintained and that success is delivered. This is based on the Balanced Business Scorecard methodology which has been rolled out across the Department and involved senior staff in agreeing the content of the Scorecards.

The specific aims and objectives of the Forest Service, an Executive Agency, are documented in the Agency's Annual Report and Accounts published separately.

The Department achieved its £14.4m Savings Delivery Plan target for 2014-15 and the cumulative target of £40m over the four years to 31 March 2015.

The Department has a £29.9m savings target for 2015-16. At this stage most of this is on target to be achieved. However, savings of £5.6m to be generated from the Voluntary Exit Scheme will be dependent upon the outworkings of this Scheme. This is being led by DFP and, therefore, outside of the Department's control.

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

On-Vote Executive Agencies

During 2014-15 the Department had one Executive Agency, the Forest Service, which operated in accordance with a Framework Document that describes the relationships and responsibilities between the Agency, the Department and the Minister.

The Rivers Agency ceased to have Executive Agency status with effect from 1 April 2014.

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

- Drainage Council for Northern Ireland

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 DARD in accordance with Managing Public Money Northern Ireland guidelines.

North South Body

DARD is a co-sponsoring Department (with the Department of Communications, Energy and Natural Resources in ROI) for one North South Body, the Loughs Agency of the Foyle, Carlingford and Irish Lights Commission*#, for which funding is provided.

Other Bodies

DARD 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. DARD 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 DARD and the Department of Communications, Energy and Natural Resources.

Programme for Government Commitments

The Department has four Commitments in the published Programme for Government (PfG) 2011-15 as follows:

- PfG Commitment 23: Eradicate Brucellosis in cattle by March 2014;

- PfG Commitment 24: Develop a Strategic Plan for the agri-food sector;

- PfG Commitment 46: Bring forward a £13m package to tackle rural poverty and social and economic isolation in the next three years; and

- PfG Commitment 47: Advance the relocation of the Headquarters of the Department of Agriculture & Rural Development to a rural area by 2015.

A summary of outturn for the year under each Commitment is as follows:

Eradicate Brucellosis in cattle by March 2014

The annual confirmed herd incidence of Brucellosis reached zero (0.00%) on 28 February 2013, this important milestone being met more than one year ahead of target. The last case of confirmed infection was in February 2012. Continued vigilance by those keeping cattle is essential and in particular the immediate reporting to DARD of any bovine abortion so that Brucellosis can be ruled out.

Develop a Strategic Plan for the agri-food sector

This Commitment has been achieved. The Agri-Food Strategy Board (AFSB) published its Strategic Plan for the agri-food sector, *Going for Growth* in 2013. The Executive published its agreed Response to *Going for Growth* in October 2014. Progress continues to be made by Government and industry in implementing agreed actions and this is monitored on a regular basis.

Bring forward a £13m package to tackle rural poverty and social and economic isolation

The Commitment to deliver a £13m package by 31 March 2015 has been achieved, with expenditure of £5.2m incurred in 2014-15. To date, over the lifetime of this Commitment, 13,909 households have been visited under the Maximising Access in Rural Areas (MARA) project; 7,154 health checks in 344 locations completed (224 farmer marts and 120 community venues); 78,337 contacts made under the Connecting Elderly Rural Isolated project; 1,355 unemployed young people supported by the BOOST youth employability programme; 714 young people engaged in a Rural Youth Entrepreneurship programme; 575,073 passenger trips have been funded through the Assisted Rural Travel Scheme; 1,477 homes have received energy efficiency support; 6,763 beneficiaries from projects funded via the Rural Challenge Programme and 69 Rural Borewells have been drilled. There is ongoing investment in the Rural Support charity, Rural Broadband, rural mental health initiatives and in Rural Community Development including supporting 868 member groups via the seven Rural Support Networks.

Advance the relocation of the Headquarters of the Department of Agriculture & Rural Development to a rural area by 2015

This Commitment is on target as work is progressing to relocate Fisheries Division to Downpatrick by June 2015 and Forest Service to Enniskillen by September 2015. Rivers is due to relocate to Loughry Campus by June 2016. On 26 June 2014 the NI Executive provided approval to proceed with the relocation of the remainder of Departmental headquarters to Ballykelly where it is planned to have 400 workstations available by end of 2017 with a further 200 workstations available by 2020.

Departmental 2014-15 Business Plan Outturn

The Department's Business Plan for 2014-15 sets out a range of performance targets for the year under each of the five DARD Strategic Goals. The targets represented the minimum aspiration at the commencement of the financial year. While key issues arising for the Department over the past year are detailed elsewhere in this report, Business Plan outturn for 2014-15, in addition to the PfG Commitments above, can be summarised as follows:

GOAL 1: Help the agri-food industry prepare for future market opportunities and economic challenges

Expenditure of £86.75m was incurred under the NIRDP and European Fisheries Fund against a target of £80m.

As confirmed in the PfG Commitment progress report above, the Executive published its agreed response to the recommendations outlined in the Agri-Food Strategy Board's *Going for Growth* Strategic Action Plan in October 2014. A monitoring system has been put in place to oversee implementation of the recommendations and progress has already been made on a number of DARD-led actions.

The Executive agreed to support the DARD Minister's proposals for a Farm Business Improvement Scheme of up to £250m as requested by the Agri-Food Strategy Board.

CAFRE made considerable progress with the planning and development of new learning initiatives with 11,000 people attending training programmes and 2,022 people achieving a new qualification at NVQ Level 2 or above against a target of 1,600. CAFRE also supported the adoption of 1,369 technologies by agri-food businesses in the period, with 1,600 benchmarking their businesses and over 2,000 agri-food businesses producing a development plan for their business.

Decisions in relation to policy options arising from the CAP Reform agreement were notified to the Commission by the deadline of 1 August 2014.

Forest Service delivered a £1.6m programme of works in support of the Executive's Jobs and Economy Initiative to help underpin forest recreation infrastructure investment.

A Fishing Industry Task Force Report was published on 5 March 2015.

GOAL 2: Improve the lives of farmers and other rural dwellers targeting resources where they are most needed

Achievements in relation to the PfG Commitments relating to the package to tackle rural poverty and social and economic isolation and HQ Relocation have already been documented above.

£5m was invested in the Broadband Delivery UK (BDUK) rural broadband project to assist deprived rural premises.

Progress was made towards publishing a procurement strategy for the exploitation of wind farm development opportunities on the Forest Service estate, particularly in respect of site identification and assessment.

The Department continued to monitor implementation of the Rural White Paper Action Plan and published an Annual Progress Report in December 2014.

GOAL 3: Enhance animal, fish and plant health and animal welfare on an all-Ireland basis

Achievements in relation to the PfG Commitment on eradication of Brucellosis have already been documented above.

A TB Report was published on 12 November 2014 while EU approval was obtained for the 2015 TB Plan. In addition, a government/industry Strategic TB Partnership Group was established to develop a TB eradication strategy and implementation Action Plan by December 2015.

With the Department of Agriculture, Food & Marine (DAFM), the actions of the All-Island Animal Health & Welfare Action Plan continued to be implemented with progress reported to the North South Ministerial Council (NSMC) sectoral meetings.

GOAL 4: Help deliver improved sustainable environmental outcomes

DAFM and DARD Forest Service implemented the actions of the all-Island Strategic Plant Health & Pesticides work programme and updated the NSMC sectoral meetings.

208 hectares of new woodland were created against a target of 100.

Draft Flood Risk Management Plans were completed and released for public consultation in December 2014. In addition, Rivers continued to maintain infrastructure to provide enhanced flood protection to 15,500 properties as measured by the condition of culverts, sea defences and fluvial defences.

A Nitrates Action Programme for 2015-18 was agreed with the European Commission and implementing Regulations introduced.

An Agriculture Land Use Expert Working Group was established, representing an appropriate partnership structure which will develop an Agricultural Land Use Strategy.

GOAL 5: Manage our business and deliver services to our customers in a cost-effective way

In December 2014, a record SFP payment performance was achieved with 95.41% of claims finalised against a target of 93%, and at 31 March 2015 99.25% of claims had been finalised, including all inspection cases.

In December 2014, 623 claims (against a target of 500) were subject to inspection using Control with Remote Sensing.

A first iteration of competitive dialogue with potential bidders was completed in the procurement of the Northern Ireland Food Animal Information System (NIFAIS).

In regard to implementing a year 1 Action Plan to dramatically increase the uptake of digital services over a three year period, the targets to 31 March 2015 were met in respect of having 10,500 farm business transacting with DARD (10,676); 35% of farm businesses submitting their Single Application Form (39.7%); and 60% of bovine births registered (60% January - March 2015).

In order to further reduce the risk of future EU financial correction, updated maps were issued to support the 2015 SAF application process.

The Department achieved Capital Provisional Outturn under-spend of 0.13% and Resource Provisional Outturn under-spend of 0.12% (both well within the 1.5% target).

Savings Delivery Plans of £14.4m were achieved in full.

An estimated 9.6 working days lost per member of staff through sickness fell short of the 7.5 days target.

A significant amount of work was undertaken during the year to implement the various strands of the DARD Estate Strategy while work was taken forward to agree a Strategic

Plan with AFBI to ensure its sustainability to 2020 and to define and agree AFBI's estate requirements and investment needs, though more work is needed on both these issues.

The following were key issues for the Department during the 2014-15 year:

North South Co-operation

The Department engages with its Southern counterparts 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.

DARD has responsibility for two NSMC Sectoral meetings - 'Agriculture' and 'Aquaculture'. Topics discussed at 'Agriculture' Sectoral meetings include Animal Health, Plant Health, Rural Development and Common Agricultural Policy/World Trade Organisation issues.

Matters raised at 'Aquaculture' meetings relate to the Foyle, Carlingford and Irish Lights Commission, a cross-border implementation body with responsibility for conservation and protection measures, the licensing and development of aquaculture and the development of marine tourism.

DARD officials co-operate with Southern Departments in other areas such as research and development, higher/further education, veterinary matters and technology transfer.

During 2014-15, three meetings of the NSMC were held in 'Agriculture' Sectoral format and two in 'Aquaculture' Sectoral format. The DARD Minister also attended two NSMC Plenary meetings.

Agri-Food Strategy

As referred to under "PfG Commitments" earlier, 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. DARD and DETI 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 sets 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 includes a detailed action plan showing how the Executive intends to progress actions to address over 80 recommendations. DARD will lead action to address over 40 recommendations, and work is progressing across the key areas of marketing, innovation and environmental sustainability. Key outcomes to date have included:

- establishment of TB Strategic Partnership Board to develop a strategy for the eradication of TB;
- submission of the draft Rural Development Programme 2014-2020 to the European Commission, incorporating a Farm Business Improvement Scheme worth up to £250m, an Agri-Food Processing Investment Scheme and a Land Management Programme; and
- establishment of an Agricultural Land Use Expert Working Group to develop an agricultural land use strategy.

DARD has also been involved in work being led by other Departments, including Invest NI's work to develop an Agri-Food Competence Centre and the work of DEL's Future Skills Action Group for agri-food. The Department has also been working with the DOE-led Inter-Departmental Marine Co-ordination Group to develop the NI Marine Plan and ensure adequate provision for the sustainable development of aquaculture.

In addition, DARD was on the Project Board for the DETI-led review of NI's agri-food marketing and promotional activities and will continue to work with the AFSB and other industry stakeholders to support the formation of a new industry-led Agri-Food Marketing Organisation. The aim of this body is to provide strategic leadership and direction to the marketing of local agri-food and drinks produce and it could have implications for the future work of the Department and the Livestock and Meat Commission (LMC).

DARD continued to work to open new export markets, maintain existing ones and support trade for the local agriculture industry. A Meat Exporters' Working Group (MEWG) was established in 2014 which provides a dedicated forum for the discussion of new export priorities, barriers to trade and contingency planning for that sector. DARD continued to meet with other government partners involved in trade, including quarterly meetings with Invest NI and the Food Standards Agency to ensure a joined up approach to support export growth. The biannual meetings of the DARD/DAFM dairy export working group provided the opportunity to agree mechanisms to support international exports of dairy products from the island of Ireland.

Veterinary technical experts visited China on four occasions in 2014 to progress negotiations on accessing the lucrative pig meat market. A Veterinary Officer also visited the Philippines in March 2015 to initiate negotiations on accessing the beef market which is a key outworking of the MEWG.

In addition to facilitating 29 new export certificates across all sectors in 2014, DARD took action to reopen markets closed as a result of the Avian Influenza outbreak in Yorkshire in 2014. Significant resource was needed to secure agreement from the South African authorities to lift the embargo they had instigated on poultry and poultry meat products. As this is a key market for our poultry meat processors the removal of the export ban was warmly welcomed. Whilst working to remove the ban a number of new export markets were also agreed to mitigate the impact.

DARD's provision of veterinary certification for meat and dairy exports continued with the demand significantly increasing over the year. For example, dairy exports saw an uplift of 20% in 2014.

Sectoral Issues

2014-15 proved to be a difficult and challenging year for a number of Northern Ireland's key agri-food sectors and this in turn generated substantial stakeholder and media interest.

In the beef sector, the impact of falling prices and penalties for out of spec cattle was keenly felt by individual farmers and the wider industry, with a knock-on effect on the traditional cross-border trade in cattle. Throughout last year, the DARD Minister, supported by officials, met with a wide range of stakeholders and partners in the beef supply chain here and in the south of Ireland to help support a resolution to some of these concerns and to encourage greater communication and transparency in the beef supply chain. Prices have stabilised over the last few months.

The dairy sector also experienced a significant fall in milk prices due to an increase in EU and global milk production combined with the residual impact of a ban on imports introduced by Russia on 7 August 2014. With dairy farmers facing a difficult situation the DARD Minister lobbied at both UK and EU level for support for the dairy sector and convened a constructive and worthwhile meeting with the banks to encourage them to engage positively with dairy farmers on managing their cash flow. The Department's dairy advisers disseminated information on this to dairy farmers and along with the main banks held a series of public meetings where they offered advice to dairy farmers affected by the fall in milk prices. DARD officials have also been working with dairy exporters in finding alternative markets. The Department continues to support the dairy sector's growth ambitions as set out in *Going for Growth* through a range of measures including education and training, technical support and research and various proposed measures under the Rural Development Programme 2014-2020.

A significant fall in pork prices was also experienced by pig producers in the latter half of the year, with local prices some 20% lower year-on-year by March 2015. In addition, during this period of declining prices, the difference in the average price received by local producers in Northern Ireland and the Standard Pig Price (SPP) in Britain grew.

Given the drop in pork prices experienced across Europe, the European Commission introduced Private Storage Aid (PSA) for pigmeat with effect from 9 March 2015. Through the PSA scheme, the Commission provides a fixed amount towards the basic costs of storage for certain pigmeat cuts (for 90-150 days). It is hoped that the scheme will help to stabilise pork prices across Europe as we enter the 2015-16 financial year. In addition, the Department continues to help support the pig sector through the provision of education, training and research in order to improve efficiency and sustainability.

Common Agricultural Policy

The Single Farm Payment is the largest of the Common Agricultural Policy (CAP) income support schemes administered by the Department. The scheme is fully funded by the European Commission. For 2014 it was worth around £248m to local farmers. European Union rules which govern the operation of the scheme permitted DARD to start making full payments in December 2014. By the end of March 2015, £248.4m had been paid in relation to over 99% of all claims to SFP in 2014. A large number of the claims which had an on-farm check to verify land eligibility identified boundary changes and ineligible land which had not been reported by farmers. In most cases the changes applied to previous years and the claims concerned required complex calculations to apply the changes to previous year claims in order to calculate the correct amount due for 2013. As a result of the work carried out during the year to speed up the processing of inspected cases, around three times more inspected cases were paid at the end of March 2014 than at the same stage in 2013.

Legislative proposals to reform the CAP were published by the EU Commission on 12 October 2011. Following a political agreement in June 2013 the final CAP Reform legislative texts covering direct payments to farmers, support for rural development, financing and control of the CAP and the common organisation of markets were agreed formally in December 2013. A CAP Reform Programme Board was established to ensure proper oversight of both the policy and delivery aspects arising from the reform processes.

The new CAP agreement has significant implications for stakeholders in Northern Ireland, particularly in relation to replacing the Single Farm Payment (SFP) Scheme.
In addition to the CAP Reform agreement, there was also an agreement on the 2014-2020 EU budget, known as the Multi-Annual Financial Framework (MFF), which includes the setting of the budget available to the CAP through to 2020 and the distribution of the agricultural support element among EU Member States. The EU CAP budget for the 2014-2020 period agreed as part of the overall budget deal was €277.851 billion for Pillar 1 (mostly direct support payments to farmers) and €84.936 billion for Pillar 2 (Rural Development). Over the 2014-2020 period, the CAP Pillar 1 Budget will be 13% lower in real terms (2% in cash terms). The Pillar 2 (Rural Development) allocation to the UK will be 22% lower in real terms (14% in cash terms) compared with the 2013 level.

The Department held a consultation seeking views on the implementation options arising from the CAP Reform agreement which ended on 17 January 2014. There was significant interest in the consultation, with over 850 responses received. After consideration of responses, the DARD Minister announced a series of CAP Reform Policy decisions during March, April and May 2014, with the remaining major issues agreed by the Executive on 26 June 2014. The decisions were notified as required to the EU Commission by 1 August 2014. Further technical decisions were also announced in July, October and December 2014.

As a result of the decisions made, three compulsory measures will operate (the Basic Payment, Greening and Young Farmers' Scheme) under Pillar 1 (Direct Payments). A single region model for the Basic Payment Scheme will be implemented and migration to a flat rate payment system is scheduled to take place over seven years. It will progress 71.4% of the way to a flat rate by 2019 which is the end of the current EU CAP Reform period. There will be no coupled payments and support for Areas of Natural Constraint (the successor to Less Favoured Areas Compensatory Allowances Scheme) will continue to operate under Pillar 2 (Rural Development) for the next two years. As confirmed in the Governance Statement, a Ministerial Direction was issued in August 2014 in order to implement an Areas of Natural Constraint (ANC) scheme for two years (2016 and 2017).

Considerable resources are being devoted to ensure smooth implementation of the new system. This work has been underway for some time. Implementation is challenging both for the Department and for farmers.

The European Commission will 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

The financial corrections proposed by the Commission in their letter of 30 October 2014 apply the certified error rates for SFP and LFACA and a flat rate of 5% for the agri-environment schemes. This amounts to €14.4m. However, the Commission has also taken account of amounts notified by DARD that it had recovered in respect of SFP where on-the-spot-checks or farmer notified changes had identified over-payments in earlier years. The proposed financial corrections by the Commission have taken the €12.4m recovered by DARD into account and the net financial correction for these years is €2.6m, (£1.9m).

The approach taken by the Commission, in relation to disallowance for 2010-2012, is a positive recognition of the major change that has taken place in the Department's IACS control regime since 2009 and DARD's engagement in audit of Legality and Regularity.

The 2013 scheme year risk to the fund has been estimated by the Department at 3.94% and for the 2014 scheme year, the estimated risk to the fund is 3.90%.

Legality and Regularity

DARD agreed with the Commission to undertake, on a voluntary basis, the Legality and Regularity audit (Guideline (AGRI/D(2010) 248617Rev1)) in respect of SFP 2011 and 2012. The aim is to provide assurances to the Commission that DARD's control framework has improved following Commission audits which led to disallowance being imposed.

Under this audit the Northern Ireland Audit Office (NIAO) undertook an in-depth examination of DARD's procedures, including re-performing on-the-spot checks, validating payments and control statistics.

The Commission has responded to the NIAO's 2011 report and stated that the review of the analysis performed by the NIAO confirms that the quality standards of the internal control system in DARD are adequate. The NIAO's Report on SFP 2012 has not been responded to by the Commission although they have now proposed financial corrections in respect of 2010, 2011 & 2012 claim years.

Under the new EC Regulations the audit of EAF 2015 now incorporates testing legality and regularity aspects of all EAGF and EAFRD schemes. The 2014 scheme year audit will apply to Financial Year 2015. The 2015 EAF audit is currently in progress.

Land Parcel Identification System (LPIS) Project

The main phase of the LPIS project commenced in February 2011 and the project closed in November 2014. The work was undertaken in partnership with Land and Property Services (LPS) who reviewed and where necessary amended the boundaries of approximately 740,000 fields using recent aerial photography. They also mapped areas of land which are not eligible to receive Pillar 1 payments, thus enabling DARD to calculate a Maximum Eligible Area (MEA) for each field.

DARD and LPS continued to work together during 2014-15 to further enhance the LPIS mapping system to reflect modern GPS technologies (positional improvement) and to map additional smaller ineligible areas.

The European Commission has recognised the reliability of the Department's controls and has not imposed flat rate disallowance for SFP and LFACA. DARD continues to militate against future disallowance by ensuring compliance with EU Regulations as we enter a new CAP Reform period which is expected to add considerable complexity and further risk for the future.

The new maps will enable more accurate claims to be submitted from 2015 onwards and should reduce the need for retrospective action (entitlements and/or recovery) post 2015.

Maintaining a compliant LPIS

To ensure that maps remain up-to-date and act as a rigorous control for the SAF claim process, maps are updated with information from a variety of sources including, the annual refresh/improvement work, farmer notified changes, results from 'on-the-spot checks', Legality and Regularity Audits and an annual Quality Assessment exercise.

Ongoing work on the LPIS is necessary to reduce the risk of future disallowance. The LPIS must remain compliant in terms of accuracy whilst also meeting additional requirements from CAP reform and facilitating retrospective recoveries of undue payments. DARD has an existing Service Level Agreement which is currently under revision to take DARD and LPS into a 'business as usual' maintenance and enhancement mode for the LPIS.

Production of maps to support the 2015 SAF process

New 2015 scheme maps were issued to all farm businesses in mid-November 2014 and farmers were given the opportunity to amend their maps. DARD issued further maps (c9,000) in March/April 2015 to reflect these farmers changes as well as results from on-the-spot checks. Data from the LPIS was used to pre-populate the 2015 Single Application Forms.

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, DARD introduced Remote Sensing in 2012 to compliment classic on-the-spot checks. In 2013 and 2014 the number of checks carried out by remote sensing increased significantly. The introduction of this new technology helped to deliver the best ever payment outcome in 2015 since SFP was introduced, paying 99% of all SFP claims by the end of March 2015.

DARD plan to use their experiences from 2014 to further increase the number of on the spot checks by remote sensing.

Supporting Local Industry and Rural Society

Northern Ireland Rural Development Programme 2007-2013

The Northern Ireland Rural Development Programme (NIRDP) 2007-13 was a balanced and targeted programme to benefit all rural dwellers. It provided support to improve the competitiveness of agriculture and forestry businesses, improve the environment and the countryside, improve the quality of life in rural areas and encourage diversification of economic activity. The individual funding measures within the NIRDP provided support to farm businesses and families seeking to adapt to a changing rural environment.

NIRDP Axis 1

Under Axis 1 of the NIRDP, farmers have been able to access grants to modernise their farm businesses and improve competitiveness through the purchase of approved plant, machinery and equipment. Under the three tranches of the Farm Modernisation Programme, which were heavily oversubscribed, almost 5,340 farm businesses have received financial support totalling £14.14m over the life of the programme. In addition, training opportunities were provided through the Focus Farms, Benchmarking, Supply Chain and Farm Family Options schemes. These schemes provided a wide range of training opportunities, all aiming to improve competitiveness and support farm families in assessing their options for the future of their farm business. The Focus Farms scheme, which is now closed, was particularly successful with 16,547 visitors over the period of the programme. Within the Benchmarking scheme over 1,600 datasets were collected in 2014-15 with more than 9,000 datasets having been collected during the entire programme. The Supply Chain programme closed in June 2014 with 64 groups participating in the scheme over the total programme period. The Farm Family Options Mentoring scheme, which also closed during this financial year, exceeded its target with 2,216 farm businesses producing an Action Plan during the life of the programme. The Skills element of the Farm Family Options programme offered a range of collective training courses including Health & Safety, ICT and Bovine Diarrhoea Awareness. Since the beginning of the programme up until the end of February 2015, 11,430 trainees had participated across the range of skills training offered with Health & Safety training continuing until 31 March 2015.

Also within Axis 1, the EU Agricultural and Forestry Processing & Marketing Grant Scheme (PMG) made a final call for applications and issued Letters of Offer to 14 projects to the value of £1.2m. The support provided by DARD in 2014-15 has brought the number of projects supported since the scheme opened in 2008 to 129 with a grant commitment of £23.6m. Coupled with the contribution provided by the agri-food processing sector this represents an investment in the rural economy of at least £59m. The PMG Scheme is now closed for applications and all companies are required to complete their projects by 31 March 2015.

NIRDP Axis 2

Within Axis 2, under measure 214, funding was provided to farmers who wish to participate in Agri-Environment Schemes and Organic Farming Schemes. Scheme participants received funding in return for managing their land for environmental benefit. Some 9,400 farmers are currently participating in these schemes, covering 35% of the agricultural land area. As agreements come to an end numbers are declining and a new agri-environment scheme is being developed for the next RDP for 2014-2020.

Within Axis 2, funding was also provided to those who farm in the less favoured areas to compensate for income foregone and costs incurred. Some 14,000 claims were received for LFACA 2015 covering the qualifying period 1 April 2014 to 31 October 2014. LFACA 2015 payments commenced in March 2015 and as at 31 March 2015 95% of valid claims have been processed. This is the final claim year for LFACA. A new scheme "Area of Natural Constraint" will be introduced from 2015 for payment in early 2016.

NIRDP Axis 3

Axis 3 is delivered locally with the assistance of Joint Council Committees (JCC) and Local Action Groups (LAG).

Full commitment across all measures was achieved by end December 2013. Since the start of the Axis 3 programme to date (March 2015) almost 1,800 projects have been completed, or have phases completed, with funding of £79m already paid out. When private match funding of £50m is included, this represents an overall investment of over £129m in rural areas.

This has helped to sustain many rural businesses and to date has created 217 new businesses in the farm diversification, micro business and tourism sectors, while also helping to expand others. Despite the difficult economic climate 773 rural jobs have also been created. Axis 3 has also helped 387 community and social economy projects to improve the quality of life for rural dwellers. Benefits have included the provision of shared space to meet in, child care facilities, employment opportunities and the means to improve health and fitness.

Axis 3 tourism projects to date have accounted for over 627,778 additional tourist visits to our rural areas. The availability of accommodation in rural areas for tourists has increased with the provision of funding for self catering, camping barns and coaching inns, with over 72 projects funded. It has also allowed rural heritage projects to be developed, with the joint aim of preservation and tourist attraction.

In addition, over 257 rural villages across the seven Local Action Group areas have developed integrated and comprehensive village plans and the majority have initiated some of the capital works associated with the plans. The Strategic Project initiative to re-focus Axis 3 and recover programme momentum was successful in driving the programme forward. To date grant assistance of over £14m for strategic projects has been drawn down over the life of the programme.

The Axis 3 investment of £1.5m towards the 'Next Generation Broadband Project', which occurred in 2010-11, has to date ensured that 17,094 rural dwellers and businesses now have a connection to improved Broadband services. Additionally, a further £5m has been committed to the Northern Ireland Broadband Improvement Project (NIBIP) and will be invested by 31 March 2015. Already the development works under this project has enabled just over 7,000 rural premises to link to broadband if desired.

The Rural Network for Northern Ireland (RNNI) has now completed its work under the current programme. The last piece of work it was involved in was the animation of the rural areas to facilitate the forming of new Local Action Groups (LAGs). This was completed in 2014-15 with 10 new LAGs formed with a wider LAG membership of over 2,000.

Tackling Rural Poverty and Social Isolation (TRPSI)

The Department also manages a Tackling Rural Poverty and Social Isolation (TRPSI) Programme. This is reflected in the PfG Commitment referred to earlier. During 2014-15 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 with 178,762 passenger trips delivered; maximising access to grants, benefits and services in Rural Areas (MARA) by supporting home visits by trained enablers to 3,232 of our most vulnerable rural households; funding the Rural Support charity to provide assistance to rural families and farmers facing difficulties; continuation of the Rural Borewells Scheme assisting a further 25 households; a Farm Family Health Checks Programme which provided health screening to 2,632 clients at 75 marts and 53 Rural Community venues; the Rural Youth Employability Programme (BOOST), which addresses barriers to employment and has engaged with 485 young people; the Rural Youth Entrepreneurship Programme (RYE), which will create the foundation for development of future rural businesses and has engaged with 210 young people; the CERI project which provides services for older people to support independent living and address social isolation and has been in contact with 19,946 people; energy efficiency support towards 502 homes; Rural Challenge Programme, a small grant scheme to address localised poverty and isolation issues, benefited over 6,700 people. In addition, a number of Tackling Rural Poverty and Social Isolation initiatives were developed in conjunction with other government departments, for example for the Rural Borewells Scheme where the Department of Regional Development (DRD) provides the scheme finance with DARD responsible for delivery. 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.

Under the TRPSI Community Development Support Programme, support has been provided through eight contract holders to some 800 rural community groups operating in the North. This has included support for individuals and communities, including farmers and farm families, to access the Northern Ireland Rural Development Programme 2007-2013 (NIRDP), particularly support to access funding under the Axis 3 Basic Services, Village Renewal and Conservation of Rural Heritage measures. The programme 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 (RDP) 2014-2020

The Rural Development Programme 2014-2020 was submitted formally to the European Commission for approval on 14 October 2014. This marked the culmination of three years of work by the Department and its stakeholders to draft a new Programme in line with the Europe 2020 strategic goals of smart, sustainable and inclusive growth. The draft Programme, which has a budget of up to £623m, contains a range of support measures aimed at increasing the competitiveness of our agri-food industry, protecting and enhancing our natural environment and boosting the economic development of our rural areas.

There are a number of proposed schemes in the draft Programme under the theme of knowledge transfer, innovation and co-operation. Providing education, knowledge and skills will be important in helping us to maintain and improve the competitiveness of our agri-food industry. We want to help to encourage farm investment which is targeted at the correct level for each farm business through the development of business plans and whole farm needs assessments. We are proposing to support the development and transfer of new innovative ideas to improve the competeiveness, growth and development of the agri-food industry.

We are proposing to support farmers to invest in their farm businesses and to improve their profitability through capital investment. Farmers seeking support will need to have a business plan for their farm showing that the overall performance of the business will be improved.

We propose to support two schemes to help the food and drink industry. The support will help to add more value to agricultural produce by encouraging better production methods to achieve premium prices on quality products and to improve promotion and labelling. We are also proposing to provide support to improve relationships between producers and processors and help them co-operate together to improve their profitability and access to markets.

We are proposing to support a range of schemes to support agricultural production methods that help with the protection and improvement of the environment and our countryside. We also propose to support the planting of new woodlands and the management of existing forests to help reduce the effects of climate change. Farmers that farm in areas designated as Less Favoured Areas in 2015 and farmers who farm in areas designated as Severely Disadvantaged Areas in 2016 and 2017 will also be supported. Providing training for those that enter into agri-environment and forestry agreements will be an important part of the proposed support. As confirmed in the Governance Statement, a Ministerial Direction was issued in August 2014 in order to implement an ANC Scheme for two years (2016 and 2017) and a transition payment to farmers in disadvantaged areas for 2016.

We are proposing to support a range of schemes that will help to develop the economic potential of our rural areas. We will support investment for the creation and development of micro and small businesses in rural areas for non-agricultural activities. We will support investment in the renewal of rural villages that is consistent with local government Village and Community Plans. Support will be provided to improve the provision of basic services and the quality of life for those living in rural areas. We also propose to support the investment in our natural and built heritage to encourage rural tourism.

The European Commission are now assessing the draft Programme for approval, which is expected no earlier than June 2015. In the interim, officials are continuing to work towards obtaining the necessary business case approvals and developing schemes so that they can open as early as possible once all the necessary approvals are in place.

Rural Proofing Bill

In 2014, the Minister of Agriculture and Rural Development announced her intention to progress primary legislation to strengthen the existing rural proofing process. A Bill Team was established during the year to develop policy proposals and to progress a Bill within the current Assembly mandate, subject to Executive agreement. The proposed Bill 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.

Evidence & Innovation Strategy

Work continues on implementing DARD's Evidence and Innovation Strategy. A fourth Evidence and Innovation Stakeholder Forum took place in 17 April 2014, at which the agri-food industry and other stakeholders had an opportunity to contribute to the identification and prioritisation of DARD research needs. The process helped DARD determine its future research priorities and potential industry co-funding was identified for a number of areas. Although no new research in the DARD-directed AFBI Evidence and Innovation programme was commissioned in 2014-15 due to financial constraints, a considerable portfolio of ongoing research was continued.

Research funded by DARD and undertaken at AFBI has helped direct breeding and management strategies in the livestock sectors to reduce greenhouse gas emissions. For example, maternal breeding strategies for sheep systems have been identified which significantly improve production efficiency and reduce greenhouse gas emissions. For the dairy sector an online greenhouse gas calculator has been developed to provide robust estimates of emissions from local production systems.

Improving feed resource efficiency within the dairy sector is the objective of a DARD and AgriSearch funded programme. As feed costs represent the main variable cost on dairy farms, feeding strategies have been investigated to maximise the value of each unit of food offered. Work has moved on to provide a better understanding of how individual dairy cows respond to concentrate supplementation. This is key information on which future precision feeding systems can be based to improve the economic and environmental performance of the sector.

The outcomes of current and previous research are central to many of the feeding decisions made on farms on a daily basis. For example, feed rationing programmes used by advisers and many within the feed industry have been developed from research, including major studies carried out at AFBI Hillsborough.

Research is also being funded currently to help support the efficiency and productivity of the livestock sectors through improvements in grassland utilisation and through a greater understanding of the impact of compaction on soil quality and nutrient availability. Animal health and welfare issues are also being addressed including research on calf health issues.

Work on innovative products and processes has been commissioned. For example, work to produce high quality reduced fat cheddar cheese fortified with omega 3 fatty acids for good health has been undertaken. Such work will be of longer-term benefit to the dairy sector.

DARD funded research at AFBI has also provided a strong knowledge base to support improvements to P (Phosphorus) balances in agricultural grass and cropland in NI. Application of these research findings by industry has significantly reduced the P surplus and hence potential for P loss to the environment of agriculture in the North. This research has proved vital in building the case for the renewal of the NI Nitrates Directive derogation which was voted through for a further four years by the EU Nitrates committee in December 2014.

New thinking, new technology and new ways of working are vital to the future success of rural businesses. Investing in industry-led research is a key theme in *Going for Growth*, but many, especially smaller businesses, find this difficult due to perceived lack of capability and the costs and risks associated with undertaking research. The DARD Research Challenge Fund aims to encourage industry and public sector research establishments to collaborate on innovative, high quality, pre-commercial research and technological development projects.

The projects funded through this stream have the potential to give small and medium sized businesses from the agri-food and other rural sectors an opportunity to get help with research that can further their sustainability and competiveness. The Department launched a further tranche of the Research Challenge Fund with up to £0.75m available for projects, with five successful projects receiving funding.

Developing local scientific expertise and training scientific leaders for the future is one of the objectives of the DARD Post Graduate Studentship Programme. With a current annual budget of £0.588m, DARD funds up to 12 new PhD studentships each year across a broad range of disciplines. The studentships are an important mechanism for securing evidence to help inform DARD policy development and to promote innovation in the local agri-food sector.

Finally, DARD funds a NI Contact Point with responsibility for maximising the drawdown of EU funding in line with the Executive’s PfG targets.

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, co-operating on contingency planning, and preparing the application to the EU Commission for Officially Brucellosis Free (OBF) status.

In May 2013 the EU Commission adopted a proposal for a single comprehensive Animal Health Regulation to replace the complicated rules currently in place. This will result in the repeal of over 40 existing Regulations and Directives. Within this proposal the Commission initially considered some relaxation in conditions for movement of animals between Member States, in accordance with the assessment of risk. However as negotiations progressed, our assessment is that, since the primary restrictions are determined by disease control requirements, there is only limited scope for significant change to animal movement controls - except where the risk is very limited, for example, animals going direct for slaughter. In conjunction with the Department of Environment, Food and Rural Affairs (DEFRA) in London and the Department of Agriculture, Food and the Marine (DAFM) in Dublin, DARD is seeking to influence and negotiate provisions within this proposed EU Animal Health Regulation that helps to 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.

There continues to be the ever present threat from epizootic diseases, including Foot-and-Mouth Disease, Avian Influenza and Swine Fever. African Swine Fever, a serious pig disease, was detected in early 2014 in wild boar in Poland, part of the European Union. 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.

A number of outbreaks of Highly Pathogenic Avian Influenza have occurred across Europe (including one in England) since November 2014, and there was a Low Pathogenic Avian Influenza in England in February 2015. This disease poses a serious threat to our poultry industry. 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. There have been no outbreaks of Avian Influenza in Northern Ireland.

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, DARD Portal Officers have the use of a detector dog to locate meat products in arriving passengers' bags and DARD's co-operation in contingency planning with our counterparts in DAFM continues though joint training and shared contingency arrangements (including a contract for avian depopulation).

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 five year Antimicrobial Resistance Strategy. Following on from this, the Department has developed an AMR Action Plan which was published in 2014. Many of the targets within the plan have already been met, including the dissemination of biosecurity advice and AMR best practice guidance to livestock farmers and private veterinary practitioners, and the inclusion of AMR material in CAFRE courses. Work is continuing with AFBI in respect of ongoing surveillance and specific testing for AMR as required by EU Directive 2013/653.

A number of different operational areas of DARD have a role in implementing and enforcing statutory controls, including animal health & welfare controls. During 2013 a DARD working group was created to bring the various strands of operational enforcement activity in the Department together in one useful and easily accessible document. The work culminated in the development of an Enforcement Policy document which is intended to provide information to stakeholders and guidance to staff on the Department’s approach to enforcement.

The DARD Enforcement Policy document offers an explanation and justification of the Department’s decisions. It seeks to create a basis to set and publish clear standards and criteria on which the Department bases its actions. The document outlines the principles and framework that DARD will follow to deliver consistent and proportionate enforcement and promote confidence in our enforcement process.

Part of this transition also involved the implementation, by the Industry, of pre-sale checking of all sheep in markets and Export Assembly Centres (EACs). This process has enhanced traceability for lambs and sheep and improves our capability to trace, detect and control disease. A tracing exercise was carried out using the APHIS system. The exercise was designated “Exercise Blacksheep” and lessons identified have helped enhance our traceability systems. The EU legislation governing the traceability of cattle was amended on 17 July 2014 to provide for electronic identification (EID). It requires the Commission to bring forward an Implementing Act setting out rules on the format and design of identification devices, technical procedures for the electronic identification of cattle, and the configuration of the electronic identification code. We are currently awaiting the Commission’s proposed Implementing Act, which is overdue. When we receive this we will liaise with industry representatives here to consider the appropriate course of action for our industry as regards implementation of cattle EID.

During 2014-15, the Department has continued in partnership with key stakeholders to work towards the eradication of Brucellosis and TB. The Department achieved EU Commission approval in 2014 for both its 2015 Brucellosis and TB Eradication Plans, with the opportunity of co-funding from the EU Veterinary Fund. The Minister’s TB Strategic Partnership Group, tasked to prepare a TB eradication strategy and implementation action plan, commenced their evidence gathering in November 2014. It is anticipated that a TBSPG interim report will be available in June 2015.

As referred to under “PfG Commitments” earlier, the Brucellosis confirmed annual herd incidence rate reached zero (0.00%) on 28 February 2013. The EU Directive 64/432 criteria to enable an application to be made to the EU Commission to seek Officially Brucellosis Free (OBF) status were met on 1 March 2015.

Our rigorous EU Commission approved TB eradication programme will continue to be a priority to ensure continued access to the export trade by our livestock and livestock products industry. The commissioning of TB and wildlife research and studies continues, in line with DARD’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 on 27 May 2014 in a $100km^2$ area around Banbridge, County Down. TVR field activities for 2015 are expected to recommence in June this year. All captured badgers that test positive for TB will be removed and badgers that have a negative result will be 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, which is chaired jointly by officials in DARD and DOJ. An Interim Report to this review, setting out the emerging thinking and recommendations based on an analysis of the evidence gathered to date has now been published. The views of the public and stakeholders are now being sought on this Interim Report via an eight week public consultation process which commenced on 26 February 2015. A final report will be published later in 2015.

NIFAIS, the replacement for APHIS

The Outline Business Case for the replacement for APHIS has been accepted by DFP and procurement initiated. APHIS is the Department’s computerised system of animal identification and disease control. It has for many years been pivotal to the delivery of Veterinary Service’s programmes, and the export assurances for live animals and meat which are essential to *Going for Growth*. Because APHIS is such a complex system, the Competitive Dialogue process is being used for the procurement. The NIFAIS (Northern Ireland Food Animal Information System) Programme which is taking this procurement forward is now in dialogue with suppliers and is on track for an Award of Contract in 2015-16.

The NIFAIS Programme also includes a parallel business change work stream. NIFAIS-related Business Change includes preparing for a new Veterinary Service Target Operating Model, and for the use of the shared digital resources of the Department - specifically the Master Data Model, Customer Information System, Geographic Information System and TRIM. Individual projects within the Programme include updating the registers of pig and poultry premises, greater use of Mobile and Mapping technology by field vets, and enabling restructuring of delivery through enhanced business intelligence, improved work-flows, automation of processes and increased digital uptake. The Programme is therefore a significant strand in the Department's Change Management portfolio.

Forest Service (including Plant Health)

The Forest Service Agency remit has expanded since early 2014. The Agency sought to organise and embed this remit during 2014-15 to deliver work programmes in the areas of:

1. Management of forests and forest resources;
2. Forest management for recreation;
3. Wind energy development on the forest estate; and
4. Plant Health.

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

Fisheries

The new Common Fisheries Policy, which came into operation at the start of 2014, inevitably heralded the start of further change in the fishing industry and significant future challenges. To help the Department and the fishing industry to address this, a Fishing Industry Task Force was established in June 2014, tasked to make recommendations to the Department about what actions should be taken to ensure that fishing is sustainable and profitable in the long term. The Task Force presented its interim report in December and made 12 recommendations in relation to the implementation of the EU fish landing obligation, the launch of the new European Maritime and Fisheries Fund, assessing the capacity of the fishing fleet, priorities for fisheries science, and policy for dealing with the annual fisheries negotiations.

Last year also saw the establishment of regional Member State Groups to develop fish discard plans. DARD is actively involved in the North Western Waters Group which covers the Irish Sea. A discard plan for pelagic species (herring and mackerel) was agreed and approved during 2015, and from January 2015 all pelagic fish species had to be landed.

Following the agreement of the Pelagic Plan, the Group immediately commenced work on a discard plan for the more complex demersal fisheries that include the important prawn fishery. This work is on-going with recommendations due to be submitted to the European Commission by mid 2016.

On 19 December 2014, DARD published its strategy for the development of inshore fisheries. The strategy sets out a number of key themes and work streams, namely governance through partnership; better data for decision making; effective compliance; improving information, communication and technology and safer fisheries. A key proposal of the strategy was the formation of an Inshore Fisheries Partnership Group to increase stakeholder participation in management decisions and their involvement in promoting the long-term sustainability of inshore fisheries. The first meeting of the new Partnership took place in March 2014.

The European Maritime and Fisheries Fund (EMFF) Regulation came into force in May 2014 and this was the last remaining element of the CFP reform package. DARD worked closely with the other Fisheries Administrations to ensure we received a fair allocation of the overall UK fund resulting in a funding package of €5,873,427 for Data Collection, €3,086,651 for Control and Enforcement and €14,550,556 for core funding.

This new funding will support the development of the fishing and seafood sectors up to 2020. The bulk of the funding will go towards supporting Common Fisheries Policy reform and measures to improve the economic and environmental sustainability of the industry.

DARD continues to work with the other Fisheries Administrations on the UK Operational Programme which will require European Commission approval prior to the launch of the EMFF programme. It is anticipated that the EMFF will be open for applications in autumn 2015.

During 2014-15 the Department continued to accept, and process applications under, six measures of the European Fisheries Fund and has to date committed some £18.4m National and European money in support of a range of projects across the sea fisheries sector and to support the sustainable development of the aquaculture sector. The European Fisheries Fund remained open to applications until December 2014 and will close on 31 December 2015 for payments.

The Department consulted on policy proposals for a Fisheries Bill which would update sea fisheries and aquaculture enforcement and licensing powers, seek to provide adequate and proportionate protection for marine aquatic environments and enable DARD to directly meet its EU obligations and commitments. Approval of the Assembly's Executive to final policy proposals on 26 March 2015 allows drafting of the legislation to get underway with the aim of bringing a Bill through the Assembly during the current mandate.

The Department has worked with the DOE to implement a revised Modiolus Restoration Plan for Strangford Lough. This had been produced as a result of a complaint made to the European Commission by the Ulster Wildlife Trust (UWT) regarding the restoration of horse mussels within the Lough. It led to the Commission opening a pilot case. The preparation of this revised plan had been informed by ongoing dialogue with key stakeholders and with officials in the European Commission and comprises three broad components: Protection, Intervention and Monitoring. The Commission has recently advised the UWT that it is satisfied that the proposed modiolus restoration plan, if delivered, means DOE and DARD will be meeting their obligations under the Habitats Directive and have proposed, subject to the agreement of the complainant, that it will not proceed with infraction and will close the pilot case.

The Minister continues to work closely with her southern counterparts in supporting the Loughs Agency of the Foyle, Carlingford and Irish Lights Commission to implement decisions of the North/South Ministerial Council on policies and actions relating to aquaculture and marine matters in the Foyle and Carlingford Areas.

Environment

In recognition of the need for the local agri-food sector to contribute to climate change objectives, DARD has chaired the Greenhouse Gas Implementation Partnership (GHGIP) since its inception. The GHGIP is a voluntary body which comprises representatives of all aspects of the agri-food sector, along with environmental groups and public bodies. The GHGIP has continued to implement its “Efficient Farming Cuts Greenhouse Gases” strategy which is focused on lowering the carbon intensity of local food production.

Meetings of the GHGIP, and its industry-led sub groups, were held in 2014-15 to progress the development of Phase Two of the efficient farming strategy in parallel with the development of the 2014-2020 Northern Ireland Rural Development Programme, which will act as a key mechanism to deliver greater implementation of on-farm efficiency measures. Key focus areas have been agreed by each sectoral sub group and a draft outline of the strategy prepared, which will be finalised following European Commission approval of the NIRDP.

DARD contributed to the Northern Ireland Climate Change Adaptation Programme which was published by DOE in January 2014. This report identifies a series of actions to be undertaken by the Department, in conjunction with other Departments where appropriate, to help manage risks associated with the changing climate in respect of, for example, flooding, wildfires, vector borne plant/animal diseases and surveying for outbreaks, resilience of plants and crops to extreme weather conditions, in support of the agriculture sector as it adapts to a changing climate. Work to monitor GHG emission reduction trajectories continued with DARD input to an upgrade of the Northern Ireland GHG

Projection Tool and the commencement of work on a suite of carbon intensity indicators for the agriculture sector. Adaptation measures are also being considered in the design of the Rural Development Programme 2014-2020.

The Agri-Food Strategy recommended in their 2013 *Going for Growth* report that government should develop a strategic regional land management policy. In response to this recommendation, DARD has established an Agricultural Land Use Expert Working Group which is chaired by an industry expert and contains farmers, environmentalists and senior government officials amongst its membership. The Expert Working Group met for the first time in December 2014 and agreed its Terms of Reference. The group's primary aim is to agree a sustainable agricultural land management strategy which details a series of principles and practical actions to develop more profitable farms whilst producing balanced and enhanced environmental outcomes. It is expected to complete its work by 31 March 2016.

An updated Renewable Energy Action Plan (REAP) 2013-14 facilitated DARD's continued efforts to enable the sector to capitalise on renewable energy opportunities on-farm, through direct and indirect support measures, such as training, research, information provision and funding. The REAP facilitated the on-going development of on-farm renewable energy opportunities, increases in on-farm resource use and energy efficiency and business competitiveness thereby increasing the adoption of on-farm RE technologies and the displacement of fossil fuels.

In relation to water quality, DARD, acting jointly with the Department of the Environment (DOE), has responsibility for implementation of the Nitrates Directive 91/676/EEC. The Nitrates Action Programme (NAP) implements measures to improve water quality and protect water against pollution caused by nutrients from agricultural sources. The Action Programme requirements apply to all farms. The measures are reviewed on a four year cycle. Following a comprehensive scientific review of the 2011-2014 NAP and public consultation, a new Nitrates Action Programme for 2015-2018 was agreed with the European Commission and came into operation on 1 January 2015.

EU approval was also secured for the nitrates derogation for 2015-2018. The derogation enables intensive grassland farms to operate at higher than average stocking rates in return for undertaking additional measures to manage manures and chemical fertilisers. The derogation is important to dairy farms as it allows the sustainable use of manures from grazing livestock to meet the higher crop nutrient requirements on these intensively stocked farms.

Since 2011, DARD has commissioned 12 research projects at the Agri Food and Biosciences Institute (AFBI) to provide ongoing scientific evidence to support the Nitrates Action Programme and water quality measures.

DARD's Manure Efficiency and Technology Scheme (METS) encourages uptake of advanced slurry spreading systems. The scheme provides capital grant support of 40% to a maximum of £10k for trailing shoe, trailing hose and soil injection slurry spreaders. These technologies deliver a range of environmental and productive benefits including: increased nutrient efficiency of manures, improved water quality in rivers and lakes, reduced ammonia emissions and odour from slurry spreading and reduced chemical fertiliser usage resulting in lower greenhouse gas emissions. METS also includes training in nutrient management planning. This provides farmers with an integrated package which helps them to maximise the benefit from their investment in this advanced slurry spreading machinery.

Some £3m of grant aid has been provided to date funding some 300 machines. This represents a total investment of over £7m in advanced slurry spreading technology.

METS has demonstrated how improved farm production efficiency and improved environmental performance can be achieved through the use of technology.

In relation to Pesticides, the EU Thematic Strategy on Pesticides aims to minimise the risks to health and the environment from the use of pesticides. DARD implemented the first stage of the Strategy through the Plant Protection Products Regulations (Northern Ireland) 2011. The second stage, the Sustainable Use Directive, was implemented through the Plant Protection Products (Sustainable Use) Regulations 2012 in July 2012. 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. The National Action Plan (NAP) is designed to ensure that plant protection products can be used sustainably in the UK. Work on this will continue throughout 2015.

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 rural enterprise. Currently 43 programmes are on offer with 1,818 students enrolled in the 2014-15 academic year and 532 students leaving CAFRE with a qualification at Level 2 or above. In addition to this, the Level 2 in Agricultural Business Operations has enrolled a further 2,500 participants. This qualification is one of the eligibility requirements for those who are new entrants and/or young farmers who wish to avail of support under the Regional Reserve or Young Farmer's Payment. The majority of FE/HE courses offered by CAFRE 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. Preliminary evidence gathered using the Learner Voice survey of CAFRE students indicates that 99% are satisfied with the CAFRE provision.

CAFRE's Development Service, which aims to develop the competence of people who currently work in the agri-food industry, continues to have a significant impact. A team of professional staff based in the locality of their clients help businesses produce development plans; benchmark their performance; up-skill their personnel and adopt new technology. Through benchmarking and business development planning, CAFRE Development Advisers help to identify training and technology options for a farm business. This aims to ensure continued growth or greater technical efficiency. The implementation of this plan, and the impact of training and technology adoption on the financial performance of the business, can then be analysed and quantified when benchmarking in the following year. At this stage a revised development plan can be put in place. By 31 March 2015, over 2,000 business development plans had been prepared, over 1,100 enterprises benchmarked, approximately 12,500 people trained and 1,100 technologies adopted. As a measure of the impact made by CAFRE on agri-food enterprises, their financial performance is compared to that of the Northern Ireland regional averages. CAFRE achieved business performance differential of 7% compared with averages in the Farm Business Survey.

Flood Risk Management

During 2014-15, watercourse maintenance and reducing flooding risk continued to be a priority issue for Rivers. Resources were allocated to routine maintenance of watercourses, the management of drainage and flood defence assets, the delivery of cost beneficial flood alleviation schemes and the provision of information and advice on drainage and flood risk.

During the year, Phase 1 of the Connswater Community Greenway Project, along with the Beragh Flood Alleviation Scheme were subsequently completed, providing enhanced protection to 290 properties.

The implementation of the EU Directive on the Assessment and Management of Flood Risk (2007/60/EC), more commonly known as the Floods Directive, is progressing well. During 2014-15 Rivers produced draft Flood Risk Management Plans and these are currently subject to public consultation.

Progress on the Reservoirs Bill continued throughout 2014-15. The draft Bill moved to Committee Stage on 5 February 2014 where it was scrutinised by the ARD Committee until 24 June 2014. Engagement with the ARD Committee on various proposed amendments to the Bill continued until 10 February 2015 and a date is now being sought for consideration stage.

Farm Safety Partnership

DARD, as a partner in the Farm Safety Partnership, works as part of this group to carry out actions to influence future behaviour so that farmers, their families, and their employees are capable, motivated, and able to work safely to reduce accidents on farms.

DARD takes responsibility for a number of actions agreed by the Partnership and works to include farm safety into scheme design for direct support, through the Rural Development Programme, for items that will promote safer working on farms.

DARD provides grant aid to the Health and Safety Executive for Northern Ireland for a multimedia campaign that is highly effective in changing attitudes of farmers to farm safety.

Protecting Against Emergencies

In line with its strategic goals, DARD 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. Business Areas that are involved in emergency planning activities have contingency plans in place which are maintained, updated and tested on a regular basis.

The Department continues to monitor the delivery of the annual Emergency Management Development Programme (EMDP) Action Plan. The overall focus of the EMDP continues to be developing resilience to emergency situations, which could have consequences for the wider public and the operation of Government infrastructure and the environment.

A number of exercises were conducted during 2014-15 to test key communication and co-ordination aspects of contingency plans. These included an All Island Communications Exercise which explored and identified key DARD-DAFM communication, based on a cross-border outbreak of African swine fever. Rivers participated in the Ministry of Defence's Shamrock Responder exercise aimed at testing Military Aid to Civil communities. Forest Service reviewed contingency plans relating to cross-border co-operation on plant health and attended the UK wide Exercise Rubicon.

The Department also conducted a test of the Major Emergency Response Plan (MERP). Exercise "Cibus", held in July 2014, rehearsed DARD's response to a major emergency where DARD is not the lead government department.

Better Regulation

The DARD Better Regulation Advisory Unit (BRAU) continues to provide a strong advisory and co-ordination function across all Departmental business areas to support further progress towards reducing the overall administrative burden on the agri-food sector.

Since the completion of the Northern Ireland Better Regulation and Simplification Review Action Plan, the Department's Better Regulation Unit has been involved in drafting a Digital Strategy and Action Plan for the Department with the aim of simplifying the delivery and range of services available to customers. By providing enhanced digital services with appropriate support the Department will speed up processing and help customers' businesses to succeed. The aim is for simplicity, efficiency and re-use.

The Prime Minister and First/Deputy First Ministers Economic Pact - Building a Prosperous and United Community initiative which was announced in 2013, contains a commitment to conduct a review of Business Red Tape in Northern Ireland. The Department of Enterprise, Trade and Investment (DETI) led review has now reported through an independent panel and DARD has been providing input to DETI on this work.

Work is progressing with DETI colleagues to deliver the strategic vision within the *Going for Growth* report which is linked to an important NI Executive PfG commitment and BRAU has played a key role in liaising with DETI on the overall Northern Ireland Better Regulation Strategy.

Sustainability Report

The Executive's Programme for Government 2008-11 identified sustainability as a cross-cutting theme and stated that building a sustainable future was a key requirement for our economic, social and environmental policies and programmes. DARD was the lead department within the NI Sustainable Development Implementation Plan for strategic objective - Promote Sustainable Land Management.

Sustainability continued to be an underpinning principle of the Executive's Programme for Government 2011-15.

Key actions in 2014-15 included:

- In October 2014, the Executive published its response to the AFSB's *Going for Growth* report. Sustainable growth was identified as one of the key themes within *Going for Growth* and the Executive response welcomed the promotion of sustainability as a cornerstone of the NI brand.

- DARD staff sat on the recently established industry-led AFSB Sustainability sub-group, focussing on sustainability along the supply chain and its impact on brand value.

- In response to the recommendation of the AFSB, an Expert Working Group, which aims to agree an agricultural land use strategy, was established. This Expert Working Group represents a partnership between farmers, environmentalists and government and seeks to recommend a series of practical actions to be implemented on-farm in pursuit of sustainable land management.

- The Sustainable Use of Poultry Litter (SUPL) project continued to be progressed through the launch of the SUPL loan scheme in July 2014. The SUPL project is a joint initiative between DARD, 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 for proof of concept / feasibility stage work and encouraged the technical development of solutions to utilise poultry litter. Phase two of the SUPL loan scheme provides loan funding of up to £12m to co-fund the capital costs of commercial scale demonstrator plants for processing poultry litter.

- Through the enforcement of the Northern Ireland Cross-Compliance requirements for those in receipt of direct agricultural support (including Single Farm Payment), the Department contributed to maintaining land in good agricultural and environmental condition.

- The Department also continued to contribute to improved water quality and better nutrient management by reviewing the Nitrates Action Programme (NAP) and implementing a revised NAP for the period 2015-2018.

- The third tranche of the Manure Efficiency Technology Scheme (METS), which supports better nutrient management, reduced ammonia emissions and improved air quality, was delivered.

- Flood risk and hazard maps and flood risk management plans were developed in compliance with the EU Directive 2007/60/EC on the assessment and management of Flood Risks.

- Following extensive public consultation, a tailored package of Common Agricultural Policy Reform decisions, to meet local needs in supporting sustainable growth within our farming sector, were developed and notified.

- There was a continuing roll-out of the Northern Ireland Rural Development Programme (NIRDP) 2007-2013, including significant investment in economic, environmental, social and industry competitiveness measures. This includes 9,000 participants in agri-environment programmes.

- There was continued development 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.

- 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.

- The Department sought to maintain a high plant health status to protect our agricultural, horticultural and forest industries, as well as the wider environment remains a priority. Significant resource was deployed during 2013-14 and continued in 2014-15 in tackling *Chalara fraxinea*, a fungal pathogen causing ash dieback disease and *Phytophthora ramorum*, a fungus-like pathogen affecting Japanese larch and other common tree and shrub species. Our response included measures to contain the diseases, the implementation of a DARD/DAFM All-Ireland Chalara Control Strategy, meetings with stakeholders to make them aware and capable of taking action in response to plant health threats, continuing to work closely with the industry to monitor and check imports and maintain a high level of intelligence about pest threats among both technical, administrative and research communities. Significant progress has been made in integrating plant health policy and delivery functions within Forest Service. Partnership working with DEFRA and other devolved administrations is contributing to the development of a comprehensive plant health strategy for NI.

- There was continued delivery by the Forest Service of the Woodland Grant Scheme which supported the creation of 208 hectares of new woodland and obtained an income of £9.57 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 all stocks are exploited at the precautionary level of fishing mortality (Fpa) or lower by 2015.

- The Greenhouse Gas Implementation Partnership with industry continued to oversee implementation of the "Efficient Farming Cuts Greenhouse Gases" strategy and action plan, which is focused on lowering the carbon intensity of local food production. Development of Phase Two of the strategy also continued, linked to the development of the 2014-2020 Northern Ireland Rural Development Programme, which will act as a key mechanism to deliver greater implementation of on-farm efficiency measures.

- DARD contributed to the Northern Ireland Climate Change Adaptation Programme which was published by DOE in January 2014. This report identifies a series of actions to be undertaken by the Department, with other Departments where appropriate, to help manage risks associated with the changing climate in respect of, for example, flooding, wildfires, vector borne plant/animal diseases and surveying for outbreaks, resilience of plants and crops to extreme weather conditions, in support of the agriculture sector as it adapts to a changing climate.

- There was sustainable management of the DARD estate through compliance with such measures as the Carbon Reduction Commitment Energy Efficiency Scheme and the Energy Performance of Buildings Regulations.

In addition, the industry-led Agri-Food Strategy Board, appointed by the DARD and DETI Ministers in May 2012, has indentified sustainable growth as one of the over-arching themes of its strategic action plan for the sector and made associated recommendations for government, industry and academia to drive forward this agenda.

The Head of Central Policy Group acts as a Sustainable Development Champion within the Department, ensuring that the sustainability agenda is integrated into the full range of the Department's policies and initiatives.

HQ Relocation

Work is progressing to relocate Fisheries Division to South Down and Forest Service to County Fermanagh by June 2015 and September 2015 respectively. Rivers will relocate to Loughry Campus in County Tyrone in 2016. The remainder of the Departmental headquarters will relocate to new buildings in Ballykelly in two phases. Phase one will see the construction of a 400 workstation building being completed in 2017 with a further phase of around 200 workstations being completed by 2020. The phased approach will allow the necessary time to assess the impact of the new proposed agile working arrangements on workspace requirements for the new headquarters thereby informing the actual size requirement of the further extension in 2020. Final Business Cases (FBC) have been completed for the Forest Service and Fisheries Division relocation projects. Work is ongoing to complete the FBCs for Rivers and Ballykelly projects.

The relocation moves will be managed as individual projects within the programme by their own project team comprising of a Project Executive and Change Manager and these resources will be supplemented by central resources to address common themes across the four projects such as Finance, ICT, EQIA and Project Management. A separate HR project team has been established to ensure that the necessary skilled people are in place to continue to meet DARD business needs.

The overall Programme is being managed by a formal Programme Board which has governance responsibility for the relocations of HQ, Forest Service, Fisheries Division and Rivers. There is also regular consultation with TUS through an established ad-hoc committee.

Health and Safety

The Department is committed to ensuring, as far as reasonably practicable, the health, safety and welfare of all its employees and all others affected by its undertakings and this commitment is detailed in the Departmental Health and Safety policy. The policy is available on D@rdnet. Information and guidance on a wide range of health and safety issues is also available to staff through this site. During the year new guidance has been produced on alerting management to health conditions and managing overtime working. Refreshed guidance has also been provided throughout the year on new and expectant mothers and use of mobile phones while driving on official business.

As risk management, including health and safety risk, is a key function in managing the Department's business performance, Health and Safety Section, in conjunction with Business Area Safety Advisers, have continued working with Business Areas to ensure legal compliance with risk assessment requirements and assist with the introduction of suitable control measures.

Heads of Branches across DARD reported compliance with general risk assessment requirements at the end of March 2015. The compliance levels were scored for the following five groups:

- the mainly office based CPG and CSG,

and the higher risk activities of:

- Rivers,
- Forest Service,

- Veterinary Service and
- Service Delivery Group

The average compliance across these five groups was 98%. This represents a minimal increase in compliance from the 2013-14 figure of 97%. Within the high risk environments of Forest Service, Rivers and Veterinary Service all risk assessments are in place and this reflects extensive awareness of the risks and required controls in these business areas. The compliance level within Service Delivery Group has improved slightly from 93% to 94% and work will continue to identify and train new risk assessors.

There is a continuing commitment to accident reduction and investigations are carried out with the aim of preventing similar accidents in the future. The downward trend in serious accidents has continued with a total of 16 reportable incidents under the Reporting of Injuries Diseases and Dangerous Occurrences Regulations, two less than in 2013/14.

The Department is committed to ensuring that staff receive ongoing health and safety training. Health and Safety Section and Training and Development Unit (TDU) continued to work to improve training delivery and E-learning has been utilised to provide refresher training for DSE assessors across DARD.

The Department continues to have a good health and safety record, reflective of the support of Safety Advisers, Safety Representatives, Trade Union Side, management and staff.

Equal Pay

Following the settlement of the Equal Pay Claims in 2009 which impacted on 1,308 DARD staff, there were two lump sum payments totalling £5,678 to DARD staff in the 2014-15 financial year. There remains 39 staff within DARD who have yet to sign the relevant agreements and receive their lump sum payments which total £26,796.

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 2014-15, 97.76% of bills were paid within this standard (2013-14, 96.77%).

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. Business areas have been informed of the policy and are committed to carrying it out. During 2014-15, 91.93% (2013-14 88.45%) of bills were paid within the 10 day target.

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

The Department's payment performance for 2014-15 is available at the following link:
http://www.accountni.dfpni.gov.uk/nics_prompt_payment_table_2014-2015_march15.pdf

Complaints Handling

DARD 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.

DARD's Quality of Service Complaints Procedure was introduced across the Department and its Agencies on 1 June 2006. The procedures provide for complaints to be dealt with in three Steps if required. Step 1 is for complaints received and dealt with at the point of contact. Step 2 is for those complaints which cannot be resolved at point of contact and require further investigation by a more senior member of staff. Step 3 is for complaints where a resolution cannot be found at either Step 1 or 2 and the case is referred to the Permanent Secretary or Agency Chief Executive for further investigation. This level of complaint will involve the setting up of a panel consisting of three people, one of whom must be independent of the Department, to review the case.

Leaflets and posters which explain to members of the public how to lodge a complaint with the Department are available in DARD 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 DARD 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 18 complaints relating to quality of service received by the Department in 2014-15. The Department will arrange to publish this information on its website during the 2015-16 business year.

Financial Performance 2014-15

Departmental Expenditure Limit (DEL) Outturn against Budget

The Department had a DEL Final Resource Budget of £207.5m and Final Capital Budget of £49.1m for 2014-15.

The Department's 2014-15 Business Plan Target 6 of Goal 5 is:

> *"Provisional Capital and Resource Outturn to be between 98.5% and 100% of the Final Budget."*

There were a number of significant financial challenges faced by the Department in 2014-15; these included the funding of in year cuts of £8.7m, absorbing inflation and achieving an additional £2.4m through Savings Delivery Plans. Despite these challenges, the Department's performance met its financial target with Provisional Capital Outturn of 99.9% and Provisional Resource Outturn of 99.9%.

The resulting underspends, £0.2m in Resource against a budget of £207.5m and £0.1m in Capital against a budget of £49.1m; reflect another strong financial performance for the Department.

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 £29.0m. The Provisional AME Outturn of (£3.5m) resulted in an underspend of £32.5m due to movements in provisions (£9.1m), upward revaluations due to changes in the market value of DARD assets (£3.2m) and an upward revaluation of Forest Service biological assets (£20.4m).

Final Outturn against Estimate

The Department's analysis of net resource outturn by function against the Supply Estimate is detailed at the SOAS2. The underspend of £35.8m (13.1%) is mainly due to movements in provisions and upward revaluations due to changes in the market value of DARD assets; offset by a downward revaluation of Forest Service biological assets.

Staff numbers and costs

During the year the Department employed 2,935 of full time equivalent staff at a cost of £111.7m. Full analysis of staff numbers and related costs are provided at Note 3 to the accounts.

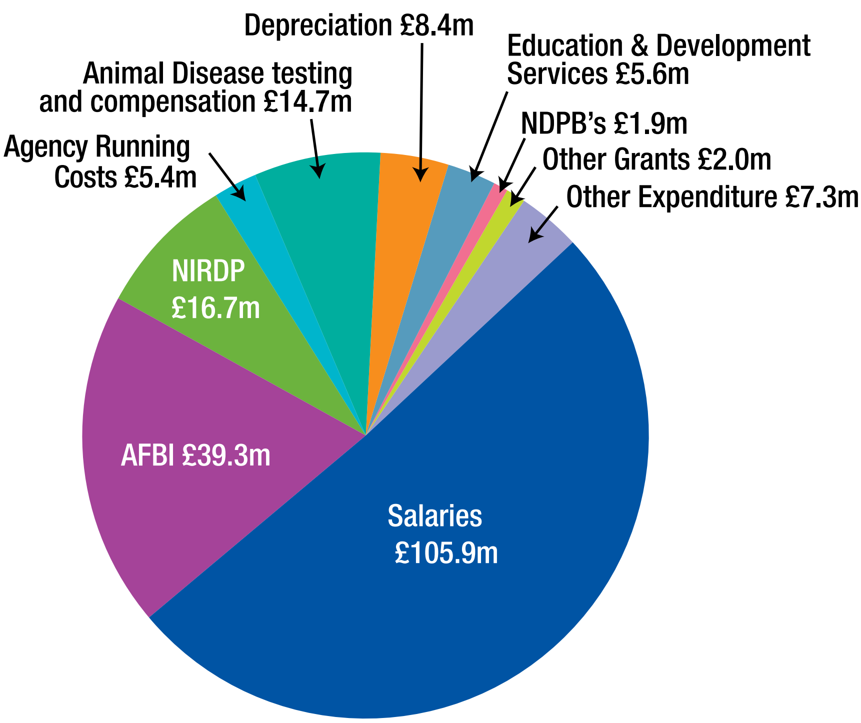
Administration Budget and Outturn

Gross administration costs outturn of £41.6m was within the agreed limit of the final budget of £42.0m. The outturn against the final administration budget is provided at SOAS3.2.

Net Cash Requirement

The Department's net cash requirement outturn was £238.6m against an estimate of £281.5m.

Figure 1 - DARD Resource and Grant Expenditure 2014-15

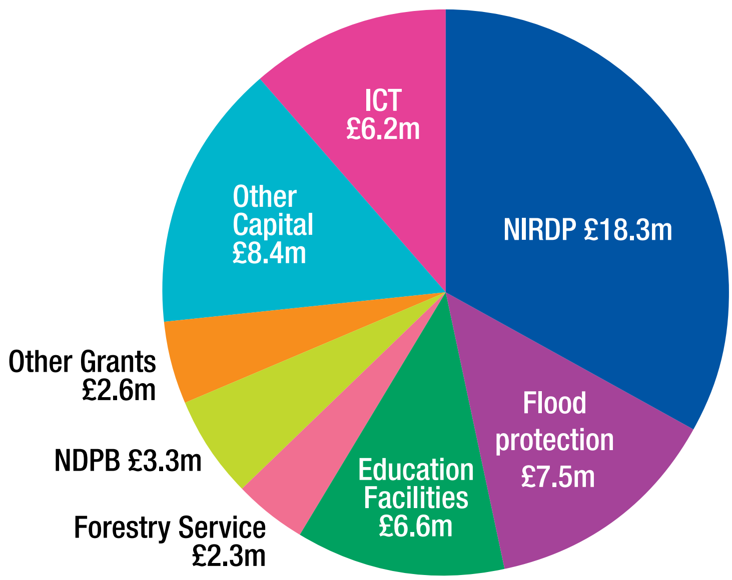


Notes

Single Farm Payment Scheme is fully funded by the European Commission, therefore spend of £265m has been offset by the EU income and therefore 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. NIRDP is shown net of Common Agricultural Policy Disallowance credit of £9.4m.

Figure 2 - DARD Capital and Capital Grant 2014-15



Notes

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

Budget 2015-16

In common with all public sector organisations, the Department faces unprecedented financial pressures. Over the course of the current budget period (2011-2015), the Department will have delivered savings of over £40m and reduced annual resource costs by £14.4m by 2014-15.

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.

DARD Resource Allocation	2015-16 £'000
Administration Expenses	40,357
Administration Receipts	(511)
Other Resource Expenses (including CAP)	467,903
Other Resource Receipts (including CAP)	(317,850)
Administration Non Cash	4,002
Resource Non Cash	11,979
NET RESOURCE	**205,880**

DARD Capital Allocation	2015-16 £'000
Capital	27,305
Capital Receipts	(30)
Capital Grant	10,338
Capital Grant Receipts	(3,232)
NET CAPITAL	**34,381**

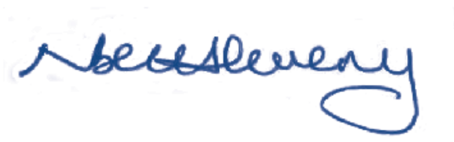
Budgetary Outlook

Given the current economic outlook, further resource budget reductions are anticipated for the remainder of this decade as well as cumulative inflationary pressures. In order to meet this challenge the Department requires a fundamental change to the services it delivers and the mode of delivery.

Work on this change will continue in tandem with work on the next Budget exercise beyond 2015-16. This will include preparing for the formation of the new Department of Agriculture, Environment and Rural Affairs (DAERA). The new Department will comprise all of DARD's existing functions, with the exception of Rivers, along with environmental responsibilities from the Department of the Environment (DOE), Inland Fisheries from the Department for Culture, Arts and Leisure (DCAL) and sustainability strategy responsibility which currently sits in the Office of the First Minister and Deputy First Minister (OFMDFM). The creation of the new department will present an opportunity to develop a number of synergies which exist among the functions that will come together and to work more efficiently. This should not only contribute to the future resource budget reductions that are required but also, ultimately, to provide a better, more cohesive service to citizens.

Reconciliation of Resources Expenditure between Estimates, Accounts and Budgets

DARD Resource Allocation	2014-15 £'000	2013-14 £'000
Net Resource Outturn (Estimates)	**237,495**	**275,966**
Less Capital donations income in the Statement of Comprehensive Net Expenditure	(217)	-
Non-voted expenditure in the Statement of Comprehensive Net Expenditure	15	(345)
Net Operating Cost (Accounts)	**237,293**	**275,621**
Less Capital Grants	(44,160)	(32,502)
Less European Union Income related to capital grants	23,254	19,915
Add Consolidated Fund Extra Receipts (CFERs) in the Consolidated Statement of Comprehensive Net Expenditure	-	-
Less notional inter-departmental charges	(14,766)	(14,895)
Less non-budget grants payable to NDPBs	(41,252)	(47,888)
Less capital donations	217	-
Less non-voted expenditure that is outside the Resource Budget	(15)	345
Add NDPB Resource Expenditure	43,206	43,383
Resource Budget Outturn	**203,777**	**243,979**
Of which:		
Departmental Expenditure Limit (DEL)	207,260	224,315
Annually Managed Expenditure (AME)	(3,483)	19,664



Mr Noel Lavery
Accounting Officer
Department of Agriculture and Rural Development
25 June 2015

Remuneration Report

Departmental Remuneration Report 2014-15

Remuneration Policy

The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a restructured SCS pay settlement broadly in line with the Senior Salaries Review Board report which he commissioned in 2010. The commitment to a Pay and Grading Review for SCS was the second phase of the equal pay settlement approved by the Executive.

Service Contracts

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

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

Further information about the work of the Civil Service Commissioners can be found at:

www.nicscommissioners.org

Salary and pension entitlements

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

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

	2014-15				2013-14			
Ministers	**Salary £**	**Benefits in kind (to nearest £100)**	**Pension Benefits (to nearest £1000)***	**Total (to nearest £1000)**	**Salary £**	**Benefits in kind (to nearest £100)**	**Pension Benefits (to nearest £1000)***	**Total (to nearest £1000)**
Minister Mrs. Michelle O'Neill MLA	38,000	-	12	50	38,000	-	16	54

* 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.

	2014-15					2013-14				
Officals	Salary £'000	Bonus Payments £	Benefits in kind (to nearest £100)	Pension Benefits* £'000	Total £'000	Salary £'000	Bonus Payments £	Benefits in kind (to nearest £100)	Pension Benefits* £'000	Total £'000
Mr N Lavery Permanent Secretary	105-110	-	-	31	135-140	105-110	-	-	95	200-205
Mr G Lavery Senior Finance Director	75-80 (90-95 full year equivalent)	-	-	20	95-100	75-80	-	-	(1,153)	(1075-1070)
Mr D Small Deputy Secretary	85-90	-	-	30	115-120	80-85	-	-	6	85-90
Mr R Huey Deputy Secretary	80-85	-	-	76	155-160	30-35 (80-85 full year equivalent)	-	-	38	65-70
Ms LW Hunter Deputy Secretary	80-85	-	-	53	135-140	20-25 (80-85 full year equivalent)	-	-	5	25-30
Mr G Wilkinson Finance Director	65-70	-	-	19	85-90	60-65	-	-	15	75-80

Mrs T Teague Director of Corporate Services	60-65	-	-	39	100-105	35-40 (60-65 full year equivalent)	-	-	42	75-80
Mr D Russell Non-Executive Director	10-15	-	-	-	10-15	10-15	-	-	-	10-15
Mr F Caddy Non-Executive Director	15-20	-	-	-	15-20	15-20	-	-	-	15-20
Band of Highest Paid Director's Total Remuneration	105-110					105-110				
Median Total Remuneration	27,270					27,284				
Ratio	3.9					3.9				

* 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.

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 MLA during the financial year. Her salary and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in this resource account. These amounts do not include costs relating to the Ministers' role as MLA which are disclosed elsewhere.

Benefits in kind

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2014-15 relate to performance in 2014-15 and the comparative bonuses reported for 2013-14 relate to the performance in 2013-14.

Fair Pay

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 and Rural Development in the financial year 2014-15 was £105,000-£110,000 (2013-14 £105,000-£110,000). The ratio was 3.9 times (2013-14 3.9) the median remuneration of the workforce, which was £27,270 (2013-14 £27,284).

No employees received remuneration in excess of the highest paid director in either year. Remuneration ranged from £16,584 to £87,061 (2013-14: £16,300 to £84,336).

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 (DFP) 04/15 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.

Off Payroll engagements

There were no off payroll engagements at a cost of over £58,200 per annum in place during the financial year 2014-15.

Pension Benefits [Audited Information]

Minister	Accrued pension at pension age as at 31/3/15	Real increase in pension at pension age	CETV at 31/3/15	CETV at 31/3/14**	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Mrs. Michelle O'Neill MLA	0-5	0-1	32	25	4

***The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2009.*

Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2012 (AMPS). The scheme is made under s48 of the Northern Ireland Act 1998. As Ministers will be Members of the Legislative Assembly they may also accrue an MLA's pension under the AMPS (details of which are not included in this report). The pension arrangements for Ministers provide benefits 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.

Benefits for Ministers are payable at the same time as MLA's benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Prices Index. Ministers pay contributions of either 7% 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 21.6% of the Ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65 or immediately on ceasing to be an active member of the scheme if they are already 65.

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 ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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 common market valuation factors for the start and end of the period.

Pension Entitlements [Audited Information]

Officials	Accrued pension at pension age as at 31/3/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/15	CETV at 31/03/14 ***	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr N Lavery Permanent Secretary	25-30 plus lump sum of 20-25	0-2.5 plus lump sum of 0-2.5	522	468	25	-
Mr G Lavery Senior Finance Director	0-5 plus lump sum of 5-10	0-2.5 plus lump sum of 2.5-5	45	21	19	-
Mr D Small Deputy Secretary	35-40 plus lump sum of 110-115	0-2.5 plus lump sum of 2.5-5	719	662	23	-
Mr R Huey Deputy Secretary	25-30 plus lump sum of 80-85	2.5-5 plus lump sum of 10-12.5	550	460	65	-

Ms LW Hunter Deputy Secretary	10-15	2.5-5	188	126	39	-
Mr G Wilkinson Finance Director	10-15	0-2.5	153	132	9	-
Mrs T Teague Director of Corporate Services	20-25 plus lump sum of 60-65	0-2.5 plus lump sum of 5-7.5	312	272	24	-

****The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2009.*

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). 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 increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased 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 are eligible for membership of the nuvos arrangement or they can opt 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 increased annually in line with increases in the CPI.

A new pension scheme, alpha, will be introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements will move to alpha from that date. Members who on 1 April 2012 were within 10 years of their 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 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 increased annually in line with increases in the CPI.

For 2015, public services pensions will be increased by 1.2% for pensions which began before 6 April 2014. Pensions which began after 6 April 2014 will be increased proportionately.

Employee contribution rates for all members for the period covering 1 April 2015-31 March 2016 are as follows:

Scheme Year 1 April 2015 to 31 March 2016

Pay band - assessed each pay period		Contribution rates - classic members	Contribution rates - classic plus, premium, nuvos and alpha
From	**To**	**From 01 April 2015 to 31 March 2016**	**From 01 April 2015 to 31 March 2016**
£0	£15,000.99	3%	4.6%
£15,001.00	£21,000.99	4.6%	4.6%
£21,001.00	£47,000.99	5.45%	5.45%
£47,001.00	£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 3% and 12.5% (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 0.8% 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 will be linked to the members State Pension Age but cannot be before 65. Further details about the NICS pension arrangements can be found at the website:

www.dfpni.gov.uk/civilservicepensions-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 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 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.

Compensation for loss of office

No compensation has been paid to senior officers by the Department during the year for loss of office.

Mr Noel Lavery
Accounting Officer
Department of Agriculture and Rural Development
25 June 2015

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act (NI) 2001, DFP has directed the Department of Agriculture and Rural Development 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 and Rural Development 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* 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.

DFP has appointed the Permanent Head of the Department as Accounting Officer of the Department of Agriculture and Rural Development. 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 and Rural Development's assets, are set out in the Accounting Officers' Memorandum issued by DFP and published in Managing Public Money Northern Ireland.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

Governance Statement

This is the Annual Governance Statement for the Department of Agriculture and Rural Development (DARD) 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 during the financial year 1 April 2014 to 31 March 2015.

DARD 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 DARD, I have responsibility for maintaining a sound system of internal control that supports the achievement of DARD 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 Agency 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 DARD's governance and accountability arrangements to remediate 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 DARD'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 2015, and up to the date of approval of the Annual Report & Accounts, in accordance with HM Treasury and DFP guidance.

The Chief Executive of the Forest Service was Agency Accounting Officer during the past year, and was directly responsible to me for his Agency's performance and operations during the year. I re-integrated the Rivers Agency back into the Department as a Core Division with effect from 1 April 2014.

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). During the 2014-15 financial year, I improved the Stewardship Reporting process by introducing an additional requirement for Senior Officers to provide me with a Certificate of Assurance, reporting between the mid and year-end reports.

The Departments Corporate Governance Framework is available via the following link:

http://www.dardni.gov.uk/corporategovernanceframework

Departmental Board

As Accounting Officer, I am supported in the discharge of my role and responsibilities by the Departmental Board (DB) of six senior officials, and two 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 two 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 2014-15, no declared interests were deemed to conflict with the conduct of Board business.

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.

Attendance of Board Members		Meetings Attended (11)
Mr N Lavery	Permanent Secretary	10/11
Mr G Lavery	Senior Finance Director	9/11
Mr D Small	Service Delivery Group (responsible for the College of Agriculture, Food and Rural Enterprise (CAFRE), Rural Payments Division (RPD), Rural Development Division (RDD) and European Union Compliance Division (EUCD))	10/11
Mr R Huey	Chief Veterinary Officer (responsible for Veterinary Service)	11/11
Ms L Warde Hunter	Central Policy Group (responsible for Policy and Economics; Food, Farming and Environmental Policy; Animal Health and Welfare Policy; Fisheries, Climate Change & Renewable Energy; and Science, Evidence and Innovation Policy)	11/11
Mrs T Teague	Director of Corporate Services	11/11
Mr G Wilkinson	Finance Director	10/11
Mr D Russell	Independent Board Member	11/11
Mr F Caddy	Independent Board Member	10/11

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; and
- ensure the Department has the capability to plan and to deliver to meet current and future needs.

The main areas of responsibility for the Board are:

- signing off Budget submissions and Monitoring Round submissions to DFP;
- 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 DFP'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).*

In February 2015 members completed a Self Assessment Questionnaire which rated members' views on the relative strengths of 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. Areas for further review were identified and these have been incorporated into an Action Plan.

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

At present 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 and Personnel, issued primarily as Dear Finance Director or Dear Accounting Officer letters. All transaction records are provided from the Account NI shared service system. Accordingly the Board considers that it can take assurance as to the quality of the data it uses to inform decision-making.

Committees of the Departmental Board

The Board has established the Audit and Risk Assurance Committee (ARAC) and the Change Management Board (CMB) to oversee and provide advice on specific areas of work. In addition, it has recently been agreed to establish a Finance Sub-Committee of the Board. In addition, a sub-group of the Department's Top Management Group (TMG) has been put in place to consider the staffing issues facing the Department as a consequence of the budget process.

In compliance with the "Corporate Governance in Central Government Departments: Code of Good Practice NI (2013)", all DARD 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 consists of DARD Deputy Secretaries and Directors of Finance, Corporate Services, Digital Services and Change. The CMB met four times in 2014-15.

Audit & 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.

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 DARD Independent Board Members and one independent external member; Deborah McNeilly, Department of Regional Development; 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. No new strategic risks were indentified during 2014-15. Risks which materialised are identified below in relation to significant and other control issues and concerns raised by Internal Audit.

During the past year ARAC held four formal meetings, as well as conducting a number of special meetings, at Interim and Final Accounts stages, to provide me with the level of assurance that I require before signing the Accounts. The ARAC Chairman also held separate bi-lateral meetings with myself as DARD's Permanent Secretary, the Northern Ireland Audit Office and with DARD Internal Audit Branch. All ARAC meetings are attended by DARD Senior Officers along with representatives from DARD's Finance Division, ARAC Secretariat, and Senior officers from DARD Business areas, as required.

ARAC met on 20 May, 23 September and 18 November 2014, and on 17 February 2015. In addition the Committee also held special meetings on 24 May and 27 June 2014 to discuss the DARD Annual Report and Accounts 2013-14, and a meeting was held on 12 January 2015 to review DARD EU Accounts for EAGF/ EAFRD.

Attendance of ARAC Members		Meetings Attended (7)
Mr D Russell	Independent Board Member	7/7
Mr F Caddy	Independent Board Member	7/7
Mrs D McNeilly	Independent external member	5/7

Annual Forum for DARD's ALB Audit Committee Chairs

In compliance with the Department's Arms Length Body (ALB) Sponsorship Manual, the Chair of ARAC, organised an annual forum for DARD's ALB Audit Committee Chairs, to enable the respective Chairmen to meet and discuss common matters of interest and share best practice. As Accounting Officer, I attended this event and took the opportunity to circulate any lessons learned from recent activity, to ensure that ALB governance is appropriately prioritised. Both NIAO and Internal Audit also addressed the event, providing useful narrative on key governance issues, including Conflict of Interest and managing budget pressures and priorities.

ARAC Annual Report

The Chairman has also provided me with his ARAC Annual Report which summarises the work for the year, and has provided 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.

During the year the RRG made a number of recommendations on the risk assessments to be applied to DARD's Key Risks. Following each RRG meeting, the Corporate Risk Register was submitted to DB by the Finance Director and confirmation was also provided, as required, in respect of any new or emerging risks identified by business areas.

In year the chair of RRG, introduced the consideration of potential "Black Swan" Events on the agenda for each meeting. These are exceptional and unusual events i.e. single unforeseen circumstances which might occur at any point in the future that have not been considered as part of our normal risk assessment procedures. During 2014-15 significant work carried out in relation to the Department's wide family of emergency plans, including the Major Emergency Response Plan (MERP).

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.

During 2014-15, Central Investigation Service (CIS) continued to fulfil its commitments to investigate all cases of suspected fraud and irregularity referred for investigation. Responsibility for fraud investigations transferred to a new Group Service anchored in DFP, with effect from 1 April 2015.

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. Fraud awareness workshops were delivered, as required, to raise staff awareness of the standards of conduct, their personal responsibilities and the importance of compliance with control procedures in preventing fraud. In October 2014, the outcome of a staff fraud survey on the effectiveness of counter fraud activities indicated a high level of awareness amongst staff.

The DARD Fraud Hotline Telephone Number Poster campaign (year 1) evaluation indicated a positive response, the number of disclosures increased in comparison to previous campaigns. Business areas have completed and reviewed fraud risk assessments for all existing financial schemes, and where new financial schemes are being developed they will be fraud proofed before claims are paid.

Paying Agency Accreditation Committee

To ensure compliance with EU rules and Regulations and to monitor the implementation of CAP schemes DARD 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. DARD Directors also submit annual Stewardship Reports to the Head of the Paying Agency. In addition, a PAAC representative reports to the UK Accreditation Compliance Committee to ensure a consistent approach to Paying Agency requirements across the UK Member State.

Under EU legislation, CAP funded European Agricultural Guarantee Fund (EAGF) and European Agricultural Fund for Rural Development (EAFRD) payments can only be made 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 DARD'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 2014 EAF accounts were presented to the Agricultural Fund Committee, early May 2015 and cleared by the Commission on 28 May, ahead of the Regulatory deadline of 31 May.

Finance Sub-Committee

The Finance Sub-Committee of the Departmental Board met for the first time on 13 May 2015 and is chaired by the Senior Finance Director. It will be responsible for considering a wide range of strategic financial issues.

Risk and Control Framework

The Department's approach to risk management is objective driven. Our Aim and Strategic Goals, 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 DARD's systems and procedures. The DARD 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 2014-15 incorporating: the potential for EC Disallowance; funding to meet business needs; the governance and accountability of AFBI; information management and communications; serious animal and plant disease; flooding; procurement of the new NI Food Animal Information System (NIFAIS); delivery of published targets and commitments; and inadequate staff resources due to the Voluntary Exit Scheme and HQ relocations. 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 DARD'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 Group (TMG) meetings;
- assurances received from ARAC;
- 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, including Arms Length Body sponsor branches, provide quarterly and annual assurance statements that effective risk management arrangements are in place. This is in addition to the assurances I require confirming there is robust governance over a range of other specific areas.

Information Risk

Cabinet Office guidance on the control and security of information and data requires the management of information risk to explicitly feature in an organisation's Governance Statement. I ensured that information assurance is actively managed as one of the Key Risks on DARD's Corporate Risk Register. Key sources of information assurance for DARD 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 DARD 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 DARD completes a Security Risk Management Overview report, which provides further information assurance, for the Head of the Civil Service.

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 2014-2015 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 and Personnel (DFP) on the various components of Enterprise Shared Services. These include Account NI 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 and Personnel 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 Ministerial Directions are formally notified to DFP and to the Comptroller and Auditor General.

During the year Ministerial Directions were issued in respect of the following:

HQ Relocation (reported in previous years)

On 26 June 2014 the First and Deputy First Minister formally approved the Minister's Urgent Decision in relation to the Relocation of DARD Headquarters.

The current position in respect of the PfG commitments relating to HQ Relocation is detailed in the Strategic Report.

Area of Natural Constraint / Transitional Payment to Disadvantaged Areas

A Ministerial Direction was issued in August 2014, in order to implement, (a) an Areas of Natural Constraint (ANC) scheme for two years (2016 and 2017); and (b) a transition payment for farmers in disadvantaged areas (TPDA) for one year (2016) at a cost of c£42m.

This Ministerial Direction was issued because analysis of the impact of the intervention concluded that these two schemes would not provide good value for money. The value of the ANC Scheme over two years is likely to be up to £40 million and the transition payment is likely to be worth up to £2.1 million (both schemes are subject to budget availability). These schemes will be delivered by DARD Service Delivery Group.

Financial support to farmers operating in areas that are difficult to farm due to the combination of biophysical conditions (i.e. soil types, slope, altitude, high rainfall, etc.) is a long standing component of EU agricultural policy. In Northern Ireland, these constrained areas are designated as the Less Favoured Area (LFA). Within this there are two sub-divisions - the Disadvantaged Area (DA) and the Severely Disadvantaged Area (SDA) - reflecting the severity of the disadvantage. Within the Severely Disadvantaged Area, farming is limited primarily to beef and sheep production.

Background to ANC:

The average farm business income on beef farms in the SDA recorded in the Farm Business Survey 2012-13 was only £12,200 (compared with an average of over £34,000 on lowland dairy farms). Farms in the SDA face low incomes and have limited alternative farming options because of the biophysical constraints under which they operate.

CAP Reform added to the challenges for farms (particularly beef holdings) over the coming few years as the overall agricultural support budget is redistributed in the transition to a flat rate payment regime. This offers a rationale for providing additional income support to farms operating in these most challenging conditions. The EU Rural Development Regulation provides the option of delivering such support via an ANC measure.

Background to TPDA:

This relates to the development and implementation of a transitional payment to the disadvantaged areas for claim year 2015 under State Aid de-minimis rules at a cost of no more than £2.1m. A revised Ministerial Direction was issued in January 2015 to bring forward the transition payment for farmers in disadvantaged areas to 2015 from 2016 and determine that eligibility for, and the level of, this payment shall be based on successful applications made by individual farmers in 2014 to the 2014-15 Less Favoured Area Compensatory Allowances (LFACA) Scheme.

Under the new EU ANC policy framework, farmers in the Disadvantaged Area who previously qualified for support under the outgoing LFACA Scheme will no longer receive such support. The Minister, with the agreement of the First Minister and deputy First Minister on behalf of the Executive directed me to make a one year transition payment under State Aid *de minimis* rules to those farmers who will no longer be eligible for support from the new Rural Development Programme.

The TPDA payment is designed to cushion the loss of a support payment previously received, not the loss a potential future payment. The original proposal envisaged inviting fresh applications in 2015 from affected farmers abiding by the eligibility conditions of the new Areas of Natural Constraint Scheme operating in 2015-16. Therefore, this would have been a less accurately targeted approach and less in keeping with the concept of a transition payment, as farmers could well be claiming on a different area of disadvantaged land in 2015 compared with 2014 and under a revised set of conditions.

As the claimants to the TPDA Scheme are those that previously qualified for the LFACA Scheme in the Disadvantaged Area, the slight revision to the Ministerial Direction did not affect this number. Any impact on the distribution of funds could only be defined in terms of those farmers who may have changed their area claimed in 2015 compared with the previous year (and this is, de facto, unknown).

Test and Vaccinate or Remove

The new Test and Vaccinate or Remove Wildlife Intervention Research Project commenced following a Ministerial Direction on 1 May 2014. The Project, valued at approximately £1.5m per annum, is to run for the five year period 2014-2018. Implementation of the TVR Wildlife Intervention Research Project is undertaken by the Veterinary Service, with AFBI providing the necessary laboratory and analytical support. A Memorandum of Understanding between DARD and AFBI for the TVR Project is being finalised. No additional financial funding is needed for the TVR Project as all costs, except Veterinary Service field staff salaries, are to be met from existing TB Branch budgets. It should be noted that three years of the TVR project will be in the next CSR period. The TVR Project was operational on the ground from 27 May 2014 and is ongoing.

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 (SRO) 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 SRO's are required to proactively report any weakness in the Department's systems of internal control through the stewardship and risk management reporting process. This will include the identification of any control weaknesses relating to the Department's ALBs. 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 2014-2015.

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;
- 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 2014-15, the Annual Internal Audit report provided a satisfactory opinion. The opinion of DARD Internal Audit Branch (IAB) was based on the results of 60 Final Reports and two Draft Reports. 54 of these reports had positive opinions, three had 'limited' opinions (one draft report also has a "limited" opinion but is not listed below as it was an issue of low materiality) and there were three Special Exercises (where no opinion was relevant).

Key issues reported by DARD IAB over the period

Limited Opinions 2014-2015

Article 31 Return (Commission Regulation (EC) No. 65/2011) - a 'limited' opinion had been provided in 2013-14 due to ongoing issues in relation to the completeness and accuracy of the Article 31 Report in relation to Land Based and Forest Service schemes. Significant improvements were noted in the 2013 Article 31 return however a "limited" opinion was provided mainly due to the continuing absence of the necessary statistical detail on Agri-Environment legacy schemes (Report dated 5 December 2014). Management prepared a paper for the Head of the DARD Paying Agency detailing the context, mitigations and corrective actions (proposed and already carried out). The Head of the Paying Agency consequently agreed that it was acceptable to continue to deliver the legacy schemes under current arrangements and in accordance with the recommendations contained within the Internal Audit report.

Overtime and Allowances

Internal Audit carried out a special exercise of overtime and allowances during 2014-15. This was a cross-Departmental review which covered the period April 2013 - March 2014, Final Report dated 11 February 2015. Concerns were expressed about the ongoing cost of overtime and allowances to the Department. While the business need for such arrangements was acknowledged there were however a number of recommendations made in relation to the effective monitoring and review of such arrangements. A comprehensive follow-up review has been scheduled in early 2015-16 to ensure that there is robust and evidence-based implementation of relevant recommendations.

Business cases

While a “limited” opinion has been provided, this report is currently at draft stage awaiting formal management responses and may therefore change. The key findings of the current version of the report relate to NIGEAE guidance not being adequately applied and slippage in the preparation of some business cases under the CAP Reform Programme (Draft Report dated 19 March 2015).

Follow-up of Previous Limited Audit Opinions

Manure Efficiency Technology Scheme (METS), Tranche 2 EAFRD Measure 1.3) - a ‘limited’ opinion had been provided in 2013-14 due to non-compliance with Letter of Offer conditions for two projects. A follow-up review was performed in 2014-15 and a “substantial” opinion was provided (Report dated 8 December 2014).

Follow-up Reviews of EAFRD Measures 3.3 and 3.4 - a ‘limited’ opinion had been provided in 2013-14 due to inadequate monitoring of projects within the two Joint Council Clusters (JCCs) reviewed. A follow-up review was performed of all Axis 3 monitoring arrangements in 2014-15 and a “satisfactory” opinion was provided (Report dated 13 January 2015).

Forest Service - EAFRD Measures 1.3, 2.3 and 2.4
A ‘limited’ opinion had been provided in 2013-14 due to ongoing regulatory compliance issues and the number of previous recommendations not implemented. The Head of the DARD Paying Agency however decided to accept the related risks due to the nature of scheme operations and the materiality of the expenditure involved. A follow-up review was performed and a satisfactory opinion was provided (Report dated 2 April 2015).

Significant internal control issues

Budget Outlook

The current and future outlook for public expenditure will result in significant changes to the services the Department delivers and associated internal structures. The 2015-16 financial year will see a transition towards this new operating model while also delivering Savings Plans of £29.9m.

Through the implementation of the Voluntary Exit Scheme (VES), we plan to reduce the current staffing levels by approximately 300 during 2015-16, subject to funding available for the Scheme and the response from staff. In addition, there will be a migration of staff from DOE, DCAL and OFMDFM under the NICS Departmental restructuring proposals.

This period of transition will result in a potential increase in risk associated with internal control, given the loss of corporate memory and business specific skills, while the delivery of Savings Plans of £29.9m will also carry its own risks.

I have put in place a number of teams dedicated to managing these projects and taking account of the level of budgetary pressures faced a Finance Sub-Committee of the Board has been established.

Agri-Food & Biosciences Institute (AFBI)

AFBI has a requirement to deliver savings of £4m in 2015-16 and also absorb a range of other additional financial pressures. The Department continues to work with AFBI to re-define the strategic direction of the organisation. As part of this process, AFBI is seeking to exit up to 200 staff via a Voluntary Exit Scheme in 2015-16.

The NIAO has been advised by DARD of a small number of AFBI short term contracts where the ending of the contract has led to expenditure on redundancy payments which have been deemed irregular. Work is currently ongoing with AFBI to fully assess the extent of this issue and to have in place the necessary processes and approvals to avoid future instances of irregular expenditure in this regard.

A substantial settlement was reached in respect of a claim for Royalties on a patent associated with AFBI. This is the final case to be settled from a number of similar claims. Payments relating to these Royalty settlements are scheduled to continue until May 2018, when the patent runs out. The terms of the settlements are confidential between the parties. AFBI had the necessary budget cover in place to make payments due to date and will make a provision for future payments out to May 2018.

Area Aids Disallowance

The European Commission wrote on 30 October 2014 to indicate that the proposed financial corrections (disallowance) for the area - based schemes in the years 2010, 2011 and 2012 will in practice amount to zero for Pillar 1 (Single Farm Payment) and €2.6m for Pillar 2 (LFACA and agri-environment schemes). The decision was formalised at the Agricultural Funds Committee (AFC) in May 2015.

The financial corrections proposed by the Commission in their letter of 30 October amount to €14.4m. However, following notification to the Commission of amounts DARD had recovered in respect of SFP (€12.4m) the net financial correction for these years is €2.6m.

The approach taken by the Commission in relation to disallowance for 2010-2012, is a positive recognition by the Commission of the major change that has taken place in the Department's Integrated Administration and Control System control regime since 2009. The work carried out under the EU Audit Compliance Programme has led to a combination of factors coming together to reduce the disallowance.

The 2013 scheme year rate of disallowance is 3.94% and has been accrued by the Department at £8.7m. The 2014 scheme year rate of disallowance is estimated at 3.90%, against which the Department has accrued a further £8.6m in disallowance costs for 2014-15. Both of these amounts are included in Note 17.

The Department has provided £2.0m for CAP disallowance for the 2013 and 2014 LFA claim years (based on the 2013 claim year risk to the fund rate of 7.05%) and £1.3m for Agri-environment schemes for years 2013 to 2015 years (based on a flat rate of 5%). These amounts are included in the Provisions note, Note 18.

Other control issues reported

Procurement of replacement for APHIS

During the year there was a very significant Single Tender Action (STA) in relation to an extension of the APHIS contract (up to £6.8m). The Outline Business Case for the replacement for APHIS has been accepted by DFP and procurement initiated. APHIS is the Department's computerised system of animal identification and disease control. It has for many years been pivotal to the delivery of Veterinary Service's programmes, and the export assurances for live animals and meat which are essential to *Going for Growth*. Because APHIS is such a complex system, the Competitive Dialogue process is being used for the procurement. The NIFAIS (Northern Ireland Food Animal Information System) Programme which is taking this procurement forward is now in dialogue with suppliers and is on track for an Award of Contract in 2015-16.

Recovery of National Insurance Contributions (NIC) from self employed Private Veterinary Practitioners (PVP's)

HMRC has suggested that some Private Veterinary Practitioners (PVP's), may be considered by them to be employees of the Department, rather than engaged as self employed vets. DARD has paid £2.1m, which is the full amount of employer and employee contributions for the six year period 2008-09 to 2013-14. In addition, a further £420k has been paid for 2014-15. These payments have been made on a 'without prejudice' basis until such times as a final decision is made on the matter. Specialist tax advisers have been appointed to arbitrate with HMRC on the issue of employment status and we await the outcome.

NIAO /PAC issues reported

Agri-Food & Biosciences Institute (AFBI)
Public Accounts Committee Recommendations / NIAO Value for Money Review

In 2013-14 the Department provided a memorandum of response in respect of the NIAO report on AFBI to the Public Accounts Committee (PAC). In response I tasked an internal team with specific instructions to take forward all necessary actions through a formal Action Plan in order to address the PAC recommendations and comments, and to report back to the PAC in a timely fashion. Progress on the action plan was reported at each ARAC meeting in year. Work is continuing on the remaining commitments and these are monitored every quarter by the Departmental Audit and Risk Assurance Committee.

Modiolus

In year the NIAO published its report on Strangford Lough. The Department has worked with the DOE to implement a revised Modiolus Restoration Plan for Strangford Lough. This had been produced as a result of a complaint made to the European Commission by the Ulster Wildlife Trust (UWT) regarding the restoration of horse mussels within the Lough. It led to the Commission opening a pilot case. The preparation of this revised plan had been informed by ongoing dialogue with key stakeholders and with officials in the European Commission and comprises three broad components: Protection, Intervention and Monitoring. The Commission has recently advised the UWT that it is satisfied that the proposed modiolus restoration plan, if delivered, means DOE and DARD will be meeting their obligations under the Habitats Directive and have proposed, subject to the agreement of the complainant, that it will not proceed with infraction and will close the pilot case.

Farm Inspections

During the year, a Value for Money (VFM) review was completed in respect of Farm Inspections; the Department has accepted the NIAO's recommendations in respect of this study and is working towards their implementation.

Information / Data Losses

There was an inadvertent release of data in February 2015 when two separate emails were sent to two different cohorts of current students. The personal email address data was released when the student email address was included in the distribution list (use of the "To:" field) and not the "BCC" field. The email address data was subsequently visible to all third party recipients.

The matter was reported to the Information Commissioner who decided to take no action on the basis that policies, procedures and mandatory staff training had been put in place and, as part of the remedial measures, the policy which prohibits staff from sending bulk emails to customers using a distribution list was again circulated to all members of staff within DARD.

Conclusion

As Accounting Officer, other than the specific control issues referred to above, I am satisfied that the Department has an effective governance structure and is operating to a high standard of integrity and probity. In signing this report I have taken assurances from the Departmental Audit and Risk Assurance Committee and I will continue to monitor internal audit, Northern Ireland Audit Office and Public Accounts Committee recommendations to ensure that all issues are addressed.

Noel Lavery

Noel Lavery
Permanent Secretary
Department of Agriculture and Rural Development
25 June 2015

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

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 and Rural Development for the year ended 31 March 2015 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayer's Equity and related notes. I have also audited the Statement of Assembly Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report 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 examine, 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 Annual 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 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 reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Basis for qualified opinion on regularity arising from EU Commission disallowances of £17.3 million

The Department has accrued expenditure of £17.3 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 govern it, being the EU regulations, and is therefore irregular.

Qualified opinion on regularity

In my opinion:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and

- except for £17.3 million disallowances expenditure accrued in the Department's resource accounts, in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2015 and of its net operating costs, cash flows, and changes in taxpayers' equity 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 and Personnel directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and

- the information given in the Annual Report including the Director's Report, the Strategic Report and the unaudited part of the Remuneration 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 part of the Remuneration 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 and Personnel's guidance.

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

Kieran J Donnelly

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
29 June 2015

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

Statement of Assembly Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires DARD to prepare a Statement of Assembly Supply (SOAS) and supporting notes to show resource outturn against the Supply Estimate presented to the Assembly, in respect of each request for resources.

Summary of Resource Outturn 2014-15

								2014-15	2013-14
				Estimate			Outturn	Net total outturn compared with Estimate: saving/ (excess)	Outturn
Request for Resources		**Gross Expenditure**	**Accruing Resources**	**Net Total**	**Gross Expenditure**	**Accruing Resources**	**Net Total**		**Net Total**
	Note	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Request for Resources A	SOA S2	615,030	(341,695)	273,335	573,657	(336,162)	237,495	35,840	275,966
Total resources	**SOA S3**	**615,030**	**(341,695)**	**273,335**	**573,657**	**(336,162)**	**237,495**	**35,840**	**275,966**
Non-operating cost Accruing Resources		**-**	**-**	**443**	**-**	**-**	**434**	**9**	**58**

Net Cash Requirement 2014-15

				2014-15	2013-14
		Estimate	**Outturn**	**Net total outturn compared with Estimate: saving/ (excess)**	**Outturn**
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Net cash requirement	SOAS4	281,544	238,583	42,961	249,502

The notes on pages 92-100 and pages 108-156 form part of these accounts.

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).

		2014-15 Forecast		2014-15 Outturn	
	Note	Income £'000	Receipts £'000	Income £'000	Receipts £'000
Total	SOAS5	-	-	-	-

Explanations of variances between Estimate and outturn are given in Note SOAS2 and the Financial Review.

Notes to the Departmental Resource Accounts (Statement of Assembly Supply)

SOAS1 Statement of accounting policies

The Statement of Assembly Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The Statement of Assembly Supply accounting policies contained in the FReM are consistent with those set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates in Northern Ireland Guidance Manual.

SOAS1.1 Accounting convention

The Statement of Assembly Supply and related notes are presented consistently with Treasury budget control and Supply Estimates in Northern Ireland. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Assembly Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Assembly authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The notes on pages 92-100 and pages 108-156 form part of these accounts.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOAS1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as detailed below.

SOAS1.aa PFI and other Service Concession arrangements

The National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off balance sheet treatment. There were no PFI or other Service Concession arrangements in 2014-15.

SOAS1.ab Prior Period Adjustments (PPAs)

PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the Department, need to be voted by the Assembly in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments to previous years. (PPAs resulting from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.) There were no PPAs in 2014-15.

SOAS2 Analysis of net resource outturn by function

						2014-15 Outturn			2014-15 Estimate	2013-14 Outturn
	Admin £'000	Other Current £'000	Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net Total outturn compared with Estimate £'000	Net total outturn compared with Estimate adjusted for virements £'000	Prior-year outturn £'000
Request for Resources A: - Promoting sustainable development of the agri-food industry and the countryside and stimulating the economic and social revitalisation of rural areas; reducing the risk to life and property from flooding; promoting sustainable development of the sea fishing and aquaculture industries; and managing, protecting and expanding forests in a sustainable way.										
Departmental Expenditure in DEL:										
1. Service Delivery Group	23,113	58,967	22,519	104,599	(5,167)	**99,432**	**100,754**	**1,322**	**106**	114,111
2. Veterinary Service	4,612	55,584	-	60,196	(13,994)	**46,202**	**45,797**	**(405)**	**411**	41,556
3. Central Policy Group	10,494	6,300	3,955	20,749	(8,596)	**12,153**	**12,048**	**(105)**	**35**	11,365
4. Rivers	2,116	16,322	-	18,438	(537)	**17,901**	**18,048**	**147**	**43**	19,043
5. Forest Service Agency	1,312	15,621	307	17,240	(9,424)	**7,816**	**7,585**	**(231)**	**133**	5,570
6. Common Agricultural Policy	-	269,800	26,856	296,656	(296,661)	**(5)**	**-**	**5**	**5**	-
7. EU Community Initiatives	-	-	2,378	2,378	(1,783)	**595**	**617**	**22**	**22**	506

The notes on pages 92-100 and pages 108-156 form part of these accounts.

						2014-15 Outturn		2014-15 Estimate		2013-14 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
Annually Managed Expenditure										
8. Flood Protection	-	10,496	-	10,496	-	**10,496**	**10,000**	**(496)**	**-**	8,999
9. Forest service timber	-	(15,373)	-	(15,373)	-	**(15,373)**	**5,000**	**20,373**	**19,876**	13,346
10. Provisions	-	3,499	-	3,499	-	**3,499**	**11,948**	**8,449**	**8,449**	275
11. Revaluations Due to Changes in Market Values	-	(1,328)	-	(1,328)	-	**(1,328)**	**1,900**	**3,228**	**3,228**	**(1,674)**
12. Central Policy Group Fisheries	-	89	-	89	-	**89**	**88**	**(1)**	**-**	**86**
13. Settlement of NICS Equal Pay Claims	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**
Non-Budget:										
14. Agri-Food and Biosciences Institute	-	-	39,029	39,029	-	**39,029**	**40,501**	**1,472**	**1,472**	**45,755**
15. The Loughs Agency of the Foyle, Carlingford and Irish Lights Commission	-	-	2,223	2,223	-	**2,223**	**2,223**	**-**	**-**	**2,133**
16. Notional Charges	14,766	-	-	14,766	-	**14,766**	**16,826**	**2,060**	**2,060**	**14,895**
Total	**56,413**	**419,977**	**97,267**	**573,657**	**(336,162)**	**237,495**	**273,335**	**35,840**	**35,840**	**275,966**

The notes on pages 92-100 and pages 108-156 form part of these accounts.

Explanation of variance between Estimate and Outturn

The main reasons for the underspend of £35.8m are as follows:

i. The Service Delivery Group underspend of £1.3m is largely due to reduced salary costs and grant spend being less than estimated.

ii. Flood Protection spend represents depreciation charge on revalued asset costs and due to its variable nature it is classified as AME. Spend is £0.5m higher than the estimate of £10m.

iii. The Forest Service Timber underspend of £20.4m 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.

iv. Provisions were made in the Estimates for total CAP Disallowance of £12.0m. The actual position was to accrue Single Farm Payment Disallowance and provide for Disallowance on Less Favoured Area and Agri-Environment payments.

v. DARD Property, Plant and Equipment are revalued annually in line with IAS 16. The estimate includes a revaluation downwards of £1.9m but the actual revaluation was £1.3m upwards (increase in value) generating a total variance of £3.2m.

vi. AFBI spend is non-budget and represents cash spend. The variance of £1.5m is due to cash timing differences.

vii. Notional costs in IT, Telecoms infrastructure and Accommodation costs were less than estimated, resulting in an underspend of £2.1m.

The notes on pages 92-100 and pages 108-156 form part of these accounts.

SOAS3 Reconciliation of outturn to net operating cost and against Administration Budget

SOAS3.1 Reconciliation of net resource outturn to net operating cost

				2014-15	2013-14
	Note	Outturn £'000	Supply Estimate £'000	Outturn compared with Estimate £'000	Outturn £'000
Net Resource outturn (Note a)	SOAS2	237,495	273,335	35,840	275,966
Non-supply income (CFERs)	SOAS5	-	-	-	-
Unrealised exchange (gain)/loss (Note b)		15	-	(15)	(345)
Capital donations income (Note c)		(217)	-	217	-
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure (Note a)		**237,293**	**273,335**	**36,042**	**275,621**

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 - Capital Donations income represents a transfer from AFBI to DARD.

SOAS3.2 Outturn against final Administration Budget

		2014-15	2013-14
	Budget £'000	Outturn £'000	Outturn £'000
Gross Administration Budget	42,029	41,647	40,933
Income allowable against the Administration Budget	(783)	(1,492)	(1,572)
Net outturn against final Administration Budget	**41,246**	**40,155**	**39,361**

The notes on pages 92-100 and pages 108-156 form part of these accounts.

SOAS4: Reconciliation of Net Resource Outturn to Net Cash Requirement

				2014-15
	Note	Estimate £'000	Outturn £'000	Net Total outturn compared with Estimate: saving/ (excess) £'000
Resource Outturn	SOAS2	273,335	237,495	35,840
Capital:				
Acquisition of Property, Plant and Equipment	7, 8	25,389	24,968	421
Non-operating Accruing Resources				
Proceeds of asset disposals		(443)	(180)	(263)
Accruals to cash adjustments				
Adjustments to remove non-cash items	*4, 5*			
Depreciation	4.5	(25,127)	(18,533)	(6,594)
New provisions, and adjustments to previous provisions	5	(11,948)	(3,564)	(8,384)
Other non-cash items		(16,826)	1,927	(18,753)
Changes in working capital other than cash		36,500	(4,897)	41,397
Use of provision	18	664	1,367	(703)
Net cash requirement		**281,544**	**238,583**	**42,961**

Explanation of variance between Estimate and Outturn

The variance of £42.9m mainly reflects the need to have cash cover in place in the event that accrued CAP disallowance liabilities in respect of the 2010 to 2012 scheme years fell due for payment in the year.

The notes on pages 108-156 form part of these accounts.

SOAS5: Income Payable to the Consolidated Fund

SOAS5.1: Analysis 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).

		Forecast 2014-15		Outturn 2014-15	
	Note	Income £'000	*Receipts £'000*	Income £'000	*Receipts £'000*
Operating income and receipts - excess Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		-	-	-	-
Non-operating income and receipts - excess Accruing Resources		-	-	-	-
Amounts collected on behalf of the Consolidated Fund		-	-		-
Excess cash surrenderable to the Consolidated Fund		-	-	-	-
Total income payable to the Consolidated Fund		**-**	**-**	**-**	**-**

SOAS6: Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

		2014-15	2013-14
	Note	£'000	£'000
Operating income	6	336,193	357,154
Non-operating Income		217	-
Gross income		**336,410**	**357,154**
Income authorised to be Accruing Resources	SOAS2	336,410	357,154
Operating income payable to the Consolidated Fund	SOAS5.1	**-**	**-**

The notes on pages 108-156 form part of these accounts.

SOAS7: Non-operating income - Excess Accruing Resources

		2014-15	2013-14
	Note	£'000	£'000
Proceeds on disposal of Property, Plant and Equipment	SOAS5.1	-	39
Non-operating income - excess Accruing Resources		**-**	**39**

The notes on pages 96-100 and pages 108-156 form part of these accounts.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

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.

		2014-15						2013-14	
		Core Department			Consolidated			Core Department	Consolidated
		Staff costs	Other costs	Income	Staff costs	Other costs	Income		
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administration costs:									
Staff costs	3	32,559	-	-	32,559	-	-	31,804	31,804
Other administration costs	4	-	22,965	-	-	23,854	-	21,694	24,024
Operating income	6	-	-	(1,492)	-	-	(1,492)	(1,572)	(1,572)
Subtotal		**32,559**	**22,965**	**(1,492)**	**32,559**	**23,854**	**(1,492)**	**51,926**	**54,256**
Programme costs:									
Staff costs	3	70,886	-	-	79,173	-	-	56,914	76,000
Programme costs	5	-	445,280	-	-	438,117	-	467,642	500,947
Income from EU	6	-	-	(299,332)	-	-	(299,998)	(316,824)	(317,626)
Non-EU Income	6	-	-	(25,486)	-	-	(34,920)	(27,961)	(37,956)
Subtotal		**70,886**	**445,280**	**(324,818)**	**79,173**	**438,117**	**(334,918)**	**179,771**	**221,365**
Totals		**103,445**	**468,245**	**(326,310)**	**111,732**	**461,971**	**(336,410)**	**231,697**	**275,621**
Net Operating Cost for the year ended 31 March 2015				**245,380**			**237,293**	**231,697**	**275,621**

All income and expenditure are derived from continuing operations.

The notes on pages 96-100 and pages 108-156 form part of these accounts.

Other Comprehensive Net Expenditure

		2014-15		2013-14	
		Core Department	Consolidated	Core Department	Consolidated
	Note	£'000	£'000	£'000	£'000
Items that will not be reclassified to net operating costs:					
Net (gain)/loss on revaluation of Property, Plant and Equipment		(30,973)	(42,396)	(8,058)	(85,856)
Net (gain)/loss on revaluation of intangibles		(104)	(170)	(147)	(169)
Items that may subsequently be reclassified to net operating costs:					
Machinery of Government	25	631,316			
Other Comprehensive Expenditure		**600,239**	**(42,566)**	**(8,205)**	**(86,025)**
Total Comprehensive Net Expenditure for the year ended 31 March 2015		**845,619**	**194,727**	**223,492**	**189,596**

The notes on pages 96-100 and pages 108-156 form part of these accounts.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

Consolidated Statement of Financial Position as at 31 March 2015

		31 March 2015		31 March 2014	
		Core Department	Consolidated	Core Department	Consolidated
	Note	£'000	£'000	£'000	£'000
Non-current assets:					
Property, Plant and Equipment	7.1	818,701	981,251	153,100	936,566
Biological assets	7.2	-	147,587	-	132,174
Heritage assets	7.3	-	1,167	-	1,167
Intangible assets	8	9,735	10,255	3,314	4,618
Financial assets	11.2	26	26	24	24
Total non-current assets		**828,462**	**1,140,286**	**156,438**	**1,074,549**
Current assets:					
Assets classified as held for sale	13	-	1,175	-	1,216
Inventories	14	2,023	2,121	1,526	2,150
Trade and other receivables	16	33,445	35,121	42,905	45,378
Cash and cash equivalents	15	368	371	197	203
Total current assets		**35,836**	**38,788**	**44,628**	**48,947**
Total assets		**864,298**	**1,179,074**	**201,066**	**1,123,496**
Current liabilities					
Trade and other payables	17	(80,836)	(83,975)	(76,829)	(82,423)
Cash and cash equivalents	15	(4,767)	(4,767)	(4,289)	(4,289)
Provisions	18	(241)	(318)	(2,484)	(2,561)
Total current liabilities		**(85,844)**	**(89,060)**	**(83,602)**	**(89,273)**

The notes on pages 96-100 and pages 108-156 form part of these accounts.

		31 March 2015		31 March 2014	
		Core Department	Consolidated	Core Department	Consolidated
	Note	£'000	£'000	£'000	£'000
Non-current assets less net current liabilities		**778,454**	**1,090,014**	**117,464**	**1,034,223**
Non-current liabilities					
Other Payables	17	(1,267)	(1,267)	(8,536)	(8,536)
Provisions	18	(4,685)	(5,210)	(737)	(771)
Total non-current liabilities		**(5,952)**	**(6,477)**	**(9,273)**	**(9,307)**
Total Assets less liabilities		**772,502**	**1,083,537**	**108,191**	**1,024,916**
Taxpayers' equity & other reserves:					
General Fund		333,014	544,486	58,194	507,321
Revaluation reserve		439,488	539,051	49,997	517,595
Total equity		**772,502**	**1,083,537**	**108,191**	**1,024,916**

Mr Noel Lavery
Accounting Officer
Department of Agriculture and Rural Development
25 June 2015

The notes on pages 96-100 and pages 108-156 form part of these accounts.

Consolidated Statement of Cash Flows for the year ended 31 March 2015

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting period. 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. Cash flows arising from financing activities include Assembly Supply and other cash flows, including borrowing.

		2014-15	2013-14
	Note	£'000	£'000
Cash flows from operating activities			
Net operating cost		(237,293)	(275,621)
Adjustments for non-cash transactions	4	20,170	43,648
(Increase)/Decrease in trade and other receivables	16	10,257	9,345
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		309	(863)
(Increase)/Decrease in inventories	14	29	(81)
Increase/(decrease) in trade and other payables	17	(5,717)	(11,921)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(1,517)	(421)
Use of provisions	18	(1,367)	(762)
Net cash outflow from operating activities		**(215,129)**	**(236,676)**
Cash flows from investing activities			
Purchase of Property, Plant and Equipment	7	(17,458)	(10,632)
Purchase of Intangible assets	8	(6,176)	(2,016)
Movement in Financial assets		-	-
Proceeds of disposal of Property, Plant and Equipment		180	97
Net cash outflow from investing activities		***(23,454)***	***(12,551)***
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		234,148	245,377
From the Consolidated Fund (Supply) - prior year		4,125	4,635
Net financing		**238,273**	**250,012**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(310)**	**785**
Payments of amounts due to the Consolidated Fund		-	(860)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(310)**	**(75)**
Cash and cash equivalents at the beginning of the period	15	**(4,086)**	**(4,011)**
Cash and cash equivalents at the end of the period	15	**(4,396)**	**(4,086)**

Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015

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.

		General Fund	Revaluation Reserve	Total Reserves
	Note	£'000	£'000	£'000
Balance at 31 March 2013		**516,246**	**433,907**	**950,153**
Net Assembly Funding - drawn down		245,377	-	245,377
Supply receivable adjustment	16	4,126	-	4,126
CFERs payable to the Consolidated Fund		(39)	-	(39)
Comprehensive Net Expenditure for the year	SoCNE	(275,621)	86,025	(189,596)
Non-Cash Adjustments				
Non-cash charges - accommodation and other charges	3,4	14,768	-	14,768
Non-cash charges - auditors remuneration	4	127	-	127
Movements in reserves				
Transfers between reserves		2,337	(2,337)	-
Balance at 31 March 2014		**507,321**	**517,595**	**1,024,916**
Net Assembly Funding - drawn down		234,148	-	234,148
Supply receivable adjustment	16	4,434	-	4,434
Comprehensive Net Expenditure for the year	SoCNE	(237,293)	42,566	(194,727)
Non-Cash Adjustments				
Non-cash charges - accommodation and other charges	3,4	14,662	-	14,662
Non-cash charges - auditor's remuneration	4	104	-	104
Movements in Reserves				
Rivers Networked Asset reclassification		13,814	(13,814)	**-**
Transfers between reserves		7,296	(7,296)	-
Balance at 31 March 2015		**544,486**	**539,051**	**1,083,537**

The notes on pages 96-100 and pages 108-156 form part of these accounts.

Core Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2013		**53,189**	**43,535**	**96,724**
Net Assembly Funding - drawn down		218,306	-	218,306
Supply receivable adjustment	16	4,126	-	4,126
CFERs payable to the Consolidated Fund		(39)	-	(39)
Comprehensive Net Expenditure for the year	SoCNE	(231,697)	8,205	(223,492)
Non-Cash Adjustments				
Non-cash charges - accommodation and other charges	3,4	12,466	-	12,466
Non-cash charges - auditor's remuneration	4	100	-	100
Movements in Reserves				
Transfers between reserves		1,743	(1,743)	-
Balance at 31 March 2014		**58,194**	**49,997**	**108,191**
Net Assembly Funding - drawn down		228,987	-	228,987
Supply receivable adjustment	16	4,434	-	4,434
Comprehensive Net Expenditure for the year	SoCNE	(245,380)	31,077	(214,303)
Other comprehensive expenditure - Machinery of government change	25	252,046	379,270	631,316
Non-Cash Adjustments				
Non-cash charges - accommodation and other charges	3,4	13,787	-	13,787
Non-cash charges - auditor's remuneration	4	90	-	90
Movements in Reserves				
Rivers Networked Asset reclassification	7.1(c)	13,814	(13,814)	-
Transfers between reserves		7,042	(7,042)	-
Balance at 31 March 2015		**333,014**	**439,488**	**772,502**

*Transfer of Rivers Reserves balances into Core upon de-agentisation.

The notes on pages 96-100 and pages 108-156 form part of these accounts.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

Resource Accounts March 2014-15

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2014-15 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel. 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 and Rural Development 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.

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. Transactions between entities included in the consolidation are eliminated. A list of those entities within the Departmental boundary is given in Note 23.

1.3 Property, Plant and 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 current edition of the Royal Institute of Chartered Surveyors (RICS) Valuation Professional Standards (known as the Red Book) at the time of the valuation. Professional revaluations of land and buildings (with the exception of Forest Land) are undertaken every five years by the Land and Property Services Division of Department of Finance and Personnel (LPS). 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 of Forestry land and timber thereon (CAV) and is valued annually by LPS in accordance with the Red Book. The fair value for the land is calculated by LPS by deducting the fair value of the timber (see below) from the CAV.

The value of trees grown for commercial purposes is included in non-current assets on 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 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, are:

• Freehold & Long Leasehold Land	not depreciated
• Other land	terms of lease
• Buildings	10-75 years
• Above Ground Networked Assets	50 years
• Below Ground Networked Assets	120 years
• Hydrometrics	20 years
• Plant, Machinery, Equipment and Computers	3-40 years
• Motor Vehicles	5-15 years

1.4 Valuation and Depreciation of Networked Assets

The Department's Networked Assets represent those assets used in their service delivery and are specific in nature, location or function. It is not possible to effectively revalue these assets using market comparatives or professional valuations. These assets are held at depreciated replacement cost and are subject to a detailed, internal revaluation exercise annually. The Department has categorised these assets in two component parts, above ground assets and below ground assets.

(a) **Above Ground Assets - Flood Defences**
Expenditure on all above ground flood defence assets is capitalised and depreciated over the useful economical life of the asset. For most assets this will

be a period of 50 years. Flood defence assets (both sea and river) have been defined as the product of capital expenditure on the creation, provision, purchase, replacement or improvement of discrete physical watercourse based structures, which enable the Department to achieve its strategic aim of providing flood protection. In the financial year to 31 March 2015 a revaluation of flood defence assets was carried out. This gave a new valuation for flood defence assets at 31 March 2015. The modern day replacement value (MDRV) of the flood defence assets is calculated from an in-house developed model using the CESMM4 carbon and price book 2013 to more accurately reflect "Modern Day" construction and procurement practices. The rates derived within the cost models are applied to the network statistics, which are contained within the Department's Networked Asset Inventory Database. Each year the rates within the model are updated to take account of the latest edition of CESMM carbon and price book and any additions and condition surveys that take place.

(b) **Below ground assets - <u>Culverts</u>**

Expenditure on all below ground flood defence assets is capitalised and depreciated over the useful economical life of the asset. For most assets this will be a period of 120 years. The Department manages a culvert network of 400 kilometres, in which there are over 7,000 culvert reaches, i.e. lengths of culverts between manholes. The depths at which culverts are laid vary between 1 metre and 12 metres.

In the financial year to 31 March 2015 a revaluation of the culvert network was carried out. This gave a new valuation for the culvert network at 31 March 2015. The modern day replacement value (MDRV) of the culvert network is calculated from an In-House developed model using the CESMM4 carbon and price book 2013 to more accurately reflect "Modern Day" construction and procurement practices. The rates derived within the cost models are applied to the network statistics, which are contained within the Department's Networked Asset Inventory Database. Each year the rates within the model will be updated to take account of the latest edition of CESMM carbon and price book and any additions and condition surveys that take place.

(c) **<u>Soft Defences</u>**

Soft Defences mainly consist of levees and soft earth banks of varying heights. Those on designated watercourses are maintained to their existing standard, and do not contain a hard core as in the case of urban Flood Defences. The Department has decided that it will not attempt to value these defences because the economic benefits afforded by these assets is not considered material. Additionally, there is no capital investment in these assets and any expenditure incurred is expensed directly to the Statement of Comprehensive Net Expenditure.

(d) **Capitalisation of engineer's time**
The Department has included engineer salary costs in Flood Defence and Culvert Network Valuations.

(e) **Revaluation Reserve**
During 2014-15 an exercise was completed to establish the historic cost of the Network using the net book value and depreciated lives of networked assets. This process allowed the Department to apportion the balance in the revaluation reserve between the three main categories of networked assets. A one off adjustment to the Revaluation Reserve and General Fund was processed to reflect transfers of realised depreciation and backlog depreciation. This adjustment has had no material impact on the balance sheet total.

1.5 Intangible assets

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.

Other intangibles relate to Forest Service land rights (shooting and turbary rights). The Forest Land rights, being land based, are as a consequence revalued every five years by the LPS.

1.6 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-tradable shares, at historic cost, in United Dairy Farmers Limited, a dairy farmer cooperative registered in Northern Ireland.

1.7 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.

1.8 Inventories

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

1.9 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.

1.10 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 on 31 March and any exchange gain or loss is treated as income or expenditure.

1.11 Grants

The Department recognises grant expenditure in the period 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.

1.12 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. This includes legal claims and other provisions.

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.

1.13 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 expenditure 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.

1.14 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. Further detail is provided in Note 22.

1.15 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the Consolidated Budgeting Guidance issued by HM Treasury and adopted by Department of Finance and Personnel for Northern Ireland. Income is analysed in the notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. 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.

1.16 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 period 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 Note 3.

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

1.17 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. (See Note 19 to the accounts).

1.18 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 past 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.

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.

1.19 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 DARD other than through the normal relationship of employee/employer, for example receipt of grants/subsidies for family farms;
- Any interest in any body with which DARD has dealings including membership of Boards of those bodies even when such membership is part of the officer's job; and
- Any such interest held by a close family member.

1.20 Functional Currency and Rounding

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

1.21 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 has 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.

1.22 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 have an effective date of January 2013, and EU adoption is due from 1 January 2014. The application of these IFRS changes is subject to further review by Treasury and the other Relevant Authorities before due process consultation.

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 review of the NI financial process is currently under discussion with the Executive, which will bring NI departments under the same adaptation. Should this go ahead, the impact on departments is expected to focus around the disclosure requirements under IFRS 12. The impact on the consolidation boundary of NDPB's and trading funds will be subject to review, in particular, where control could be determined to exist due to exposure to variable returns (IFRS 10), and where joint arrangements need reassessing.

Management consider that there are no items likely to have a significant impact on the accounts in the period of initial application.

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, reduce the risks to life and property from flooding, 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.

							2014-15
	Service Delivery Group £'000	Veterinary Service £'000	Central Policy Group £'000	Common Agricultural Policy £'000	Rivers £'000	Forest Service £'000	Total £'000
Gross Expenditure	117,200	63,862	62,527	296,656	30,449	3,009	**573,703**
Income	(7,198)	(13,994)	(8,596)	(296,661)	(537)	(9,424)	**(336,410)**
Net Expenditure	**110,002**	**49,868**	**53,931**	**(5)**	**29,912**	**(6,415)**	**237,293**

							2013-14
	Service Delivery Group £'000	Veterinary Service £'000	Central Policy Group £'000	Common Agricultural Policy £'000	Rivers £'000	Forest Service £'000	Total £'000
Gross Expenditure	128,927	62,177	67,877	314,673	30,078	29,044	**632,776**
Income	(7,208)	(16,721)	(8,505)	(314,673)	(451)	(9,597)	**(357,155)**
Net Expenditure	**121,719**	**45,456**	**59,372**	**-**	**29,627**	**19,447**	**275,621**

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

Description of segments

Service Delivery Group - Expenditure on the College of Agriculture, Food and Rural Enterprise, rural development (including tackling poverty and social isolation), rural payments, EU compliance and countryside management and provision of advice, support and guidance to farmers and the rural community by specialist advisors and frontline office staff. Payments under the European Union Structural Funds Programmes.

Veterinary Service - 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.

Central Policy Group - Protection of plant health, bee health, enforcement of marketing/classification standards, primary production hygiene and animal feeding stuffs legislation, support for the equine industry, 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, protection of sea fisheries and aquaculture, support for the operation of the Loughs Agency of the Foyle, Carlingford and Irish Lights Commission, the Livestock and Meat Commission and the Northern Ireland Fishery Harbour Authority. Payments under the European Fisheries Fund.

Common Agricultural Policy - Implementation of and payments in relation to the Common Agricultural Policy, the European Agricultural Fund for Rural Development and the European Regional Development Fund.

Rivers - Maintenance of designated watercourses and sea defences, construction and maintenance of drainage and flood defence structures, protection of the drainage function of all watercourses, implementation of the European Union Floods Directive, management of the Lough Erne estate and water levels of Lough Erne, Lough Neagh and stretches of the River Bann and River Lagan and flood emergency response.

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.

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 numbers and related costs
(a) Staff costs comprise:

				2014-15	2013-14
	Permanently employed staff* £'000	Others £'000	Ministers** £'000	Total £'000	Total £'000
Wages and salaries	85,285	914	38	86,237	85,248
Social security costs***	6,459	2,449	4	8,912	6,397
Other pension costs	16,562	13	8	16,583	16,159
Sub total	**108,306**	**3,376**	**50**	**111,732**	**107,804**
Less recoveries in respect of outward secondments	(77)	-	-	(77)	(186)
Total net costs****	**108,229**	**3,376**	**50**	**111,655**	**107,618**

Of which:

	Charged to Administration £'000	Charged to Programme £'000	Total £'000
Core Department	32,559	70,886	103,445
Agency	-	8,287	8,287
Total net costs	**32,559**	**79,173**	**111,732**

*Permanently employed staff includes the cost of the Department's Special Adviser. One Special Advisor left 7 April 2014 and their pay was within the pay band £58,452 - £91,809, effective from 1 August 2013. The new Special Advisor commenced 9 April 2014 and their pay is within the pay band £59,037 - £91,809, effective from 1 August 2014.

** Minster's salary is a notional charge.

*** Included in Social Security Costs for "Others" is a without prejudice payment of £2,433,792 that was made to HMRC in respect of employer and employee National Insurance Contributions for Private Veterinary Practitioners for the period 2010-2014.

****Excluded from the total is £2,023,426.63 which has been charged to capital.

The Northern Ireland Civil Service pension arrangements are unfunded multi-employer defined benefit schemes but the Department of Agriculture and Rural Development 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 of the DFP Superannuation and Other Allowances Resource Accounts as at 31 March 2015.

For 2014-15, employers' contributions of £16,519,672 were payable to the NICS pension arrangements (2013-14: £16,095,426) at one of four rates in the range of 18% to 25% 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 a new career average earning scheme from April 2015. From 2015-16, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 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 £55,924 (2013-14: £52,435) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,415, 0.8% (2013-14: £2,822, 0.8%) of pensionable pay, were payable to the PCSPS(NI) 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 (2013-14: £nil). Contributions prepaid at that date were £nil (2013-14: £nil).

13 persons (2013-14: 14 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £17,404 (2013-14: £21,334).

(b) 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 it's agency and other bodies within the consolidated Departmental resource account.

					2014-15	2013-14
Departmental Strategic Objective	**Permanent staff**	**Others**	**Ministers**	**Special advisers**	**Total Number**	**Total Number**
RFR A	2,833	51	1	1	2,886	**2,918**
Staff engaged on capital projects	49	-	-	-	49	**29**
Total	**2,882**	**51**	**1**	**1**	**2,935**	**2,947**
Of which:						
Core Department	**2,657**	**44**	**1**	**1**	**2,703**	**2,312**
Agency/Agencies	**225**	**7**	**-**	**-**	**232**	**635**

3.1 Reporting of Civil Service and other compensation schemes - exit packages

Comparative data is shown in brackets for previous year.

						2014-15
			Core Department			Consolidated
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	-	3 (-)	3 (-)	-	3 (-)	3 (-)
£10,000 - £25,000	-	- (3)	- (3)	-	- (3)	- (3)
£25,000-£50,000	-	1 (-)	1 (-)	-	1 (-)	1 (-)
£50,000-£100,000	-	- (3)	- (3)	-	- (3)	- (3)
£100,000- £150,000	-	-	-	-	-	-
£150,000-£200,000	-	-	-	-	-	-
Total number of exit packages	**-**	**4 (6)**	**4 (6)**	**-**	**4 (6)**	**4 (6)**
Total Resource Cost £	**- (-)**	**50,460 (255,343)**	**50,460 (255,343)**	**- (-)**	**50,460 (255,343)**	**50,460 (255,343)**

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 2014-15, the Driver and Vehicle Agency (DVA), an Executive Agency of the Department of the Environment (DOE), ran a restricted Voluntary Exit Scheme (VES) which was open to Administrative Assistant (AA) and Administration Officer (AO) grades in all NICS Departments. The total cost of compensation paid to staff, by a participating Department, was reimbursed by the DOE in 2014-15, resulting in nil net cost to that Department.

A number of DARD staff participated in the VES and their details are captured in the table below. The total cost of compensation is included in Note 5 Programme Costs, and the corresponding reimbursement is included in Note 6 Programme Income.

2014-15 - DVA Voluntary Exit Scheme						
	Core Department			Consolidated		
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-	-	-	-
£10,000 - £25,000	-	1	1	-	1	1
£25,000-£50,000	-	4	4	-	4	4
£50,000-£100,000	-	-	-	-	-	-
£100,000- £150,000	-	-	-	-	-	-
£150,000-£200,000	-	-	-	-	-	-
Total number of exit packages	**-**	**5**	**5**	**-**	**5**	**5**
Total Resource Cost £	**-**	**160,480**	**160,480**	**-**	**160,480**	**160,480**

4. Other Administration Costs

	2014-15		2013-14	
	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Rentals under operating leases	11	11	18	18
Staff related costs	2,054	2,054	2,034	2,034
Accommodation costs	73	73	127	127
Office services	3,419	3,419	3,491	3,491
Contracted out services	2,229	2,229	2,213	2,213
Professional costs	140	140	138	138
Consultancy costs	7	7	24	24
Other Expenses	84	84	65	65
Sub-Total	**8,017**	**8,017**	**8,110**	**8,110**
Non - Cash items				
Depreciation-Property, Plant and Equipment	185	186	247	248
Amortisation of intangible assets	936	935	820	820
Loss on disposal of assets	-	-	1	1
Impairment / revaluation of assets	-	-	-	-
Notional charges:				
Notional auditor's remuneration	90	104	100	127
Notional accommodation	5,602	5,780	5,453	5,453
Other notional costs	8,134	8,832	6,963	9,265
Sub-Total (Note a)	**14,948**	**15,837**	**13,584**	**15,914**
Total	**22,965**	**23,854**	**21,694**	**24,024**

The bi-annual National Fraud Initiative exercise on the 2014-15 year was also carried out by NIAO at a hard-charged cost of £4,929 included within professional costs above.

Note a - the total of non-cash transactions included in the reconciliation of resources to net cash requirement in Note SOAS4.

	2014-15 £'000	2013-14 £'000
Other administration costs - non-cash items (as above)	15,837	15,914
Staff Costs - notional charge for Minister's salary (Note 3)	50	50
Programme costs - non-cash items (Note 5)	4,283	27,691
Income - donated assets received	-	(7)
Total non cash transactions (Statement of Cashflows)	**20,170**	**43,648**

5. Programme Costs

	Note	2014-15		2013-14	
		Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Current Expenditure					
Rentals under operating leases		353	387	294	323
Staff related costs		2,939	3,340	2,363	3,150
Accommodation costs		5,473	5,984	6,247	6,888
Office services		1,130	1,244	970	1,244
Contracted out services		2,066	3,609	1,360	3,874
Private Veterinary Practitioners fees & expenses		6,683	6,683	6,562	6,562
Professional and Legal costs		4,448	4,882	4,850	5,017
Consultancy costs		384	506	44	29
Exchange rate losses/(gains) - realised		(147)	(146)	(84)	(83)
Exchange rate losses / (gains) - unrealised		-	-	(347)	(347)
Diseased animals compensation		13,650	13,708	12,675	12,702
Non-capital plant & equipment purchases		870	872	1,248	1,309
CAP Disallowance		(9,628)	(9,628)	10,683	10,683
Irrecoverable VAT		1,590	1,590	2,100	2,100
Hardship Payment Scheme		-	-	2,773	2,773
Vehicle and Plant costs		2,234	2,839	1,733	3,883
Consumables and Materials		1,612	2,939	1,622	3,476
Other Expenses		3,431	3,783	4,246	4,588
Sub-Total		**37,088**	**42,592**	**59,339**	**68,171**

		2014-15		2013-14	
	Note	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
EU Grants & Subsidies					
Capital grants & subsidies		23,015	23,268	19,552	19,915
Current grants & subsidies-Single Farm Payment		253,578	253,578	265,190	265,190
Current grants & subsidies - Other		22,760	23,172	32,082	32,529
Sub-Total		**299,353**	**300,018**	**316,824**	**317,634**
National Grants & Subsidies					
Grant-in-aid		41,252	41,252	47,888	47,888
Capital grants & subsidies		20,585	20,892	12,237	12,587
Current grants & subsidies		28,643	29,080	26,508	26,976
Sub-Total		**90,480**	**91,224**	**86,633**	**87,451**
Non - Cash items					
Depreciation-Property, Plant and Equipment		15,371	16,372	4,780	14,561
Amortisation of intangible assets		1,011	1,040	1,052	1,112
Impairment / revaluation of assets		(1,062)	(1,258)	(1,299)	(1,674)
Loss on disposal of assets		70	4	59	70
Growing timber revaluation	13	-	(15,373)	-	13,347
Provision for Doubtful debt		(59)	(66)	346	354
Provisions	18	3,028	3,564	(92)	(79)
Sub-Total		**18,359**	**4,283**	**4,846**	**27,691**
Total		**445,280**	**438,117**	**467,642**	**500,947**

6. Income

	2014-15		2013-14	
	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Administration Income:				
AFBI	231	231	231	231
Other Departments	1,044	1,044	1,341	1,341
Non operating capital donations	217	217	-	-
Total Administration Income	**1,492**	**1,492**	**1,572**	**1,572**
Programme Income:				
Seconded staff	33	33	123	123
Timber and other Forest produce	-	8,170	-	8,256
Diseased animals salvage	2,293	2,293	2,178	2,178
Food Standards Agency	6,639	6,639	6,832	6,832
AFBI	6,424	6,424	6,382	6,382
Other income	10,097	11,361	12,446	14,185
Non- EU programme income	**25,486**	**34,920**	**27,961**	**37,956**
EU programme income - Single Farm Payment	253,578	253,578	265,190	265,190
EU programme income - Other	45,754	46,420	51,634	52,436
EU Programme Income	**299,332**	**299,998**	**316,824**	**317,626**
Total Programme Income	**324,818**	**334,918**	**344,785**	**355,582**
Total Operating Income	**326,093**	**336,193**	**346,357**	**357,154**
Total Non-Operating Income	**217**	**217**	**-**	**-**
Total Income	**326,310**	**336,410**	**346,357**	**357,154**

7. Property, Plant and Equipment

7.1A Property, Plant and Equipment 2014-15

	Land & Buildings £'000	Plant & Machinery £'000	Transport & Equipment £'000	Information Technology £'000	Networked Assets £'000	Assets under Construction £'000	Total £'000
Cost or valuation							
At 1 April 2014	316,806	19,853	9,640	4,915	747,874	14,393	1,113,481
Additions	759	1,173	578	101	-	16,181	18,792
Disposals	(197)	(287)	(190)	(362)	-	-	(1,036)
Reclassifications	3,784	(211)	228	(1,290)	1,174	(5,749)	(2,064)
Transfers	217	12	(12)	-	-	-	217
Revaluations to SoCNE	1,436	7	(5)	-	(1)	-	1,437
Revaluations through revaluation reserve	21,096	429	99	(2)	102,622	-	124,244
At 31 March 2015	**343,901**	**20,976**	**10,338**	**3,362**	**851,669**	**24,825**	**1,255,071**
Depreciation							
At 1 April 2014	14,568	13,333	5,448	2,833	140,733	-	176,915
Charged in year	5,248	1,114	695	528	8,973	-	16,558
Disposals	(67)	(284)	(180)	(359)	-	-	(890)
Reclassifications	(60)	(188)	(4)	(539)	-	-	(791)
Transfers	-	6	(6)	-	-	-	-
Revaluations to SoCNE	165	15	-	-	-	-	180
Revaluations through revaluation reserve	515	89	(222)	(6)	81,472	-	81,848
At 31 March 2015	**20,369**	**14,085**	**5,731**	**2,457**	**231,178**	**-**	**273,820**
Carrying Amount at 31 March 2014	**302,238**	**6,520**	**4,192**	**2,082**	**607,141**	**14,393**	**936,566**
Carrying Amount at 31 March 2015	**323,532**	**6,891**	**4,607**	**905**	**620,491**	**24,825**	**981,251**
Asset financing:							
Owned	322,875	6,891	4,607	905	620,491	24,825	980,594
Land at Baronscourt	657	-	-	-	-	-	657
Carrying Amount At 31 March 2015	**323,532**	**6,891**	**4,607**	**905**	**620,491**	**24,825**	**981,251**

	Land & Buildings £'000	Plant & Machinery £'000	Transport & Equipment £'000	Information Technology £'000	Networked Assets £'000	Assets under Construction £'000	Total £'000
Of the total:							
Core Department	166,230	5,296	4,308	843	620,491	21,533	818,701
Agency	157,302	1,595	299	62	-	3,292	162,550
Carrying Amount At 31 March 2015	**323,532**	**6,891**	**4,607**	**905**	**620,491**	**24,825**	**981,251**

Notes:

Land and Buildings

(a) Land and Buildings includes land with a net book value of £186,941,280.

(b) Land and Buildings were valued as at 1 April 2010 for the Core Department. These valuations were carried out on an existing use basis by an independent surveyor, Land and Property Services Agency (LPS), now called Land and Property Services Division of Department of Finance and Personnel.

Forest Service 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.

Networked Assets

(c) The Department's above ground and below ground networks were revalued by in-house staff using standard recognised methodology at 31 March 2015. Additionally, the Department reviewed the accounting treatment for networked assets during 2014-15 and made a number of adjustments to ensure that the accounting entries applied were fully compliant with the requirements of International Accounting Standard (IAS) 16.

Networked assets continue to be maintained outside of Account NI and are therefore not subject to the standard Account NI fixed asset procedures. Depreciation had been calculated by dividing the opening cost or valuation by the remaining useful economic life. A revaluation surplus was also generated to reflect annual increases in value as identified through the internal revaluation process.

Following the introduction of a new valuation methodology in 2009-10, although the network was being re-lifed on an annual basis, the appropriate transfers between reserves were not being recorded. The Department has therefore identified the need to make adjustments to the revaluation reserve and general fund to reflect the re-lifing of its networked assets between 2010 and 2014. To address this, the Department has established revised useful economic lives using data from the valuation model. This has been used to calculate depreciation based on dividing the net book value over the remaining useful economic life of the network.

Establishing Historic Cost

In order to substantiate the Revaluation Reserve balance, the historic cost net book value and depreciated historic lives of networked assets have been re-calculated as at 31 March 2014.

Backlog Depreciation

There have been no transfers of backlog depreciation made in the accounts since 2009-10. Backlog Depreciation has been calculated at £73,051,360 and represents an increase to Accumulated Depreciation and a reduction in Revaluation Reserve. Consequently the Revaluation Reserve was overstated and Accumulated Depreciation understated. This was corrected in year by a debit of £73,051,360 to the Revaluation Reserve and a credit of £73,051,360 to Accumulated Depreciation.

Realised Depreciation

There were no transfers of realised depreciation made in the accounts since 2009-10. Realised depreciation to date has been calculated at £13,814,332. Consequently the Revaluation Reserve was overstated by this amount while both the General Fund and SoCNE depreciation expenditure were understated. This was also corrected in year by a debit of £13,388,010 to the Revaluation Reserve, a charge of £426,323 to the Statement of Comprehensive Net Expenditure and a credit of £ 13,814,332 to the General Fund.

Both Networked Asset cost and the Revaluation Reserve were increased by £73,477,682 to take account of the backlog and realised depreciation adjustment while maintaining the current cost Net Book Value to ensure that the valuation attributed to the network in the accounts is consistent with the net asset value calculated through the valuation model.

The addition of grilles and trash-screens to the network valuation model

The Department has identified a number of items that are excluded from the network valuation because the items in question are not considered to offer any significant economic benefit or because the Department was not previously in a position to provide a reliable estimate of the value of these items.

During 2014-15 an exercise was completed that allowed data on grilles and trash screens to be collated. As a result, the Department has now included grilles and trash screens in the valuation model at a value of £15.5m.

A summary of the adjustments that were made to the Property Plant and Equipment disclosures is provided in the table below.

Summary of accounting adjustments

	Networked Assets	Revaluation Reserve	General Fund	Total
Revised Revaluation surplus to account for backlog depreciation				
Networked Asset cost	73,477,682			
Revaluation Reserve		(73,477,682)		
Backlog depreciation				
Network asset accumulated depreciation	(73,051,360)			
Revaluation Reserve		73,051,360		
Additional depreciation charge due to relifing - accumulated depreciation	(426,323)			
Realised depreciation				
General fund			(13,362,538)	
Revaluation Reserve		13,362,538		
General fund			(451,795)	
Revaluation Reserve		451,795		
SoFP Impact	**(1)**	**13,388,011**	**(13,814,333)**	**(426,323)**
Depreciation charge in year (4 years of adjustments 2010-2014)				
Due to relifing and revaluation	426,323			
SoCNE Impact	**426,323**			**426,323**

(d) Other tangible assets were revalued using the latest available indices.

(e) The Core Department now includes Rivers which was de-agentised in 2014-15.

(f) The Department received a donated asset valued at £217,008 from its NDPB AFBI during the year to 31 March 2015 for which it made no consideration (2013-14 £7k).

7.1B Property, Plant and Equipment 2013-14

	Land & Buildings £'000	Plant & Machinery £'000	Transport & Equipment £'000	Information Technology £'000	Networked Assets £'000	Assets under Construction £'000	Total £'000
Cost or valuation							
At 1 April 2013	299,027	17,921	10,482	4,648	668,755	13,746	1,014,579
Additions	424	1,198	258	475	-	9,517	11,872
Disposals	(125)	(210)	(1,336)	(209)	-	-	(1,880)
Reclassifications	3,656	-	-	6	5,214	(8,870)	6
Transfers	-	(15)	-	7	-	-	(8)
Revaluations to SoCNE	1,822	18	-	(3)	-	-	1,837
Revaluations through revaluation reserve	12,002	941	236	(9)	73,905	-	87,075
At 31 March 2014	**316,806**	**19,853**	**9,640**	**4,915**	**747,874**	**14,393**	**1,113,481**
Depreciation							
At 1 April 2013	9,170	11,984	5,947	2,158	133,171	-	162,430
Charged in year	4,474	1,098	795	880	7,562	-	14,809
Disposals	(20)	(208)	(1,289)	(207)	-	-	(1,724)
Reclassifications	-	-	-	22	-	-	22
Transfers	-	(4)	-	-	-	-	(4)
Revaluations to SoCNE	147	16	-	-	-	-	163
Revaluations through revaluation reserve	797	447	(5)	(20)	-	-	1,219
At 31 March 2014	**14,568**	**13,333**	**5,448**	**2,833**	**140,733**	**-**	**176,915**
Carrying Amount at 31 March 2013	**289,857**	**5,937**	**4,535**	**2,490**	**535,584**	**13,746**	**852,149**
Carrying Amount at 31 March 2014	**302,238**	**6,520**	**4,192**	**2,082**	**607,141**	**14,393**	**936,566**

	Land & Buildings £'000	Plant & Machinery £'000	Transport & Equipment £'000	Information Technology £'000	Networked Assets £'000	Assets under Construction £'000	Total £'000
Asset financing							
Owned	301,640	6,520	4,192	2,082	607,141	14,393	935,968
Land at Baronscourt	598	-	-	-	-	-	598
Carrying Amount at 31 March 2014	**302,238**	**6,520**	**4,192**	**2,082**	**607,141**	**14,393**	**936,566**
Of the total:							
Core department	144,483	2,659	2,679	1,188	-	2,091	153,100
Agencies	157,755	3,861	1,513	894	607,141	12,302	783,466
Carrying Amount At 31 March 2014	**302,238**	**6,520**	**4,192**	**2,082**	**607,141**	**14,393**	**936,566**

7.2 Biological Assets

	2014-15 £'000	2013-14 £'000
Growing Timber		
Value at 1 April	132,174	145,925
Revaluation Adjustment		
Transfer to assets held for sale	(1,175)	(1,213)
Timber removals	(8,288)	(8,347)
Timber lost to fire	-	(3)
Timber lost to disease	(46)	(12)
Price/Growth element	24,922	(4,176)
Value at 31 March	**147,587**	**132,174**
Revaluation adjustment		
(Debited) / Credited to Statement of Comprehensive Net Expenditure	15,373	(13,347)
In year movement in assets held for sale	40	(404)
Movement in timber valuation	**15,413**	**(13,751)**

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

2014-15 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 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

	2014-15 £'000	2013-14 £'000
Value at 1 April	1,167	1,167
Additions	-	-
Disposals	-	-
Revaluations	-	-
Value at 31 March	**1,167**	**1,167**

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

8. Intangible assets

2014-15	Forest Land Rights £'000	Software £'000	Software Licences £'000	Total £'000
Cost or valuation				
At 1 April 2014	450	16,001	2,938	19,389
Additions	-	4,370	1,806	6,176
Disposals	-	(2)	(204)	(206)
Reclassifications	-	1,796	11	1,807
Revaluations to SoCNE	-	6	-	6
Revaluations through Revaluation Reserve	66	290	45	401
Impairments	-	-	-	-
At 31 March 2015	**516**	**22,461**	**4,596**	**27,573**
Amortisation				
At 1 April 2014	-	12,370	2,401	14,771
Charged in year	-	1,652	323	1,975
Disposals	-	(2)	(204)	(206)
Reclassifications	-	532	9	541
Revaluations to SoCNE	-	6	-	6

Revaluations through Revaluation Reserve	-	200	31	231
Impairments	-	-	-	-
At 31 March 2015	**-**	**14,758**	**2,560**	**17,318**
Carrying Amount at 31 March 2014	**450**	**3,631**	**537**	**4,618**
Carrying Amount at 31 March 2015	**516**	**7,703**	**2,036**	**10,255**
Of the total:				
Core Department	-	7,703	2,032	9,735
Agency	516	-	4	520
Carrying Amount at 31 March 2015	**516**	**7,703**	**2,036**	**10,255**

2013-14	Forest Land Rights £'000	Software £'000	Software Licences £'000	Total £'000
Cost or valuation				
At 1 April 2013	450	13,830	3,020	17,300
Additions	-	1,790	226	2,016
Disposals	-	-	(382)	(382)
Reclassifications	-	(6)	-	(6)
Revaluations to SoCNE	-	9	-	9
Revaluations through Revaluation Reserve	-	378	74	452
Impairments	-	-	-	-
At 31 March 2014	**450**	**16,001**	**2,938**	**19,389**
Amortisation				
At 1 April 2013	-	10,626	2,325	12,951
Charged in year	-	1,489	443	1,932
Disposals	-	-	(381)	(381)
Reclassifications	-	(23)	-	(23)
Revaluations to SoCNE	-	9	-	9
Revaluations through Revaluation Reserve	-	269	14	283
Impairments	-	-	-	-
At 31 March 2014	**-**	**12,370**	**2,401**	**14,771**
Carrying Amount at 31 March 2013	**450**	**3,204**	**695**	**4,349**
Carrying Amount at 31 March 2014	**450**	**3,631**	**537**	**4,618**
Of the total:				
Core department	-	2,809	505	3,314
Agencies	450	822	32	1,304
Carrying Amount at 31 March 2014	**450**	**3,631**	**537**	**4,618**

9. Impairments

	2014-15		2013-14	
	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Charged to statement of comprehensive net expenditure	-	-	-	57
Charged to Revaluation Reserve	-	-	-	213
	-	**-**	**-**	**270**

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

	2014-15		2013-14	
Contracted capital commitments at 31 March not otherwise included in these financial statements	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Property, Plant and Equipment	9,979	10,979	2,975	7,745

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.

		2014-15		2013-14
Obligations under operating leases for the following periods comprise:	**Core Department £'000**	**Consolidated £'000**	**Core Department £'000**	**Consolidated £'000**
Land				
Not later than one year	5	7	5	7
Later than one year and not later than five years	19	26	19	26
Later than five years	246	420	251	427
	270	**453**	**275**	**460**
Buildings				
Not later than one year	72	72	77	77
Later than one year and not later than five years	80	80	88	88
Later than five years	81	81	89	89
	233	**233**	**254**	**254**
Other				
Not later than one year	140	140	48	48
Later than one year and not later than five years	196	196	6	6
Later than five years	-	-	-	-
	336	**336**	**54**	**54**

10.2.2 Finance leases

The Department had no finance leases during 2014-15 or 2013-14.

10.3 Commitments under PFI and other service concession arrangements

The Department had no PFI contracts during 2014-15 or 2013-14, so there are no commitments at 31 March 2015.

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 2015.

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

	2014-15		2013-14	
	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
EU Grants/Schemes				
Not later than one year	27,031	27,705	68,809	69,322
Later than one year and not later than five years	20,800	22,763	40,400	42,269
Later than five years	-	1,519	683	2,262
	47,831	**51,987**	**109,892**	**113,853**
National Grant Schemes				
Not later than one year	607	1,056	1,196	1,615
Later than one year and not later than five years	424	1,733	261	1,791
Later than five years	-	1,012	-	1,292
	1,031	**3,801**	**1,457**	**4,698**
Total EU Grants/Schemes/ National Grant Schemes				
Not later than one year	27,638	28,761	70,005	70,937
Later than one year and not later than five years	21,224	24,496	40,661	44,060
Later than five years	-	2,531	683	3,554
	48,862	**55,788**	**111,349**	**118,551**

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 £55.8 million, which includes EU Grants/Schemes and National Grants/ Schemes, is EU £32.2 million (58%) and DARD £23.6 million (42%). In 2013-14 the split of the total commitment of £118.6 million was EU £66.8 million (56%) and DARD £51.8 million (44%).

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 Single Farm 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.

11.2 Financial Assets

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

	United Dairy Farmers Ltd £'000
Balance at 1 April 2013	24
Additions	-
Disposals	-
Balance at 31 March 2014	**24**
Additions	2
Disposals	-
Balance at 31 March 2015	**26**

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	2014-15 £'000	2013-14 £'000
Forestry - Land	#1	-	3
Forestry - Timber			
Opening Balance	#2	1,213	808
Additions		1,175	1,213
Disposals		(1,213)	(808)
Closing Balance		**1,175**	**1,213**
Balance at 31 March 2015		**1,175**	**1,216**

#1 Assets held for sale include one small area of land surplus to requirements which was disposed of during the 2014-15 year.

#2 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 sales price.

14 Inventories

	2014-15		2013-14	
	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Livestock:				
CAFRE	952	952	913	913
Consumable materials and supplies:				
CAFRE	427	427	436	436
Forest Service Agency	-	98	-	138
Rivers	495	495	-	486
Veterinary Service	133	133	145	145
Animal Health & Welfare	9	9	23	23
Central Services Group	7	7	9	9
Total Inventories	**2,023**	**2,121**	**1,526**	**2,150**

15 Cash and Cash Equivalents

	2014-15		2013-14	
	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
At 1 April	(4,092)	(4,086)	(4,017)	(4,011)
Net change in cash and cash equivalent balances	(307)	(310)	(75)	(75)
At 31 March	**(4,399)**	**(4,396)**	**(4,092)**	**(4,086)**
The following balances at 31 March were held at:				
Government Banking Service	(4,443)	(4,443)	(4,133)	(4,133)
Commercial banks and cash in hand	44	47	41	47
At 31 March	**(4,399)**	**(4,396)**	**(4,092)**	**(4,086)**
The balance comprises				
Cash & bank	368	371	197	203
Bank overdraft	(4,767)	(4,767)	(4,289)	(4,289)
	(4,399)	**(4,396)**	**(4,092)**	**(4,086)**

16. Trade Receivables and Other Current Assets

	2014-15		2013-14	
	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Amounts falling due within one year:				
VAT	1,174	1,305	1,072	1,665
Trade receivables	1,451	2,977	1,529	3,309
Other receivables	1,037	1,037	335	335
Prepayments & accrued income	7,954	8,005	8,323	8,391
Amounts due from Rural Payments Agency in relation to Common Agricultural Policy (CAP)	17,395	17,363	26,832	26,864
EU grants receivable (excluding CAP)	-	-	689	689
	29,011	**30,687**	**38,780**	**41,253**
Amounts due from Consolidated Fund in respect of supply	4,434	4,434	4,125	4,125
Total at 31 March 2015 due within one year	**33,445**	**35,121**	**42,905**	**45,378**

16.1 Intra-government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2014-15	2013-14	2014-15	2013-14
	£'000	£'000	£'000	£'000
Balances with other central government bodies	24,700	34,575	-	-
Balances with local authorities	1	2	-	-
Balances with NHS Bodies	-	1	-	-
Balances with public corporations and trading funds	1	-	-	-
Sub Total: Intra-government balances	**24,702**	**34,578**	**-**	**-**
Balances with bodies external to Government	10,419	10,800	-	-
Total receivables at 31 March	**35,121**	**45,378**	**-**	**-**

Included within trade receivables is £4,168 (2013-14: £4,168) that will be due to the Consolidated Fund once the debts are collected.

17. Trade payables and other current liabilities

	2014-15		2013-14	
	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Amounts falling due within one year:				
Taxation and Social Security	-	-	-	-
Trade payables	275	307	267	280
Other payables	2,228	2,336	3,034	3,128
Accruals and deferred income	20,785	23,784	13,399	18,886
CAP Disallowance	20,169	20,169	25,381	25,381
EU grant creditors - Common Agricultural Policy	14,649	14,649	22,796	22,796
Other grant creditors	22,687	22,687	11,909	11,909
Sub-Total	**80,793**	**83,932**	**76,786**	**82,380**
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:				
Received-EU	-	-	-	-
Received-Other	39	39	39	39
Receivable-EU	-	-	-	-
Receivable-Other	4	4	4	4
Sub-Total	**43**	**43**	**43**	**43**
Total at 31 March 2015 due within one year	**80,836**	**83,975**	**76,829**	**82,423**
Amounts falling due after more than one year				
Deferred Income	1,267	1,267	1,105	1,105
CAP Disallowance	-	-	7,431	7,431
Total at 31 March 2015 due after more than one year	**1,267**	**1,267**	**8,536**	**8,536**

The European Commission wrote on 30 October 2014 to indicate the proposed financial corrections (disallowance) for the area-based schemes in the years 2010, 2011 and 2012.

The financial corrections proposed by the Commission in their letter of 30 October amount to €14.4m. However, following notification to the Commission of amounts DARD had recovered in respect of SFP (€12.4), the net financial correction for these years is €2.6m(£1.9m) in respect of LFACA and Agri-Environment only. This is £26.7m less than accrued at 31 March 2014.

The reduction in disallowance generates a £26.7m credit to the SoCNE resulting from reduced risk to the fund rates coupled with the offset of recoveries made by the Department. The Department has calculated CAP disallowance for 2013 and 2014 for Single Farm payment and accrued £8.7m and £8.6m respectively. These figures are derived from risk to the fund rates calculated at 3.94% for 2013 and 3.90% for 2014. LFA and Agri-environment CAP disallowance for years 2013 to 2015 have been included within provisions (Note 18).

Included within the CAP Disallowance payable total of £20.2m above is a net credit of £9.6m for area aids disallowance. This area aids liability and resulting charge to the SoCNE are set out in the table below.

Area Aids Liability and Charges to the SoCNE

Scheme Year	SFP Risk to the fund	Opening Accrual 31 March 2014	Charged to SoCNE 2015 *	Paid	Closing Accrual 31 March 2015
Area Aids Disallowance	**%**	**£m**	**£m**	**£m**	**£m**
2010-2012 SFP, LFA and Agri	**	28.6	(26.7)	-	1.9
2013 SFP	3.94%	-	8.7	-	8.7
2014 SFP	3.90%	-	8.6	-	8.6
Sub-Total Area Aids Disallowance		**28.6**	**(9.4)**	**0.0**	**19.2**
NIRDP		1.1	-	-	1.0
Ovine / Bovine		1.2	-	(1.2)	-
Cross Compliance		1.9	(0.1)	(1.8)	-
Total		**32.8**	**(9.6)**	**(3.0)**	**20.2**

*Included within the amounts charged to SoCNE is a £104k exchange rate gain. This is included within exchange rate movements in Note 5.

** SFP risk to the fund rates are 1.44% (2010) 1.35% (2011) and 1.02% (2012); LFA risk to the fund rates are 4.53% (2010) 7.23% (2011) and 4.93% (2012); Agri-Environment risk to the fund is a flat rate of 5% for years 2010-2012.

17.1 Intra-government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2014-15	2013-14	2014-15	2013-14
	£'000	£'000	£'000	£'000
Balances with other central government bodies	32,798	32,397	1,267	8,536
Balances with Local Authorities	1,540	735	-	-
Balances with NHS Bodies	1	2	-	-
Balances with public corporations and trading funds	13	16	-	-
Sub Total: Intra-government balances	**34,352**	**33,150**	**1,267**	**8,536**
Balances with bodies external to Government	49,623	49,273	-	-
Total payables at 31 March	**83,975**	**82,423**	**1,267**	**8,536**

18. Provisions for liabilities and charges

2014-15				Core Department
	Early Departure Costs	Litigation claims	Other Provisions	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2014	**163**	**934**	**2,124**	**3,221**
Rivers Integration	-	34	-	34
Provided in the year	-	160	3,484	3,644
Provisions not required written back	-	(558)	(58)	(616)
Provisions utilised in the year	(80)	(60)	(1,217)	(1,357)
Balance At 31 March 2015	**83**	**510**	**4,333**	**4,926**

Analysis of expected timing of discounted flows

				Core Department
	Early Departure Costs	Litigation claims	Other Provisions	Total
	£'000	£'000	£'000	£'000
Not later than one year	80	136	25	241
Later than one year and not later than five years	3	374	4,308	4,685
Later than five years	-	-	-	-
Balance At 31 March 2015	**83**	**510**	**4,333**	**4,926**

2014-15				Consolidated
	Early Departure Costs	Litigation claims	Other Provisions	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2014	**163**	**1,045**	**2,124**	**3,332**
Provided in the year	-	722	3,485	4,207
Provisions not required written back	-	(586)	(59)	(645)
Provisions utilised in the year	(80)	(69)	(1,217)	(1,366)
Balance At 31 March 2015	**83**	**1,112**	**4,333**	**5,528**

Analysis of expected timing of discounted flows

				Consolidated
	Early Departure Costs	Litigation claims	Other Provisions	Total
	£'000	£'000	£'000	£'000
Not later than one year	80	213	25	318
Later than one year and not later than five years	3	899	4,308	5,210
Later than five years	-	-	-	-
Balance At 31 March 2015	**83**	**1,112**	**4,333**	**5,528**

2013-14				Core Department
	Early Departure Costs	Litigation claims	Other Provisions	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2013	**156**	**1,267**	**2,633**	**4,056**
Provided in the year	133	405	415	953
Provisions not required written back	-	(558)	(486)	(1,044)
Provisions utilised in the year	(126)	(180)	(438)	(744)
Balance At 31 March 2014	**163**	**934**	**2,124**	**3,221**

2013-14				Consolidated
	Early Departure Costs	Litigation claims	Other Provisions	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2013	**156**	**1,384**	**2,633**	**4,173**
Provided in the year	133	498	415	1,046
Provisions not required written back	-	(639)	(486)	(1,125)
Provisions utilised in the year	(126)	(198)	(438)	(762)
Balance At 31 March 2014	**163**	**1,045**	**2,124**	**3,332**

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 Agency provides for this in full when early retirement programme becomes binding by establishing a provision for the estimated payments.

18.2 Litigation

This includes compensation and associated legal costs relating to personal injury claims by employees and the public as well as commercial legal claims.

18.3 Other Provisions

Provisions include amounts for CAP disallowance for LFA (£2.0m)and Agri-environment schemes (£1.3m) for 2013 to 2015 years. For LFA this was based on the risk to the fund / error rate (as calculated for the 2013 claim year, 7.05% and a 5% flat rate was applied to Agri-Environment).

19. Contingent liabilities disclosed under IAS 37

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

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

The Department has entered into the following unquantifiable contingent liabilities.

Voluntary Exit Scheme (VES)
The Northern Ireland Civil Service launched a Voluntary Exit Scheme (VES) across all departments on 2 March 2015. The closing date for applications was 27 March 2015. On 2 June 2015, 150 staff in the Department were notified that their applications had been approved however progress on the Scheme is now contingent upon funding being made available as part of the Stormont House Agreement. In order to ensure that the VES can proceed should funding be confirmed by the end of August, conditional offers have been made to those staff selected to leave in Tranche 1 at the end of September. At the balance sheet date, there is a possible obligation on the Department which may give rise to a liability should funding for the scheme be approved.

DARD Headquarters Relocation
Work is progressing on the relocation of Departmental headquarters. During 2015-16 both Fisheries Division and Forest Service will be relocated to South Down and Fermanagh respectively. It is anticipated that by the end of 2016, Rivers will be relocated to Loughry Campus. The remainder of Departmental headquarters will relocate to Ballykelly where it is planned to have 400 workstations available by July 2017 with a further 200 workstations available by 2020. At the balance sheet date, there is a possible obligation on the Department which may give rise to a liability depending on the funding arrangements that will be put in place to finance the relocation exercise. However, it is not possible, at the balance sheet date, to quantify the full extent of the potential liability.

Departmental Restructuring 2016
As a result of the Stormont House Agreement, there will be a reduction in the number of Northern Ireland government departments. The Department of Agriculture, Environment and Rural Affairs will replace the Department of Agriculture and Rural Development. It

will also take on the Department of the Environment's environmental functions and the Department for Culture Arts and Leisure's inland fisheries functions. Responsibility for Rivers will transfer to the Department for Infrastructure. Current planning assumptions are that the new departments will replace existing departments from 1st July 2016. At the balance sheet date, there is a possible obligation on the Department which may give rise to a liability depending on the funding arrangements that will be put in place to finance the restructuring exercise. However, it is not possible, at the balance sheet date, to quantify what this potential liability may be.

Note 19.1: Contingent liabilities not required to be disclosed under IAS 37 but included for Assembly reporting and accountability purposes.

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 benefit in settlement is too remote to meet the definition of contingent liability. During 2014-15, no such liabilities were reported which are not covered in Provisions Note 18 or the contingent liabilities noted above.

20 Losses and special payments

20.1 Losses Statement

	2014-15		2013-14	
	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Total number of losses/cases	122	147	11	58
Total value of losses	198	237	41	215
Details of cases over £250,000:				
Cash Losses	-	-	-	-
Administrative write offs	-	-	-	-
Fruitless payments	-	-	-	-

These cases include abandoned claims, constructive losses, other losses, malicious damage, theft, cash losses, accidental damage, fruitless payments, forest fires, and unvouched or incompletely vouched expenditure.

20.2 Special Payments

	2014-15		2013-14	
	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Total number of losses/cases	20	21	28	34
Total value of losses	93	543	329	341
Details of cases over £250,000				
Compensation Payments *Forest Service land sale in respect of land that was subject to a lease*	-	450	-	-

These cases include Ex Gratia payments, compensation payments, and Extra Statutory payments. One special payment resulted in an accrual of £0.45m due to land sold which was subsequently found to be subject to a lease. In March 2015 the Department negotiated with the current owner to purchase the land.

21 Related-party transactions

The Department of Agriculture and Rural Development is the parent department of the Forest Service Agency 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 (FCILC). 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:

Five officers were members of bodies that have had dealings with DARD. These bodies included:

North of Ireland Veterinary Association
Royal College of Veterinary Surgeons

British Veterinary Association
Veterinary Public Health Association
Federation of Veterinarians of Europe
Royal Ulster Agricultural Society

Six 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 DARD.

One officer's spouse is a partner in a consulting firm involved in the delivery of the Northern Ireland Rural Development Programme. The individual concerned has had no involvement in nor received any financial reward from this work. In addition this 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.

All the above interests are regarded as not material.

22 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 period date to which it was practical to ascribe monetary values as at 31 March 2015 are set out in the table below.

			Consolidated
Northern Ireland Central Investment Fund for Charities **Description**	**No. of Shares**	**Market Value at 31 March 2015** **£**	**Market Value at 31 March 2014** **£**
DARD Moore Memorial Fund	96	1,125.71	1,059.87
DARD Thomson Memorial Account	990	11,608.84	10,929.90
DARD Thompson Bequest Account	10,973	128,670.50	121,145.21
Vaughan Charity	181,395	2,127,055.91	2,002,655.22
Vaughan Charity - Fermanagh Pig Project	1,099	12,886.98	12,133.29
DARD Drainage Trusts	3,008	35,272.11	33,209.22
Total	**197,561**	**2,316,620.05**	**2,181,132.71**

			Consolidated
Government Stocks **Description**	**Nominal Value** **£**	**Market Value at 31 March 2015** **£**	**Market Value at 31 March 2014** **£**
DARD Drainage Trusts:			
2 ½% Treasury Stock	119.0	119	71

Third-party account balances as at 31 March	Bank Accounts		Consolidated Fund	
	2015	2014	2015	2014
	£	£	£	£
DARD Horse Racing Fund Account	2,726.45	68.86	6,872.00	53,392.00
Enniskillen College of Agriculture (ECA) Sport and Tuck Shop	17,834.93	1,596.77	-	-
ECA Travel Fund	8,615.15	7,776.22	-	-
ECA Vaughan Charity - current account	5,000.00	27,532.97	-	-
ECA Vaughan Charity - deposit account	35,817.01	27,774.46	-	-
Greenmount College Floristry Club	22.57	21.99	-	-
Greenmount College Sports Fund	10,182.19	2,237.59	-	-
Greenmount College Sports and Recreation Club	2,238.94	12,132.25	-	-
GCR Enterprise Management	2,322.25	5,730.40	-	-
Greenmount Travel - Current	40,466.34	41,823.29	-	-
Greenmount Travel - Business Reserve	8,698.64	8,694.29	-	-
Greenmount - Projects	1,425.27	1,751.18	-	-
Greenmount - Cream Advisory	26,245.06	26,182.05	-	-
Greenmount College Rugby Club	263.47	334.47	-	-
Greenmount College Football Club	11.59	11.59	-	-
Greenmount Horse Riding Club	193.45	193.45	-	-
Greenmount Bursaries	13,536.88	11,700.39	-	-
Loughry Student Affiliation Account	10,739.65	8,275.66	-	-
Drainage Trust Investment Accounts	67,995.01	66,580.93	-	-
DARD Moore Memorial Fund	26.84	34.67	1,500.00	1,500.00
DARD Thomson Memorial Account	297.03	469.90	12,620.00	12,020.00
DARD Thompson Bequest Account	8.02	354.62	535.00	115.00
Totals	**254,666.74**	**251,278.00**	**21,527.00**	**67,027.00**

23 Entities within the Departmental boundary

The entities within the boundary during 2014-15 were as follows:

Supply-financed agencies: Forest Service Agency

The Annual Reports and Accounts of Forest Service Agency are published separately.

24 Events after the reporting period

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

25 Machinery of Government Changes

The functions of Rivers Agency transferred to the Core Department on 1 April 2014. In line with the revised guidance contained in IFRS 3 Business Combinations under Common Control, this has been accounted for in the 2014-15 accounts by the Core Department and figures for 2013-14 have not been restated. There is no impact on the overall consolidated figures as the Agency was already included in prior years.

The following assets and liabilities were transferred as a result of this machinery of government change:

Rivers Statement of Financial Position

	1 April 2014 £'000
Non-Current Assets	
Property, Plant and Equipment	633,827
Intangible assets	819
Current Assets	
Inventories	486
Trade and other receivables	248
Cash and cash equivalents	3
Current Liabilities	
Trade and other payables	(4,033)
Non-Current Liabilities	
Provisions	(34)
Total assets less current liabilities	**631,316**
Taxpayer's equity	
General fund	252,046
Revaluation reserve	379,270
Total Taxpayer's equity	**631,316**

Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 29 June 2015.

Appendix 1

Report by the Comptroller and Auditor General

Department of Agriculture and Rural Development Resource Accounts 2014-15

Introduction

1. This report explains;

- the background to the disallowances on European Union (EU) Funding imposed on the Department of Agriculture and Rural Development ('the Department');
- the basis of my qualified audit opinion on the 2014-15 Resource Accounts for the Department; and
- the actions the Department is taking to reduce the disallowances determined by the European Commission ('the Commission').

2. As part of my audit of the Department's Resource Accounts, I am required to satisfy myself that, in all material respects, the expenditure and income shown in the Resource Accounts have been applied to the purposes intended by the Assembly and conform to the authorities which govern them; that is, they are 'regular'.

3. My opinion on 'regularity' is qualified as 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 for the last four years.

Background to the disallowances imposed on the Department

4. Northern Ireland continues 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 £300 million in 2014-15 (2013-14; £317 million).

5. The Department has, in prior years, incurred disallowances of EU funding of approximately £78 million across Single Farm Payments for claim years 2004 to 2009. In addition, the Department has incurred disallowances in respect of other schemes dating back a number of years.

Developments in 2014-15

6. At 31 March 2014, the Department's Resource Accounts contained accruals of £32.8 million for expected disallowances across a number of EU schemes. During 2014-15, a number of developments contributed to a reduction in the total amount accrued to £20.2 million at 31 March 2015.

7. In October 2014, the Commission notified the Department of its proposals for disallowances in respect of three area-based ('Area Aids') schemes under the CAP for claim years 2010, 2011 and 2012; Single Farm Payment (SFP), the Less Favoured Area Compensatory Allowances (LFACA) and the Agri-Environment Scheme. The Commission accepted from the Department a revised approach for calculating the fund risk, resulting in a total disallowance of €14.4 million (£10.4 million[1]).

8. However, the Commission has also taken into account the Department's recoveries of SFP overpayments in determining the net financial effect. As a result, the total amount now due to the EU in respect of disallowances for claim years 2010-12 is €2.6 million (£1.9 million[1]). The Department had previously accrued a total of £28.6 million in its accounts for these years and has therefore reduced the accrual by £26.7 million during 2014-15. The Department awaits final confirmation from the Commission.

9. The Department made payments of £3 million during the year relating to other disallowances. At 31 March 2015 an accrual of £1 million has been retained in respect of the Northern Ireland Rural Development Programme (NIRDP), which the Department expects will become payable after final closure of the programme in December 2015.

10. In addition, the Department has accrued in 2014-15 an additional £17.3 million for disallowances relating to SFP claim years 2013 (£8.7 million) and 2014 (£8.6 million). The Department has calculated the risk to the funds for 2013 and 2014, being 3.94% and 3.90% respectively, on the basis of the methodology endorsed by the Commission for claim years 2010 to 2012 (para. 7 refers). The amounts have not yet been formally confirmed by the Commission.

11. The movement in the disallowance accruals and the balance at 31 March 2015 is included at Note 17 to the accounts and summarised in the following table:

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[1] *Converted at Sterling/Euro exchange rate of 0.72359 at 31 March 2015.*

	£million
Total accrual at 31 March 2014	**32.8**
Payment of disallowances during the year	(3.0)
Reduction in the Area Aids disallowance accrual for claim years 2010-12	(26.7)
Additional accrual for SFP disallowance for claim years 2013 and 2014	17.3
Exchange rate gain	(0.2)
Total accrual at 31 March 2015	**20.2**
Consisting of:	
SFP, LFACA and Agri-Environment 2010-12	1.9
SFP 2013 and 2014	17.3
NIRDP	1.0
Total accrual at 31 March 2015	**20.2**

12. A provision for £3.3 million for estimated future disallowances relating to the Less Favoured Area Compensatory Allowances Scheme (for claim years 2013 and 2014) and the Agri-Environment Scheme (for claim years 2013 to 2015) is also contained in the accounts.

Basis of my qualified audit opinion

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 and I consider it to be irregular as it is expenditure that does not conform to the authorities which govern it, being the EU regulations.

14. My audit opinion for 2014-15 is therefore qualified in respect of disallowances of £17.3 million incurred by the Department in 2014-15, relating to Single Farm Payment claim years 2013 and 2014, and accrued in the financial statements.

Department's actions to reduce disallowances

15. The Department has pursued a broad range of measures to address the issues raised by the Commission. These were delivered through the EU Audit Compliance Programme (EUACP).

16. The refinement and use of the Land Parcel Identification System (LPIS) as a key control is essential to the Department, as a Paying Agency, to comply with EC regulations. The Department will continue to work in partnership with Land and Property Services (LPS), an Agency of DFP, to revise all maps and provide an ongoing refresh of maps on a three year cycle using the latest available digital aerial photography.

17. This involves the systematic review and, where necessary, the updating of approximately 740,000 fields within the LPIS. CAP Reform requirements are being included in a new Service Level Agreement between the Department and Land & Property Services (LPS), the national mapping agency. During 2014, LPS 'positionally improved' (to reflect modern mapping techniques) and refreshed the Department's field boundaries and ineligible features within fields.

18. Using the latest available ortho-photography from its earlier investment in a digital camera, the Department has deployed these maps as a control in scheme years 2013, 2014 and 2015.

19. Other developments include: -

- Investing in a new Corporate Geographical Information System that will underpin the maps and ensure that the Department has a better platform on which to build future maps.

- Continuing to improve inspection controls through enhanced training and guidance to inspectors and further refinement of the electronic systems to provide a more consistent and repeatable control. In addition, quality assurance measures have been integrated into inspection activities to maintain and improve the accuracy and quality of the process.

- Introducing Remote Sensing technology as a means to complete on-the-spot checks. This approach, which uses satellite imagery to check claimed areas, should liberate inspection resources for use in map related field checks to further improve the quality of the mapping data and mitigate the risk of future disallowance.

20. The Department is also participating in Legality and Regularity audits in line with Commission guidelines and completes an annual EU-mandated self-assessment of the quality of its mapping system. The Department passed the main part of this assessment for the first time in 2013 and again in 2014 and continues to show improvement in the others areas of the assessment. This demonstrates the ongoing improvement in the quality of the LPIS.

21. The Department's officials will continue to engage actively with the European Commission to explain its programme of work to address EU audit findings.

22. The Department has set out full details of its programme of measures in the Annual Report.

Summary and Conclusions

23. I have qualified my audit opinion on the Department's 2014-15 Resource Accounts on the grounds of regularity. During the 2014-15 financial year, the Department accrued a further £17.3 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.

Kieran J Donnelly

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