2015-16

Resource Accounts

For the year ended 31 March 2016

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

Annual Report and Accounts for the year ended 31 March 2016

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Introduction

The Department of Agriculture and Rural Development (DARD) presents its Accounts for the financial year ended 31 March 2016.

PERFORMANCE REPORT

Overview

Permanent Secretary Overview

The 2015-16 financial year represented a period of considerable change for the Department in striving to be a more efficient, leaner and more modern organisation, not least through the implementation of the Voluntary Exit Scheme (VES) and the development of digital services. We continued to roll out the Headquarters relocation programme and also progressed the transition to the creation of a new Department, The Department of Agriculture, Environment and Rural Affairs (DAERA), under Departmental restructuring effective from 8 May 2016. As documented in this report, however, DARD was also successful in delivering a range of key outcomes for stakeholders during this period of very significant budgetary constraints.

During 2015-16 we implemented the new Common Agricultural Policy (CAP) farm support regime which was agreed by the EU in 2013. This has brought significant change and challenges for the industry with the commencement of a move towards a flat rate payment model and new greening obligations. There have also been significant challenges for DARD in the implementation process given new complexities introduced as a result of the 2013 CAP reforms.

The Rural Needs Bill successfully progressed through its Assembly stages. It was passed by the Assembly in March 2016 and awaits Royal Assent. This new legislation will require government departments, councils and other public authorities to have due regard to rural needs in policy-making and service delivery.

The Northern Ireland Rural Development Programme (NIRDP) 2007-13 closed on 31 December 2015. Completion of this programme was a significant achievement. It provided support to improve the competitiveness of agriculture and forestry businesses (Axis 1), improve the environment and the countryside (Axis 2), and improve the quality of life in rural areas and encourage diversification of economic activity (Axis 3 and Axis 4).

The Northern Ireland Rural Development Programme 2014-2020 was approved by the European Commission on 25 August 2015. The Executive agreement is for a budget of up to £623m which is an increase in funding of almost 16% compared with the 2007-13 Programme. The Programme will be funded with a European contribution of approximately £187 million which will be matched with funds from the Department's own budget to maximise the drawdown of EU funds available. The agreement secured with the Executive will also provide additional funding of up to £250m to fund the proposed Farm Business Improvement Scheme (FBIS) as requested by the Agri-Food Strategy Board (AFSB) in its *Going for Growth* report.

The Department has a lead role in addressing over 40 of the 80 recommendations in the *Going for Growth* report, and during the year work progressed across the key areas of market access, animal health, innovation and environmental sustainability.

As a result of unprecedented heavy rainfall and high winds during December 2015 when many homes and businesses were affected by flooding, the Rivers Agency led a multi agency approach in dealing with this flooding.

In regard to Direct Payments to farmers, 95% of eligible claims were paid in December meeting the challenging target which had been set. 97% of eligible claims were paid by end of February.

The Department continues to be aware, however, of the extremely challenging financial environment for those in the Agri-Food industry. 2015-16 was a further difficult and challenging year for a number of Northern Ireland's key agri-food sectors. Provisional figures indicate that the 'Total Income from Farming' in Northern Ireland fell by 41% in 2015 (42% in real terms) to £183 million from £312 million in 2014. The major factor was a fall in prices which affected all the main sectors, but the dairy and pig sectors in particular. We will continue to work with stakeholders to address these issues.

While these were some of the challenges and achievements during 2015-16, the content of this Report sets out in considerable detail all of the issues addressed by DARD in the last financial year.

Noel Lavery
Permanent Secretary

Purpose and Activities

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 Performance Report.

Key Aims and Objectives

The Department had in place a Strategic Plan to 2020 and a Corporate Plan for the 2 year period 2014-16.

Both documents define the Department's Vision, Aim and Role and focus upon 5 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 not only contributes to the higher level aspirations through the achievement of annual targets but also provides staff with a clearer view of where their personal contribution fits with the Department's task to deliver an improved service to the customers and stakeholders.

The 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.

Restructuring of Departments

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

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

- DARD's existing functions with the exception of Rivers Agency;
- Inland Fisheries from Department of Culture, Arts and Leisure (DCAL);
- Environmental responsibilities from Department of the Environment (DOE)/ Northern Ireland Environmental Agency (NIEA); and
- Responsibility for the Sustainability Strategy from Office of the First Minister and Deputy First Minister (OFMDFM).

A DAERA Formation Project Team was established with the aim of creating an operational new Department by May 2016.

The objectives of the Project were, by May 2016, to have:

- Agreed an organisational structure for the new Department;
- Transferred and integrated existing functions, business systems and resources from DOE, DCAL and DARD; and
- Ensured continuity of service throughout the duration of the Project.

In creating DAERA, no functions were done away with and no policies terminated.

Senior officials from across the three Departments; DARD, DOE and DCAL, fully engaged in the formation process and have worked closely to develop proposed strategic priorities for the new Department.

The DAERA Formation Project developed plans to maintain business continuity and adopt a 'business as usual' approach to citizen facing services during transition.

An independent review of the progress of the project was undertaken in February 2016, and concluded that the project was "well advanced and on track to be ready for Day One".

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

On-Vote Executive Agencies

During 2015-16 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.

Executive Non-Departmental Public Bodies (NDPB's)

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.

Business Plan Monitoring and Reporting Arrangements

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

During the course of the financial year, detailed progress against each Business Plan target was reported to the Departmental Board for the periods ending 30 September, 31 December and 31 March. Reports to 30 September and 31 March were also submitted to the Minister and ARD Committee.

Progress is reported in accordance with the methodology adopted for the Programme for Government (PfG) Commitment reports to the Executive.

The Departmental Board also oversees the level of progress being made towards the milestones and targets set and approve corrective actions, as appropriate, during the course of the year.

The Performance Analysis Section below identifies the outcome at 31 March 2016 in relation to each of the targets included in the Department's 2015-16 Business Plan under each of the five Strategic Goals. Of the total 41 targets, 31 were achieved, 3 partially achieved and 7 not achieved.

In addition, the Performance Analysis Section details all the key issues facing the Department during the 2015-16 financial year.

Corporate Risks

During the year the Department continued to manage the following 10 Corporate Risks:

1. That disallowance is applied by the European Commission because of the level of risk to the Fund created by Pillar 1 and 2 IACS schemes.

2. Funding not in place to deliver corporate priorities.

3. Insufficiently robust governance and accountability of AFBI as the Department's major NDPB and inadequate arrangements to ensure AFBI meets DARD's science need within funding available.

4. Significant business impact resulting from ineffective Information Assurance.

5. Damage to reputation through ineffective communications.

6. Entry and spread of Epizootic Disease or significant escalation in the level of Enzootic Disease (TB).

7. The service provided by Rivers Agency during severe flooding events will attract criticism from the public, their representatives and the media.

8. DARD is unable to successfully implement Northern Ireland Food Animal Information System (NIFAIS) to support its work and deliver the savings and business change benefits associated with the new Veterinary Service (VS) Target Operating Model.

9. Significant business impact resulting from loss of staff and significant staff movement through VES, HQ Relocation and the formation of DAERA.

10. Serious Plant Disease - entry and spread of epiphytotic disease.

Performance Analysis

The following is a summary of the outcome at 31 March 2016 in relation to each of the targets included in the DARD 2015-16 Business Plan:

GOAL 1: HELP THE AGRI-FOOD INDUSTRY PREPARE FOR FUTURE MARKET OPPORTUNITIES AND ECONOMIC CHALLENGES

TARGET	POSITION AT 31 MARCH 2016
Gain EU approval to the 2014-2020 NIRDP by 30 September 2015.	**Achieved** - NIRDP 2014-2020 approved by EU Commissioner Hogan on 25 August 2015
With Department of Enterprise, Trade and Investment (DETI) and other stakeholders, oversee implementation and monitor progress of the Executive-endorsed Action Plan in response to *Going for Growth* and publish an annual progress report by 31 March 2016.	**Achieved** - Detailed quarterly reports and a formal progress report, "Delivering Growth", published.
By 31 March 2016, develop and launch a consultation on options for future support to Areas of Natural Constraint (ANC) and associated policy issues.	**Achieved** - 3 consultations were launched on 16 February 2016 in relation to: Options for future support of ANCs; Designation of ANCs; and Review of CAP Coupled Support Options.
By 31 March 2016, finalise policy papers and business cases and establish a monitoring framework for the FBIS and Agri-Food Processing Investment Scheme (AfPIS) as part of NIRDP 2014-2020.	**Not Achieved** - Target deadline missed for approval of the Outline Business Cases. While the first phase of FBIS opened with Knowledge Transfer schemes, the remaining elements of FBIS and AfPIS to open during 2016.
Review and launch a new Evidence & Innovation Strategy by 31 March 2016.	**Achieved** - A new Evidence and Innovation Strategy updated for 2015-2017 was launched following Ministerial approval on 14 December 2015

By 31 March 2016, develop and deliver knowledge exchange, education and lifelong learning initiatives, as prioritised by the *Going for Growth* report and the Rural Development (Pillar II) proposals, to 1,500 farmers via Business Development Groups (BDG).	**Achieved** - As of 31 March 2016, there were 2,907 participants registered with the BDG programme.
By 31 March 2016 deliver a suite of education and industry training programmes to 12,000 people with 4,025 people achieving nationally validated qualifications at level 2 and above.	**Achieved** - At 31 March 2016, 13,593 people had participated in education and training programmes and 5,472 people achieved a qualification at level 2 & above.
Deliver a programme of Knowledge and Technology Transfer leading to 1,500 adoptions of technology by agri-food businesses by 31 March 2016.	**Achieved** - CAFRE Development Service supported the adoption of 1,632 technologies in the period to 31 March.
By 31 March 2016, open at least 2 new third country export opportunities and deliver mutually agreed actions in order to support Industry-driven export targets via the strategic partnerships developed with InvestNI, NI Meat Exporters Association (NIMEA), UK Export Certification Partnership (UKECP), Industry and DEFRA.	**Achieved** - New markets opened for pork to India and beef to Canada.
Deliver a £1m programme of works in forests by 31 March 2016 to underpin investment in forest recreation infrastructure.	**Achieved** - £1.2 million spent on works at 31 March 2016.

GOAL 2: IMPROVE THE LIVES OF FARMERS AND OTHER RURAL DWELLERS TARGETING RESOURCES WHERE THEY ARE MOST NEEDED

TARGET	POSITION AT 31 MARCH 2016
Monitor implementation of the Rural White Paper Action Plan by Departments and publish an Annual Progress Report by 31 December 2015.	**Achieved** - Monitoring of implementation on-going; 2015 Progress Report was published by 31 December 2015.
Progress a Rural Proofing Bill so that it completes its Assembly stages by 31 March 2016, subject to Executive agreement.	**Achieved** - Final Stage in the Assembly on 8 March 2016.
Implement programmes with a view to incurring expenditure of at least £4m by 31 March 2016 as part of the package to tackle rural poverty and social and economic isolation.	**Achieved** - Spend of £4.97m by 31 March 2016.
Relocate Fisheries Division to Downpatrick by 30 June 2015; Relocate Forest Service to Enniskillen by mid-September 2015; Relocate Rivers Agency to Cookstown by 31 March 2016; and Submit a planning application, complete building design brief and award tender for construction for the new headquarters at Ballykelly.	**Partially Achieved** - Fisheries Division was relocated to Downpatrick in June 2015 and Forest Service to Enniskillen in September 2015 as planned. The revised plan is to relocate Rivers Agency to Loughry Campus by October 2016 and not by 31 March 2016 as planned. A planning application was submitted, building design brief completed and a contractor was appointed for Phase 1 construction of the new HQ at Ballykelly.
By 31 December 2015 have approximately 100 megawatts of wind farm potential under active development.	**Not Achieved** - While significant progress has been made in the development of the opportunity, Forest Service felt it was counter-productive to go to the market with potential sites given the significant policy uncertainty and impact this has had on market sentiment.

GOAL 3: ENHANCE ANIMAL, FISH AND PLANT HEALTH AND ANIMAL WELFARE ON AN ALL IRELAND BASIS

TARGET	POSITION AT 31 MARCH 2016
Secure the approval of the European Commission for Official Brucellosis Free (OBF) status for NI and implement a proportionate reduction in brucellosis testing requirements by 30 September 2015.	**Achieved** - Approved on 9 September 2015.
Facilitate the Government/Industry Strategic TB Partnership's development of a long-term TB Eradication Strategy and Action Plan by 31 December 2015 and the production of an interim report by 30 June 2015.	**Not Achieved** - While the Interim Report was on schedule, the Final Report will be delayed until at least June 2016.
Work with the Loughs Agency to deliver a development strategy for marine tourism, angling development and environmental education for the period 2015-2022 by 31 December 2015.	**Achieved** - Draft Strategy scrutinised by DARD officials and approved by the Board of the Foyle, Carlingford and Irish Lights on 9 December 2015.
Progress a Fisheries Bill so that it completes its Assembly stages by 31 March 2016.	**Achieved** - The Fisheries Bill completed its Final Stage in the Assembly on 15 March 2016.
Safeguard Plant Health status in the north of Ireland to prevent the establishment and spread of new and quarantine plant pests and diseases.	**Achieved** - Achievement of this Agency key target has been validated by Internal Audit.
By 31 March 2016, obtain EU approval for the 2016 TB Plan and secure funding for the 2014 Plan, forecast as £4m.	**Achieved** - 2016 plan approved and 2014 co-funding received.
Publish a 2014 TB Report by 30 November 2015.	**Achieved** - Report published 24 November 2015.

GOAL 4: HELP DELIVER IMPROVED SUSTAINABLE ENVIRONMENTAL OUTCOMES

TARGET	POSITION AT 31 MARCH 2016
Agree, publish and commence implementation of Phase Two of the Greenhouse Gas Action Plan in collaboration with the Greenhouse Gas Implementation Partnership (GHGIP) by 31 December 2015.	**Not Achieved** - The timetable for development of the Phase 2 plan was subject to delays in the EC approval of the NIRDP. The 2016-2020 action plan has been agreed in principle by the GHGIP but it will not now be published until DAERA is formed.
In partnership with the Agricultural Land Use Expert Working Group, agree the principles of sustainable land management by 31 December 2015 and set a timetable by 31 March 2016 for publication of the Agricultural Land Use Strategy and Action Plan.	**Achieved** - A draft Sustainable Land Management Strategy agreed by the Expert Working Group - final strategy to be published Autumn 2016.
Agree agriculture measures for the Water Framework Directive River Basin Management Plans (RBMP) 2015-21 by 31 December 2015.	**Achieved** - The Second Cycle of RBMPs for 2015-2021 was published in December 2015.
Establish a Monitoring Framework designed to inform policy direction for NIRDP environmental outcomes by 31 March 2016.	**Not Achieved** - The timescale was affected by the delay to EC approval of the NIRDP, which subsequently impacted on the timetable for detailed development of schemes and supporting business cases, and the ability to progress the monitoring and evaluation framework.
Work jointly with DETI, InvestNI and the Strategic Investment Board to provide support through a loan fund by 31 March 2016 to assist the development of at least one processing facility for the Sustainable Use of Poultry Litter (SUPL)	**Achieved** - The first project under SUPL Loan Scheme received a loan from InvestNI in February 2016. Construction is underway and the plant will be operational by March 2017.
By 31 March 2016, seek Royal Assent for the Reservoirs Bill.	**Achieved** - Royal Assent received on 24 July 2015.

Finalise the 3 Flood Risk Management Plans to help achieve full implementation of the first cycle of the EU Floods Directive by 22 December 2015.	**Achieved** - The final Flood Risk Management Plans were completed and published on 22 December 2015.
Maintain infrastructure to provide enhanced flood protection to 15,500 properties: • 89% Culverts in "fair condition" or better ("fair condition" means only minor defects are present); • 98% Sea Defences in "fair condition" or better; • 74% Fluvial Defences in "fair condition" or better.	**Not Achieved** - 88%, 91% and 58% respectively. Culverts: defects identified quicker than repairs could be undertaken. Sea Defences: Insufficient funding to undertake maintenance of sea defences. Fluvial Defences: Resources prioritised to flooding over the winter months so unable to target works.

GOAL 5: MANAGE OUR BUSINESS AND DELIVER SERVICES TO OUR CUSTOMERS IN A COST EFFECTIVE WAY

TARGET	POSITION AT 31 MARCH 2016
Publish 2015 Direct Payments payment timetable in November 2015 and adhere to targets.	**Achieved** - A Ministerial target to pay 95% of eligible Direct Payment claims in December 2015 was achieved. All inspection cases were fully processed by the end of March 2016.
By 31 March 2016 undertake reviews of our customer contact, advisory and inspection services delivery models to deliver new operating models that are affordable in a context of reducing budgets.	**Partially Achieved** - The Review of Advisory Services and Customer Contact had a final draft report in place by 31 March 2016. However, in relation to the Inspections Controls Services Review, the demands of ongoing business in the first year of the CAP Reforms made stakeholder availability difficult and thus caused delay in delivery of the final report - now set for May 2016.
Further reduce the risk of future EU financial correction by ensuring that farm businesses have access to accurate map information supported by accurate on the spot checks, undertake actions to seek recovery of overpaid monies and implement other Integrated Administration and Control System (IACS) controls to inform Single Application Form (SAF) claims in 2015-16.	**Achieved** - LPS map refresh and Control with Remote Sensing (CwRS)/Classic Inspection targets were met. The EU Quality Assessment Framework (QAF) was passed as in previous years and steps were taken to integrate controls and mapping protocols, including recommendations from the LPIS Review to be taken forward e.g. recovery of over-payments.

Implement year two of an action plan aimed at dramatically increasing the uptake of digital services over a three year period, including, by 31 March 2016: 11,000 farm businesses transacting online with DARD; 50% of farm businesses submitting their Single Application Form (SAF) online; and 65% of bovine births registered online.	**Partially Achieved** - Two of the three elements of the target were achieved but 47% of farm businesses submitted the SAF online against the target of 50%.
Provisional Capital and Resource Outturn between 98.5% and 100% of the Final Budget.	**Achieved** - Capital PO under-spend £0.14m (0.44%) and Resource PO under-spend £0.27m (0.12%).
Deliver Savings Delivery Plans of £29.9m.	**Achieved** - £29.9m savings delivered.
Continue to explore new opportunities for joint procurement with the South.	**Achieved** - one joint procurement with colleagues in DAFM, in relation to a contingency supply of C02 gas, was identified. The Department continues to liaise with CPD re actions required in regard to the implementation of Directive 2014/24/EU.
Reduce the Department's staff complement by at least 300 Full Time Equivalents (FTEs), to maximum of 2,625 FTEs by 31 March 2016, through the NICS VES and other personnel interventions; and manage the redeployment of staff across DARD so that priority/essential posts are filled.	**Achieved** - We have successfully managed down our staff numbers in line with the Departmental VES profile and budgetary constraints. As at 31 March 2016, the staff headcount was 2,652 i.e. 2,505.5 in FTE terms.
Reduce the days lost per member of staff through sickness to 7.5 days by March 2016 through robust application of the absence management policies and support staff to maintain and improve health and well being.	**Not Achieved** - NISRA estimate for March 2016 indicates that DARD will achieve 9.7 days lost per staff year against the Ministerial target of 7.5 days

By 31 March 2016 have identified the preferred bidder and reached contract award stage in the procurement of the Northern Ireland Food Animal Information System (NIFAIS).	**Achieved** - Target met with a view to the Contract being signed w/c 4th or 11th April 2016.
By 31 December 2015, have agreed a new Target Operating Model for Veterinary Service field staff, to align with the DARD Digital Strategy, inform NIFAIS design, and deliver savings through its development, from the summer of 2017.	**Achieved** - Project strands established.

The following were the key issues for the Department during the 2015-16 year:

North South Co-operation

The Department engaged 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 the promotion and development of Lough Foyle and Carlingford Lough for commercial and recreational purposes, conservation and protection measures, the licensing and development of aquaculture and the development of marine tourism.

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

During 2015-16, 1 meeting of the NSMC was held in ‘Agriculture’ Sectoral format and 2 in ‘Aquaculture’ Sectoral format. The DARD Minister also attended 1 NSMC Plenary meeting.

Agri-Food Strategy

In recognition of the importance of agri-food to the local economy, the Executive’s Programme for Government 2011-15 included a Commitment to develop a Strategic

Plan for the sector. 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 market access, animal health, innovation and environmental sustainability. Key outcomes to date have included:

- EC approval of the Northern Ireland Rural Development Programme 2014-2020 to the European Commission, incorporating the Farm Business Improvement Scheme worth up to £250m, and an Agri-Food Processing Investment Scheme:
- launch of Knowledge Transfer element of Farm Business Improvement Scheme, including Business Development Groups and Farm Family Key Skills;
- establishment of a Supply Chain Forum to improve communication and transparency;
- establishment of an Agricultural Land Use Expert Working Group to develop an sustainable land management strategy;
- establishment of TB Strategic Partnership Board to develop a strategy for the eradication of TB;
- achievement of Official Brucellosis Free status;
- legislation in place for compulsory BVD testing;
- provisional approval for exporting pork to China

DARD has also been involved in work being led by other Departments, including Invest NI's establishment of an Agri-Food Competence Centre and the work of Department for Employment and Learning's (DEL) 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 provided a number of new and important export opportunities for a range of agriculture commodities in 2015. These included beef to Canada, pet food to Brazil and

Indonesia, poultry meat to the Democratic Republic of Congo and pork to India. In total, access to 23 new markets was facilitated in 2015. Many of these helped mitigate the negative impacts on poultry meat exports from NI as a result of Avian Influenza outbreaks in Great Britain during the year.

Substantial progress was also made in 2015 in accessing the pork market in China for exports from the North. Following two audits in April provisional approval for pork exports was granted by the Chinese authorities in November 2015. Officials continue to work with the Chinese authorities to finalise full approval in 2016.

In 2015 DARD continued to meet with both industry and their other government partners involved in trade to support export growth. This included regular meetings with Invest NI and the Food Standards Agency (FSA) and with industry via the Meat Exporters Working Group. The biannual meetings of the DARD/DAFM dairy export working group continued to provide the opportunity to agree mechanisms to support international exports of dairy products from the island of Ireland. The importance of this group was recognised by both the DARD and DAFM ministers via their agreement to formalise these arrangements under the auspices of the North South Ministerial Council.

DARD's provision of veterinary certification for meat and dairy exports continued with the demand again significantly increasing over the year. For example, dairy exports saw an uplift of 20% in 2015, similar to that in 2014.

Sectoral Issues

2015-16 was a further difficult and challenging year for a number of Northern Ireland's key agri-food sectors. Provisional figures indicate that the Total Income from Farming (TIFF) in Northern Ireland fell by 41% in 2015 (42% in real terms) to £183 million from £312 million in 2014.

The major factor was a fall in prices which affected all the main sectors, but the dairy and pig sectors in particular. There was also a reduction in direct payments of around £12m compared to 2014, which can be attributed to an adverse exchange rate movement. The continuing sectoral difficulties have in turn generated substantial stakeholder concern 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. The Minister and Department have also been concerned about the red meat price differential between Britain and Northern Ireland.

The dairy sector experienced further falls in milk prices due to a range of factors including an increase in EU and global milk production combined with the residual impact of a ban on imports introduced by Russia. With dairy farmers facing a difficult situation the DARD Minister worked with political representatives in Dublin, London and Brussels, and with industry stakeholders to identify measures to address the immediate difficulties and to support the long term sustainability and stability of the dairy sector. She also met with banks, HP and leasing companies on a number of occasions, encouraging them to engage positively with dairy farmers on managing their cash flow. In September the EU approved a temporary financial aid package for the dairy and livestock sectors. The Minister secured an enhanced allocation of £5.1m for NI farmers given the extreme conditions here and payments of this aid issued to dairy farmers before Christmas. The Department continues to support the dairy sector's growth ambitions as set out in *Going for Growth* and DARD officials have also been working with dairy exporters in finding alternative markets.

Local pork prices have been under downward pressure throughout 2015, with pig prices around 33% lower than 2014 levels. In order to help to stabilise pork prices across Europe, the European Commission followed up its Private Storage Aid (PSA) Scheme in March 2015 with a further Scheme in January 2016. Under both schemes, the Commission provided a fixed amount towards the basic costs of storage for certain pig meat cuts (for 90-150 days). However, the global pork market is expected to remain relatively weak heading into the second quarter of 2016. As a result, the Commission is currently considering proposals for further assistance measures. The Department continues to help support the local pig sector through the provision of education, training and research in order to help improve efficiency and sustainability.

Common Agricultural Policy

The Department administers Direct Payments to farmers under the Common Agricultural Policy (CAP) support schemes. These schemes, which include the Basic Payment, the Greening Payment and the Young Farmers Payment, are fully funded by the European Commission. For 2015 the schemes were worth around £236m to local farmers. European Union rules which govern the operation of these schemes permitted DARD to start making full payments in December 2015. DARD achieved its target to pay 95% of eligible claims for Basic Payment and Greening in December 2015 and, in doing so, achieved the best payment performance in the United Kingdom. By the end of March 2016, over £228m had been paid in relation to over 98% of all eligible claims for the Basic Payment Scheme. All inspected claims were fully processed by the end of March 2016.

A series of policy decisions following the agreement on CAP Reform in 2013 included an announcement of support for Areas of Natural Constraint (the successor to the Less Favoured Areas Compensatory Allowances Scheme) which would continue to operate under Pillar II (Rural Development) for two years, with a review thereafter. It was also decided that there would be no coupled support scheme, but that this decision would be kept under review. As a result of these commitments, three consultations were launched on 16 February 2016 on the Options for Future Support to Areas of Natural Constraint, Designation of Areas of Natural Constraint and a Review of CAP Coupled Support Options. The outcome of these consultations which are currently with the new DAERA minister will influence the architecture of the CAP in Northern Ireland after this year.

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

In the last audit conducted by the Commission for the 2010 - 2012 scheme years, a penalty of €2,613k was applied and paid for in 2015/16. The methodology used by the Commission in calculating this disallowance has been re-performed for the 2013-2016 scheme years for the Area Based Schemes which includes Basic Payment (BPS), Young Farmer (YFS), Agri-environment and Areas of Natural Constraint (ANC).

In the 2015 scheme year the SFP was replaced by Basic Payment, Young Farmer and Greening Schemes. The BPS is almost a direct replacement for SFP and the YFS is an additional payment made to eligible young farmers. The risk to the fund calculation has reduced to 3.44% for the 2015 scheme year from 3.95% in 2014.

Greening is a payment made to farmers for eligible land that meet the greening requirements. This scheme differs from SFP, BPS and YFS in that no over declaration penalty will be applied by the Commission and therefore the same methodology applied to SFP cannot be used. Due to the way in which the scheme operates and based on previous experience in similar schemes, the Department fully expects that the Commission will apply a flat rate penalty of 5%. Further detail on disallowances is available in Note 17.

Following an audit in May 2015 the Commission identified a number of issues relating to Cross Compliance and proposed applying a 5% flat disallowance penalty on 10% of the area based payments.

The introduction of a new mapping system in 2013 and the many changes to the CAP in 2015 will unavoidably bring new risk into the system, but the Department is seeking to manage these risks to minimise future disallowance and recognises the need to ensure the mapping system is refreshed and maintained in line with Commission guidance. The Department will continue to recover overpayments to minimise future disallowance.

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 was 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 and 2012 reports stating 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 financial corrections proposed by the Commission in their letter of 30 October 2014 amounted to €14.4m. However, following notification to the Commission of amounts that the Department had recovered in respect of Single Farm Payment (€12.4m), the financial correction for these years was reduced to €2.6m.

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 now complete and the NIAO has recently issued their report to the commission. The audit of EAF 2016 has commenced, testing the legality and regularity aspect of EAGF budget is underway with re-verification of on-the spot-checks currently ongoing followed by testing the EAFRD schemes.

Land Parcel Identification System (LPIS)

A project to improve the quality of the data within the LPIS ended in November 2014. The work was undertaken in partnership with Land and Property Services (LPS) who reviewed and where necessary amended the boundaries of all fields within the LPIS (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. New farm maps were issued to all farm businesses in advance of the 2015 SAF period and significant mapping support was provided to customers in DARD offices during 2015.

The quality of the LPIS has steadily improved over recent years and this is evidenced by its performance in an annual EU LPIS Quality Assessment exercise.

Maintaining a compliant LPIS

The LPIS is a key control for area based schemes and ongoing work is necessary to ensure that the data remains accurate and up to date, thereby reducing the risk of future disallowance. DARD and LPS are therefore continuing to work together to ensure the LPIS data is refreshed on a 3-year cycle and to maintain compliance with EU Regulations including CAP reform. LPS will also further enhance the data to reflect modern GPS technologies (positional improvement).

The LPIS is also updated from a number of other sources, including farmer notified changes, results from ‘on-the-spot checks’, external audits and an annual Quality Assessment exercise.

Maps to support the 2016 SAF process

In line with EU targets to have all SAF-related transactions completed online by 2018, farmers are encouraged to use DARD’s online services. Paper 2016 LPIS scheme maps were therefore not issued to farm businesses. Instead, new online systems have been developed to allow farmers to view and amend their maps online and to facilitate more accurate claims. If farmers face difficulty in amending their maps they can contact the newly established SAF Advisory Team for support or call in to a DARD Direct office for advice.

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 complement classic on-the-spot checks. In 2013, 2014 and 2015 the number of checks carried out by remote sensing increased significantly. In 2015, the Department committed to finalising 95% of eligible BPS claims for payment in December 2015. This included 1,000 businesses subject to inspection. The overall target was achieved, with the highest number of inspected businesses ever paid in December 2015 at 1,700.

DARD plan to use their experiences from the last three years 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 NIRDP 2007-13 closed on 31 December 2015. Completion of this programme was a significant achievement - it provided support to improve the competitiveness of agriculture and forestry businesses (Axis 1), improve the environment and the countryside (Axis 2), and improve the quality of life in rural areas and encourage diversification of economic activity (Axis 3 and Axis 4) - the key outputs of each are detailed below.

Programme Achievements

The objective of Axis 1 of the NIRDP was to improve the competitiveness of agriculture and forestry by supporting restructuring, development and innovation. Total public expenditure under this Axis was £37.8m. Achievements under this Axis during the life of the programme include:

- 50,955 participants successfully completing a training activity related to agriculture and/or forestry.
- 16,547 visitors to Focus Farms across 1,141 visits. 8,192 farmers attended the 3 environmental courses on Field Boundary Management, Farm Waste Management and Cross Compliance.
- 2,583 farmers attended BVD awareness sessions.
- 5,383 people attended FarmSafe Awareness sessions. An additional 1,038 people completed FarmSafe Net, a new online training tool.
- Assistance under the Processing and Marketing Grant Scheme helped 115 agri-food businesses in Northern Ireland to expand, develop and improve their economic performance.
- 5,339 farm businesses received support under the Farm Modernisation Programme.
- The Manure Efficiency Technology Scheme funded over 300 machines, representing a total investment of over £7 million in advanced slurry spreading technology.
- 81 land owners took part in the Short Rotation Coppice scheme, planting 464 ha of renewable energy crops.
- 64 cooperation initiatives supported under the Supply Chain Development Programme leading to 25 enterprises introducing new products and/or techniques.

The objective of Axis 2 of the NIRDP was to improve the environment and the countryside by supporting land management. Total public expenditure under this Axis was £357.4m.

Achievements during the life of the programme include:

- Over the 2007-2013 NIRDP period an average of 13,440 Less Favoured Area Compensatory Allowances (LFACA) claims were paid annually and the area of land supported was 552,767 hectares, well above the target area of 495,000 hectares.

- The Agri-Environment (AE) Programme funded a number of different schemes which encouraged farmers to manage their land to benefit the environment. These schemes aimed to enhance biodiversity, improve water quality, enhance the landscape and mitigate climate change.

- The Agri-Environment Programme included over 9,000 farmers and over 360,000 hectares (around 35% of agricultural land in Northern Ireland). By taking part in Agri-Environment schemes, both farmers and landowners played an important part in enhancing local landscapes. Since the NIRDP began in 2007, £187 million has been provided to farmers in these schemes, with a peak in participation at the end of 2009, with 12,600 participants and 470,000 ha of agricultural land under agreement.

- Under the Woodland Grant Scheme and Farm Woodland Premium Scheme, 816 beneficiaries received afforestation aid, creating 1,849 ha of afforested land.

- 17 holdings received support under the Sustainable Forestry Operations Grant and Woodland Environment Grant, with 89 ha of land under forest environment support.

- Some 9,744 claims were received for Areas of Natural Constraint (ANC) 2016 covering the qualifying period 1 April 2015 to 31 October 2015. ANC 2016 payments commenced in March 2016 and 96.65% of current eligible claims have been processed at 31 March 2016.

The objective of Axis 3 and 4 of the NIRDP was to improve the quality of life in rural areas and encourage diversification of economic activity. Total public expenditure under this Axis was £105.8m and key achievements include:

- 1,197 jobs created across Axis 3.

- Over £83m was drawn down by rural businesses, community groups and other strategic bodies, securing match funding of £48.7m. This indicates a total investment in NIRDP LEADER projects of over £131m.

- There were 636 beneficiaries of diversification into non-agricultural activities, representing a total volume of investment of £33.7m.

- 447 micro enterprises supported under the business creation and development scheme, representing a total volume of investment of £20.4m.

- 251 tourism actions supported, with a total volume of investment of £22.4m.

- 228 projects supported under basic services for the economy and rural population, representing a total volume of investment of £37m.

- 257 villages benefitted from the village renewal and development scheme, with a total volume of investment of £11m.

- 77 rural heritage actions were supported under the conservation and upgrading of the rural heritage scheme, with a total volume of investment of £7.6m.

- In total, £6.5m was invested to improve access to rural broadband through DETI. This Axis 3 investment has ensured that 17,094 rural businesses and rural dwellers now have a connection to improved Broadband services.

Axis 5 of the NIRDP contained the Technical Assistance budget for the Programme. This is an amount of money which may be used for the preparation, management, monitoring, evaluation, information and control of the Programme. Total public expenditure under this Axis was £5.1m. During the 2007-2013 NIRDP, Technical Assistance was used for the administration and management budgets for vocational training and information actions, modernisation of agricultural holdings and cooperation for development of new products under Axis 1 (paid to the Axis 1 delivery agent, the Countryside Agri Rural Partnership).

Programme Evaluation

Throughout the programming period, the monitoring and evaluation of the Northern Ireland Rural Development Programme 2007-2013 was carried out by the Northern Ireland Statistics and Research Agency (NISRA).

NISRA will conduct the ex-post evaluation during 2016. This evaluation aims to assess impacts and the added value of the programme funding, both at EU and programme level. The impact and added value of the interventions are an important means to show the programme achievements with the funds spent and enhance the transparency and accountability of EU rural policy to stakeholders and taxpayers.

Tackling Rural Poverty and Social Isolation (TRPSI)

The Department also manages a Tackling Rural Poverty and Social Isolation (TRPSI) Programme. During 2015-16 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 159,589 passenger trips delivered;
- maximising access to grants, benefits and services in Rural Areas (MARA) by supporting home visits by trained enablers to 2,702 of our most vulnerable rural households;
- funding the Rural Support charity to provide assistance to rural families and farmers facing difficulties;
- completion of the Rural Borewell's Scheme, drilling a total of 87 borewells;
- a Farm Family Health Checks Programme which provided health screening to 2,798 clients at 74 marts and 63 Rural Community venues;
- the Rural Youth Entrepreneurship Programme (RYE), which will create the foundation for development of future rural businesses and has engaged with a further 87 young people;
- the RYE Connect transnational programme has engaged with 62 young rural people;
- the Connecting Elderly Rural Isolated project (CERI) which provides services for older people to support independent living and address social isolation and has provided a further 19,300 contact hours;
- the Step Up to Sustainable Employment programme (SUSE+) which promotes employment and progression towards employment through education and training, has engaged 156 rural participants; and
- the Rural Micro Capital Grant Programme provided a capital grant (between £200 and £1,500 per project) to 369 rural community and voluntary groups to enable them to improve or develop their facilities or assets, which in turn will contribute to improved community engagement within the local area.

A number of these 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.

Through the TRPSI Community Development Support Programme, support has been provided through 8 contract holders to some 850 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. The Community Development programme also provides assistance to individuals and groups to engage with the social economy sector as a means of achieving the economic and social sustainability of rural communities; and developing capacity and leadership in rural communities along with proper governance as a means of supporting community involvement and maintaining strong rural communities.

The Department has also developed a TRPSI Framework which will operate in the period from April 2016 onwards. The new framework has been informed by the Strategic Investment Board (SIB) Report on the evaluation of the TRPSI Framework 2011-15. The new Framework will be supported by a budget of £4million in the year 2016-17.

Northern Ireland Rural Development Programme (NIRDP) 2014-2020

The Northern Ireland Rural Development Programme 2014-2020 was approved by the European Commission on 25th August 2015. The Executive agreement is for a budget of up to £623m which is an increase in funding of almost 16% compared with the 2007-13 Programme. The Programme will be funded with a European contribution of approximately £187m which will be matched with funds from DARD's own budget to maximise the drawdown of EU funds available. The agreement secured with the Executive will also provide additional funding of up to £250m to fund the proposed Farm Business Improvement Scheme as requested by the Agri-Food Strategy Board in its *Going for Growth* report.

The funds within the Programme are allocated across the three programme objectives as follows:

Objective 1 - £261 million to support the competitiveness of the agri-food industry,
Objective 2 - £245.2 million to support schemes that protect the rural environment,
Objective 3 - £80 million to develop rural economies.

In addition up to £37.2 million has been allocated to Technical Assistance to support the implementation and delivery of the Programme. All of these proposed budgets will be subject to the necessary business case approvals, industry uptake and delivery considerations and the Department will make the necessary bids for funding as and when required.

The Programme is being rolled out in a staged, co-ordinated way. Two major programmes within the NIRDP are already launched. These are the Farm Business Improvement Scheme under Objective 1 - Competitiveness and the LEADER programme under Objective 3 - Rural Development. Forestry Grant Schemes have also been launched under Objective 2 - Environment. In addition, the Department is continuing to develop business cases for further schemes, including the capital investment schemes and the Environmental Farming Scheme.

Objective 1 - Competitiveness

The Farm Business Improvement Scheme (FBIS) is an important element of the NIRDP and will include a portfolio of measures aimed at knowledge transfer, co-operation, innovation and capital investment, which will help to support sustainable growth in the sector. The FBIS is being rolled out a phased way. The focus, in its first phase, Knowledge Transfer with a funding allocation of £28m, is on making advice and support available to farmers to help them clearly identify their needs and make the right decisions about developing their business.

The first phase of the FBIS opened for applications in November 2015 with the Business Development Groups (BDG) programme. The FBIS BDG programme is designed to bring farmers together with their peers, to learn about and enhance their knowledge of business management, new technologies and innovative ways of working. This new programme will assist farmers to acquire the tools to help them make the right decisions about their businesses now, and particularly before they decide to take on additional financial commitments. A total of 3,329 applications were received to Business Development Groups during the application period. Initially the scheme was to open for 1500 farmers but, due to the excellent response to the call for applicants, a decision was taken to register all eligible applicants into the BDG programme this year.

FBIS Farm Family Key Skills (the second Knowledge Transfer element of the FBIS) has also been launched in March 2016. It aims to provide training for farmers who may not be able to commit the time required for participation in BDG. Farm Family Key Skills will offer a range of training courses in key areas such as animal health, welfare and disease prevention; business planning; farm safety; and new technologies. The aim is to equip farmers with key skills that will improve decision-making and farm business management to help them meet the challenges that the industry is currently facing.

The FBIS knowledge transfer schemes will be followed by the FBIS capital, co-operation and innovation schemes, which combined with the knowledge transfer schemes will aim to improve the competitiveness, sustainable growth and development of the farming industry. Significant work has been undertaken by the Department in drafting the business cases for these schemes during 2015-16.

Objective 2 - Environment

The 2015 Less Favoured Areas Compensatory Allowance (LFACA) scheme was funded from the 2014-2020 programme allocation under the regulatory transition rules. The value of the scheme was in the region of £25 million. Applications to the 2016 ANC

Scheme were sought on the Single Application Form, which closed to applications on 15 May 2015. The Scheme had proceeded at risk until it received formal approval from the EU Commission as part of the approval of the Northern Ireland Rural Development Programme. Over 10,000 applications were received and payments started to issue in early March 2016.

In November 2015 three new Forestry Grant Schemes were launched. A total of up to £17.4 million has been allocated to support private woodland expansion and the sustainable management of existing woodland under the new NIRDP. These Schemes are:

- The Forest Expansion Scheme;
- The Forest Protection Scheme, and
- The Woodland Investment Grant.

This funding is sufficient to create 1,800 hectares of new woodland (600 hectares with the Forest Expansion Scheme and 1,200 with the Environmental Farming Scheme) and sustain approximately 4,000 hectares of woodland created under previous programmes. Forest Service received Forest Expansion Scheme applications for over 300 hectares of new woodland for planting this winter and conditional letters of offer have been issued for 250 hectares.

Objective 3 - Rural Development

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

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

Local Action Group (LAG) Boards submitted their Interim Local Rural Development Strategy templates by 31 December 2015. When drafting their interim local development strategy for their areas the LAGs were required to ensure that the strategies were consistent with the Council Community Plans.

Following approval of these interim strategies by the Department, all ten LAGs were then invited to complete strategy implementation plans. These have now been received and each LAG has been issued with an implementation contract for delivery of LEADER and a Service Level Agreement (SLA) has been sent to each of the councils to allow council officials to assist their respective LAGs in delivering LEADER schemes. These signed legal documents are now being received by the Department.

The request for funding by an applicant to their respective Local Action Group is a two stage process with applicants having to attend a funding workshop first. Funding workshops have now been completed across all the LAGs and they are moving on to stage 2 of the process where the LAG will invite online applications during 2016-17.

In addition to the LEADER measures, a rural tourism scheme worth £10 million, delivered directly by DARD, will be open to applications from local councils under a competitive process. DARD officials met with council chief executives and their tourism officers during the latter half of 2015-16 and an expression of interest call has just closed. It is planned to open the scheme for applications in early 2016-17, subject to approval of the business case.

Rural Network Support Unit

European Regulation No 1305/2013 sets out support for rural development from the European Agricultural Fund for Rural Development (EAFRD). The Regulation requires each Member State to establish a National Rural Network (NRN) to bring together organisations and administrations involved in rural development. The Rural Network should be assisted and animated by a Network Support Unit (NSU) for the duration of the programme. The NSU is the structure needed for running the Rural Network and is responsible for activities which include collecting and sharing examples of best practice, facilitating networking, disseminating information and promoting the NIRDP. DAERA as Managing Authority holds the responsibility for overall management of the network. A public procurement exercise was carried out in January 2016 and the contract for the Rural Network Support Unit was awarded to the Rural Development Council with effect from 1 April 2016. The value of the contract is £1.1m over a period of 7 years. The NSU will have a key role in the communications of the NIRDP and in particular the use of social media to inform potential beneficiaries.

Legislation and State Aid

The main NIRDP Regulations were commenced on 5 October 2015 and the ANC Regulations came into force on 1 March 2016.

NIRDP schemes must be registered with the Commission and obtain block exemption cover to comply with State Aid rules. Forest schemes, Rural Tourism and LEADER exemptions were registered in March.

Rural Needs Bill

In March 2016, the Rural Needs Bill completed its Assembly passage. The 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 by central and local government and other public authorities.

Evidence & Innovation Strategy

To ensure that DARD's policy and operational activities are appropriately designed and targeted to achieve the Strategic Vision, sound scientific evidence is needed across the full range of the Department's responsibilities that is informed by strategic policy drivers and research needs. At the same time, the vital role of innovation in developing a sustainable and profitable regional economy is recognised.

DARD's Evidence and Innovation Strategy updated for 2015-2017 describes the overarching framework for research and development to underpin evidence-based policy and delivery, and to promote innovation in agri-food, fishing, forestry and other rural businesses. It provides the framework for funding DARD policy-relevant and industry-relevant research and innovation during the period prior to the establishment of DAERA and for a period of 1 year following the establishment and bedding in of the new Department. During this transition period the research and innovation needs of the new Department will be determined and used to frame the new DAERA Evidence and Innovation Strategy going forward.

Four policy-led Programme Management Boards direct DARD's evidence and innovation programme. These PMBs broadly align to the strategic goals of the Department. During 2015-16, PMB 1 commissioned 13 new research and development projects within the DARD-directed AFBI work programme to promote the sustainable economic development of the local agri-food sector. PMB 2 commissioned 5 new projects to build the evidence base to inform the Department's broad rural policy agenda, including the fishing sector. PMB 3 commissioned 6 new projects in its strategic approach to protecting animal and plant health and animal welfare supported by sound scientific evidence. Finally, PMB 4 commissioned 4 projects to underpin improved environmental outcomes which are major factors in health and well being. Details of the DARD-directed AFBI work programme are published at:
www.daera-ni.gov.uk/publications/dard-directed-afbi-research-work-programme-201516

Developing local scientific expertise and training scientific leaders for the future are key objectives of the DARD Postgraduate Studentship Programme. In 2015-16, 12 new studentships were awarded to address research priorities for DARD including the sustainability of the honey bee population, land use practices and carbon sequestration, and transmission dynamics of TB. A full list of postgraduate research projects commissioned in 2015-16 is available at
www.daera-ni.gov.uk/publications/dard-2015-postgraduate-seminar-brochure

DARD recognises the very significant advantages to be gained through a collaborative approach to research and development for the agri-food sector. There is consensus across government, science, academia and industry that the greatest challenges facing the agri-food and forestry sectors are best fully understood and then met by means of sharing both knowledge and ideas within manageable consortia. Furthermore, it is recognised that, through collaboration with government funders from other regions and countries, DARD can effectively lever additional scientific expertise and research capacity for the Department and the industry in the North. In view of this, during 2015-16 DARD established agreements to fund research and development programmes in collaboration with the Department of Agriculture, Food and Marine (DAFM) through co-funding of the annual DAFM Competitive Research Call and with the US Department of Agriculture and DAFM through expansion of the US-Ireland research and development partnership to include agricultural science. These new collaborations will complement the existing DARD Research Challenge Fund and are designed to help build strategic partnerships to enhance future proposals to the EU's Horizon 2020 funding programme.

Animal Health and Welfare

Work continued throughout the year to agree and implement actions aimed at delivering the All-Island Animal Health and Welfare Strategy Action Plan, including key priorities on liaising on the EU Animal Health Regulation and co-operating on contingency planning and attainment of Officially Brucellosis Free (OBF) status.

With the granting of Officially Brucellosis Free (OBF) status to the North by the EU Commission, both jurisdictions now have OBF status. DARD and DAFM Ministers announced the abolition of pre-movement test requirements in September 2015.

On-going co-operation between both jurisdications was evidenced by the co-operation during the investigations into the BSE case in County Louth in 2015, enhanced co-operation on contingency planning for disease outbreaks, liaison on national and EU animal welfare legislation, animal identification and progress on the data sharing project. Agreement has also been reached on a joint tender for CO2 for whole house gassing in the event of an avian disease on any part of the island. The introduction of legislation from March 2016 will implement a compulsory Bovine Viral Diarrhoea (BVD) scheme in the North.

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, Bluetongue and Swine Fever. There are at present several EU Member States with outbreaks of epizootic disease, including France where Bluetongue and Avian Influenza are being brought under control and the Baltic States and Eastern Poland where there has been African Swine Fever present since 2014. The threat of importing epizootic disease through live imports or meat products remains constant and both the Department and the wider industry must remain vigilant and take all necessary steps both on-farm and at ports to prevent entry of these devastating diseases.

There have been several outbreaks of High Pathogenic Avian Influenza and Low Pathogenic Avian Influenza in various European countries since autumn 2014, including in Great Britain. So far the island of Ireland has remained disease free but 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 during the outbreaks in Britain.

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 5 year Antimicrobial Resistance Strategy. Following on from this, the Department has developed an AMR Action Plan which was published in 2014. 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 and 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.

The Department published guidance in early 2016 to advise cattle herd-keepers that they may, if they wish, stop keeping a herd register on their farm, subject to certain conditions. The conditions are that the keeper must have access to the APHIS database; ensure that his or her herd information in APHIS is accurate and enter up-to date birth, death and movement information directly to APHIS rather than sending notification documents to DARD. This relaxation in the on-farm recording requirements was welcomed by keepers as a way of reducing the regulatory burden they must comply with. This initiative had been a long-standing wish of representatives of cattle keepers, and the Department was able to deliver it after working closely with authorities in Britain and the South to secure a derogation within EU legislation to allow it.

During 2015-16, the Department has continued in partnership with key stakeholders to work towards the eradication of TB. The Department achieved EU Commission approval in 2015 for its 2016 TB Eradication Plan, 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. The TBSPG produced its Interim Report in June 2015 and carried out a consultation on the options presented until September 2015. The TBSPG was due to present its final report by the end of December 2015. However, given the complex nature of the disease, and the need to carry out a robust socio-economic analysis of its draft recommendation, it sought an extension from Minister in order to complete its work. Following Ministerial agreement the group has indicated it will now produce its final report by the end of June 2016.

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 application was approved at the SCoPAFF Committee meeting in Brussels on 9 September 2015. On 6 October 2015, this decision was formally published in the Official

Journal of the EU. This means that we are now formally recognised as having OBF status. Achieving formal OBF approval allowed us to roll out progressive reductions of our control measures, reducing the costs that these place on both herd-keepers and taxpayers.

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 continued during 2015 with all captured badgers that tested positive for TB removed and badgers that had a negative result vaccinated and released. The TVR project will continue until late 2018 and it is anticipated that a final report on TVR should be available in 2019, subject to completion of data analysis and test results.

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

In response to a Private Members Motion in the Assembly on 31 March 2014, the Minister established a Review of the Implementation of the 2011 Act, chaired jointly by officials in DARD and the Department for Justice (DOJ). The final Report to the review was published on 29 February 2016. It sets out 68 recommendations which seek to improve the effectiveness of the enforcement bodies (DARD Veterinary Service, Councils and the PSNI) in enforcing the Act, by improving the way they work with each other and learn from previous cases.

The Report recommended an increase in the maximum penalties in the Welfare of Animals Act 2011 to give the courts the strongest sentencing powers available anywhere on these islands. This is being delivered through the Justice (No 2) Bill which should become law following Royal Assent around June 2016. The penalty upon summary conviction for the offences of causing unnecessary suffering and animal fighting will be increased from 6 months imprisonment, a £5000 fine (or both) to twelve months imprisonment, a fine not exceeding £20,000 or both. For conviction on indictment, the maximum period of imprisonment will be increased from two years to five years.

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

Now that the Final Report has been published, my Department will draw up an action plan to ensure that its recommendations are implemented in a timely manner and each enforcement body will be responsible for implementing the recommendations that fall under its responsibility.

NIFAIS, the replacement for APHIS

The exercise to procure a replacement for APHIS is now complete with a Preferred Bidder identified and Letters of Intent to Award the NIFAIS Contract issued on target, before Christmas 2015. The procurement exercise was successful in maintaining a high degree of competitive tension from three interested bidders through to the very end of the process. This resulted in high quality solutions being proposed, at prices which were within the Department's affordability envelope, even when allowing for Optimism Bias.

The Full Business Case for NIFAIS, based on the Preferred Bidder's quoted costs and a significantly reduced Optimism Bias multiplier has thus been forwarded to DFP for approval, with a contract awarded in April 2016.

The Full Business Case includes anticipated staff savings of up to £1M per annum from 2019. These arise from increased integration with other DARD systems such as its Customer Information System, and changes to working practices in Veterinary Service and Customer Service Branch which are directly attributable to NIFAIS's new technology.

A further £1M per annum of staff savings will be enabled by NIFAIS once it is in operation. These savings will arise from NIFAIS's support for greater use of mobile computing, increased uptake of on-line services and the re-structuring of the Veterinary Service's management and inspection model, supported by improved management information systems within Veterinary Service and DARD.

As the successor to APHIS, which provides support for the Department's animal identification, disease control and veterinary public health programmes, NIFAIS will be pivotal to the delivery of Veterinary Service's business in these areas. The export assurances for live animals and meat that these programmes provide are in turn essential enabling elements of the *Going for Growth* initiative. NIFAIS will also be at the heart of the Service's response to the recommendations of the TB Strategic Partnership when these are concluded and agreed.

The Preferred Bidder is fully aware of the system's criticality and public profile, and is working with the Department to ensure that the development, data migration and parallel running is planned and managed carefully to avoid any risk of disruption to "business as usual" during the transition period.

The Preferred Bidder's outline plan anticipates that the bulk of the functionality necessary to support the cattle traceability and disease control programmes will be developed in the first 18 months of the contract. Initial software drops are expected to be available from around 12 months in, with full support for these core business elements to be in place by the end of 2017.

It is expected that the remainder of the system's functionality (providing support for work with non-cattle species and other lower volume work programmes) will then be developed and deployed over the following 15 - 18 months.

Forest Service (including Plant Health)

The Forest Service Agency remit has expanded since early 2014. The Agency sought to embed this remit during 2015-16 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 dominant feature of sea fisheries policy during 2015 was the implementation of the fish landing obligation (fish discard ban) which requires that by 2019, all species of fish subject to quotas that are caught, must be landed. DARD actively participated in the North Western Waters Group of Member States to develop a Discard Plan which covers the Irish Sea and waters west of Ireland and Scotland. DARD was successful in securing important flexibilities to help the industry with implementation and work is on-going to revise the Discard Plan for further phasing in of the obligation up to 2019.

Throughout the year the Fishing Industry Task Force continued to be an important forum in which to discuss important policy areas such as the landing obligation and future fishing opportunities with industry representatives.

The European Maritime and Fisheries Fund (EMFF) Regulation came into force in May 2014 and this was that 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 £4,588,615 for Data Collection, £2,411,446 for Control and Enforcement and £11,367,622 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 the first half of 2016.

Under the European Fisheries Fund, which closed for applications in early 2015, the Department 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. All payments to successful applicants have been made.

A Fisheries Bill was passed by the Northern Ireland Assembly in March 2016. The Bill, received Royal Assent on 12 May 2016 makes it an offence to fish in contravention of any EU enforceable restrictions or to fail to comply with any EU enforceable obligations. It allows such restrictions and obligations to be directly enforced against all fishing boats within the Northern Ireland zone and Northern Ireland fishing boats outside that zone, as well as persons in Northern Ireland.

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

The Greenhouse Gas Implementation Partnership (GHGIP), comprised of government, agri-food and environmental interests, has continued to meet in 2015-16 to oversee the implementation of the “Efficient Farming Cuts Greenhouse Gases” strategy and action plan. A significant piece of work supported by the Partnership in 2015-16 has been the development of a tool to calculate an average figure for the carbon intensity of local milk production. Initial results, which are due for imminent publication, show a significant reduction in the carbon intensity of milk over the period 1990-2014, resulting from more efficient technology and practice. Following approval of the 2014-2020 Northern Ireland Rural Development Programme in August 2015, the work of the Partnership has been concentrated on preparing a revised action plan to 2020, which is in the final stages of development. The 2016-2020 action plan is focused on increasing the implementation of on-farm efficiency measures, underpinned by NIRDP support mechanisms, such as training, advice, capital support and agri-environment schemes.

DARD implemented actions within the Northern Ireland Climate Change Adaptation Programme. 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. Monitoring GHG emission reduction trajectories continued with DARD input to an upgrade of the Northern Ireland GHG Projection Tool. Carbon intensity indicators for the agriculture sector are being developed. Adaptation measures are also being considered in the design of the Northern Ireland 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 established a sustainable Land Management Expert Working Group chaired by an industry expert and contains farmers, environmentalists and senior government officials amongst its membership. The Expert Working Group has met on ten occasions between December 2014 and March 2016, with the primary aim 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. The Permanent Secretary received a draft Report on 31 March 2016 which is currently subject to Ministerial consideration before its expected publication date during Autumn 2016.

The Renewable Energy Action Plan (REAP) 2013-14 facilitates DARD's continued efforts to enable the sector to capitalise on renewable energy opportunities on-farm, through support measures such as training and information provision.

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 4 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 fourteen research projects 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 continued throughout 2015. In 2016 the Health and Safety Executive, in conjunction with the other Devolved Administrations, will be producing an updated National Action Plan to be published and sent to the European Commission in late 2016.

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 46 programmes are on offer with 1,818 students enrolled in the 2015-16 academic year and 588 students graduating with a qualification at Level 2 or above. CAFRE courses are delivered on a full or part time basis at one of the three campuses at Greenmount, Loughry and Enniskillen. The courses on offer cover a wide academic range from Level 2 apprenticeship programmes, delivered on a part time basis, to Degree and Masters programmes offered in partnership with the local Universities, Queens University Belfast and Ulster University.

CAFRE's Development Service aims to develop the competence of people who currently work in the agri-food industry, and continues to have a significant impact. Building on last year's achievement, the Level 2 in Agricultural Business Operations has enrolled a further 553 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.

CAFRE Development Service Advisers help to identify training and technology options for a farm business through benchmarking and business development planning. By 31 March 2016, 2,329 business development plans had been prepared, with 2,154 enterprises benchmarked, approximately 13,500 people trained and 1,632 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 7.2% compared with averages in the Farm Business Survey.

CAFRE has responsibility for managing the knowledge transfer element of the new Farm Business Improvement Scheme (FBIS) which is funded under the Northern Ireland Rural Development Programme 2014-2020. The FBIS is a key recommendation within the *Going for Growth* Report and during 2015-16 CAFRE initiated the development and delivery of knowledge transfer through Business Development Groups (BDG) and Farm Family Key Skills (FFKS).

Just over 3,300 applications were received to join BDG and over 160 Groups were established to help farmers improve their technical efficiency, improve their business management skills and introduce them to new technologies and innovative ways of working. FFKS was launched in March 2016. This training programme offers a range of training courses in key areas such as business planning; health and safety; animal health and ICT. The aim is to equip farmers with key skills that will improve decision-making and farm business management to help them meet the challenges that the industry is currently facing.

In May 2015, the Food Innovation Centre (FIC) at CAFRE, Loughry Campus was officially opened. This £3m development was jointly funded by the Executive's "Economy and Jobs" initiative and DARD. Since its opening the centre has been used by both students and industry to stimulate, encourage and support the process of food innovation within the agri-food sector and demonstrate the latest sustainable technologies. The FIC also aims to facilitate enhanced co-operation between government, research institutions and industry, thus demonstrating DARD's commitment to the Agri-Food Strategy Board (AFSB) *Going for Growth* report. The building is designed and constructed to meet BREEAM (Building Research Establishment Environmental Assessment Method) accreditation. BREEAM sets the standard for best practice in global sustainable building design, construction and operation.

Flood Risk Management

During 2015-16, watercourse maintenance and reducing flooding risk continued to be a priority issue for Rivers Agency. 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. The Agency applied all resources at its disposal in leading the response to the wettest winter in over 100 years. To ensure optimum preparation for future events, a review of the winter flooding has commenced.

During the year, work continued in East Belfast on both the stand alone contract and Phase 2 of the East Belfast Flood Alleviation Scheme/Connswater Community Greenway project. The CCG project is now working on approx 15 fronts across East Belfast.

The Agency has started work on repairing and upgrading the Kinnegar and Locksley park culverts in South Belfast and continues to work with NI Water on proposals for a scheme to upgrade the Taughmonagh Stream. As engineering solutions are not always possible, the Agency is administering the government grant scheme designed to encourage owners of residential properties in known flood areas to modify their properties to reduce the likelihood of flood water entering their home.

Progress on the implementation of the EU Floods Directive has continued in accordance with the timeframe set by the European Commission. The public consultation on the draft Flood Risk Management Plans (FRMPs) concluded on 22 June 2015. Taking account of the consultation responses, the final FRMPs were published on 22 December 2015 and this essentially ended the first of the Directive's 6 year planning cycles.

The Reservoirs Bill completed the Assembly legislative procedures on 24 June 2015 and received Royal Assent on 24 July 2015 when it became the Reservoirs Act (Northern Ireland) 2015. This Act will regulate all reservoirs in Northern Ireland that are capable of holding 10,000 cubic metres or more of water above the natural level of any part of the surrounding land.

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 safety 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 Northern Ireland 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 2015-16 to test key communication and co-ordination aspects of contingency plans. These included two joint exercises with the poultry industry, one with the egg sector and one with the meat sector, to test contingency plans for an outbreak of Avian Influenza. Staff were involved in an exercise focussing on Lead Government Department (LGD) responsibilities for Flooding. This took the form of a desktop exercise based on a real-life flooding scenario. Multi Agency colleagues from the PSNI, NIFRS, Transport NI, NIWater and local government also attended. Work continued in developing community resilience to flooding through supporting the Regional Community Resilience Group (RCRG).

Forest Service's Plant Health Directorate conducted a joint seminar with the Animal and Plant Health Agency and the Department of Agriculture, Food and the Marine (DAFM) on the revised Defra Plant Health Contingency Plan for England. Forest Service continues to share their approach to contingency planning in support of cross-border co-operation on plant health matters.

The Department also carried out a test of its Agricultural Commodities Contingency Plan in August 2015 and the plan was updated accordingly.

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. During 2015-16, the ARD Committee conducted an Inquiry into Better Regulation, concentrating in particular on progress made since the completion of the Northern Ireland Better Regulation and Simplification Review Action Plan in 2013. Whilst the challenges of implementing the additional complexity of the new CAP programme remain, several developments have allowed a further reduction in the administrative burden on farmers. Most notable of these has been the achievement of Official Brucellosis Free status resulting in savings of compliance costs for the primary production sector of £7 million per annum. During 2015, 96% of Basic Payment Scheme inspections were carried out using remote sensing, saving further time for farmers. The ARD Committee

Inquiry particularly welcomed the relaxation of the rules around cattle ear tag loss and the derogation allowing farmers to use APHIS as an electronic herd register, therefore negating the need for maintaining an on-farm paper record.

In response to the recommendations of DETI led Review of Business Red Tape, DARD officials has been involved in drafting the NI Executive Better Regulation: An Action Plan for Reform. Most notable in the actions is appointment of a Better Regulation Champion and external scrutiny of departmental Regulatory Impact Assessments (RIA).

Work continues on the implementation of DARD's Digital Strategy. It is clear that further roll out of enhanced digital services with appropriate support offers significant potential for farmers in reducing the burden of compliance and increasing access to simplified services.

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.

Key actions in 2015-16 included:

- Sustainable growth was identified as one of the key themes within the Agri-Food Strategy Board's *Going for Growth* report published in 2013, and the Executive response to *Going for Growth* published in 2014 which also welcomed the promotion of sustainability as a cornerstone of the NI brand.

- Implementation of actions arising from the Executive Response to *Going for Growth* has continued in 2015-16, including actions against six recommendations falling to DARD to address under the theme of sustainable growth, all of which are currently on target. These include the proposed Farm Business Improvement Scheme, which is a package of measures aimed at sustainable growth of the agriculture and horticulture and in which support is expected to be targeted at improving on-farm resource and production efficiency and resilience to adverse weather events and mitigating climate change.

- The industry-led AFSB Sustainability sub-group has continued to make progress, commissioning research and developing a sustainable matrix, focussing on sustainability along the supply chain and its impact on brand value.

- In response to the recommendation of the Agri-Food Strategy Board, an Expert working group is developing a Sustainable Land Management Strategy. This Expert working group represents a partnership between farmers, environmentalists and government and has presented its emerging conclusions to a range of stakeholders.

- The Sustainable Use of Poultry Litter (SUPL) project continued to be progressed through the SUPL loan scheme which was launched 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 through to feasibility stage and successfully accelerated the technical development of alternative solutions to utilise poultry litter. Phase two is the SUPL loan scheme to provide loan funding of up to £18m to co-fund the capital costs of at least two “demonstrator projects” each treating a minimum of 20,000 tonnes of NI poultry litter per annum. The SUPL Loan Scheme attracted six applications which have been assessed by InvestNI. The first project under SUPL Loan Scheme received a loan from InvestNI in February 2015.

- 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 continues to contribute to improved water quality and better nutrient management through implementation of the Nitrates Action Programme (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.

- In compliance with EU Directive 2007/60/EC, the following actions were undertaken in 2015-16. A six month public consultation on the draft Flood Risk Management Plans concluded in June 2015. Rivers Agency finalised the Flood Risk Management Plans and they were published on the internet in December 2015 taking into account the comments received from the public consultation. The Agency reported the Plans to the European Commission by the required date in March 2016.

- There was concluding work on the NIRDP 2007-2013, which included significant investment in economic, environmental, social and industry competitiveness measures. This includes 5,800 ongoing participants in agri-environment programmes.

- There was initial roll out of the Northern Ireland Rural Development Programme 2014-2020 in line with the Europe 2020 strategic objectives of smart, sustainable and inclusive growth, incorporating action on climate change as a cross-cutting objective.

- 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 safeguard our plant health status to protect our agricultural, horticultural and forest industries, as well as the wider environment. Significant resource was deployed during 2013-14 and continued in 2014-15 and 2015-16 in tackling Hymenoscyphus fraxineus, 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. The Plant Health Directorate, composed of policy and delivery functions, has been established within Forest Service. There is partnership working with DEFRA and other devolved administrations. DAFM, with science support from AFBI, continues in identifying and seeking to address the risks posed by emerging plant pest and disease threats.

- The European Commission approved the 2014-2020 Northern Ireland Rural Development Programme in August 2015 and the Minister launched three new forestry grant schemes in November 2015. These new schemes will support woodland planting and the sustainable management of privately owned woodlands in 2016-17. 2015-16 was a transition year between the old and the new Northern Ireland Rural Development Programme and as a result new woodland creation was only 54 hectares. Forest Service obtained an income of £9.28 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 the reformed Common Fisheries Policy reform and Marine Strategy Framework Directive (MSFD), to ensure more stocks are fished at Maximum Sustainable Yield each year and to get all stocks there by 2020 at latest.

- 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. The second phase action plan progressed following approval of the NIRDP in August 2015 and is now in the final stages of development, with implementation due to commence in 2016.

- DARD implemented actions within the Northern Ireland Climate Change Adaptation Programme. 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. Monitoring GHG emission reduction trajectories continued with DARD input to an upgrade of the Northern Ireland GHG Projection Tool. Carbon intensity indicators for the agriculture sector are being developed. Adaptation measures are also being considered in the design of the Northern Ireland Rural Development Programme 2014-2020.

- 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.

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.

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 3 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 25 complaints relating to quality of service received by the Department in 2015-16. The Department will arrange to publish this information on its website during the 2016-17 business year.

Payment of Suppliers

The Department is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payers Code and British Standard BS 7890: "Achieving Good Payment performance in Commercial Transactions". Unless otherwise stated in the contract, payment is due within 30 days of receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is later. During 2015-16, 97.09% of bills were paid within this standard (2014-15, 97.76%).

From 1 December 2008, the Department has operated a policy of paying for goods and services within 10 working days. This is in accordance with the "Supporting Businesses: Prompt Payment of Invoices" initiative within the Northern Ireland Civil Service. All Business areas have been informed of the policy and are committed to carrying it out. During 2015-16, 91.77% (2014-15 91.93%) 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 2015-16 is available at the following link: https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/NICS-Prompt-Payment-Table-2015-2016-March-2016.pdf

Financial Performance 2015-16

Departmental Expenditure Limit (DEL) Outturn against Budget

The Department had a DEL Final Resource Budget of £226.2m and Final Capital Budget of £30.9m for 2015-16.

The Department's 2015-16 Business Plan Target 6 of Goal 5 is:

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

This is another very good performance given the financial challenges the Department faced in 2015-16. These included absorbing inflation, a reduction of £30m from the opening baseline, uncertainties around VES and the cancelling of June and October Monitoring. This led to tight timelines for November Monitoring as a result of the 'Fresh Start Agreement'.

On Resource DEL there is a £0.27m (0.12%) underspend against a budget of £226.2m. On Capital DEL there is a £0.14m (0.44%) underspend against a budget of £30.9m. This equates to a Total DEL underspend of £0.4m (0.16%) of the Total DEL budget of £257.2m.

A summary of Total DEL outturn to Total DEL budget is outlined in the table below.

Resource and Capital DEL Outturn Compared to Budget 2013-14 to 2015-16
(£'m)

	2013-14	2014-15	2015-16
Resource DEL budget	224.9	207.5	226.2
Resource DEL outturn	224.6	207.3	226.0
Underspend	**0.3**	**0.2**	**0.3**
Capital DEL budget	28.4	49.1	30.9
Capital DEL outturn	28.4	49.0	30.8
Underspend	**0.0**	**0.1**	**0.1**

Annually Managed Expenditure (AME) Outturn against Budget

Particular areas of departmental expenditure are more volatile and difficult to forecast with accuracy beyond a 12 month period. Such items are budgeted for as AME, with the Department having a Final AME Budget of £35.7m. The Provisional AME Outturn of (£23.3m) resulted in an underspend of £59m due to movements in provisions (£16m), lower than anticipated revaluations due to changes in the market value of Departmental assets (£3m) and the upward revaluation of Forest Service biological assets (£38m).

Final Outturn against Estimate

The Department's analysis of net resource outturn by function against the Supply Estimate is detailed at the SOAS1. The underspend of £63m is mainly due to movements in provisions and upward revaluations of Forest Service and Departmental assets.

Staff numbers and costs

During the year the Department employed 2,762 (2014-15 2,935) of full time equivalent staff at a cost of £114m. This represents a reduction in full time equivalents of 330 staff or 11% of the Department's workforce. Whilst costs in year were higher than 2014-15 due to the costs associated with the voluntary exit scheme, this reduction in staff numbers will lead to significant savings for the Department in the years ahead. Full analysis of staff numbers and related costs are provided in the Remuneration and Staff Report.

Net Cash Requirement

The Department's net cash requirement outturn was £221m against an estimate of £264m.

Reconciliation of Resource expenditure between Estimates, Accounts and Budgets

DARD Resource Allocation	2015-16 £'000	2014-15 £'000
Net Resource Outturn (Estimates)	**215,253**	**237,495**
Less Capital donations income in the Consolidated Statement of Comprehensive Net Expenditure	-	(217)
Non-voted expenditure in the Consolidated Statement of Comprehensive Net Expenditure	2,150	15
Net Operating Cost (Accounts)	**217,403**	**237,293**
Less Capital Grants	(6,958)	(44,160)
Less European Union Income related to capital grants	2,686	23,254
Less notional inter-departmental charges	(13,917)	(14,766)
Less non-budget grants payable to NDPB's	(40,439)	(41,252)
Less capital donations	-	217
Less non-voted expenditure that is outside the Resource Budget	(2,150)	(15)
Add NDPB Resource Expenditure	45,084	43,206
Resource Budget Outturn	**201,709**	**203,777**
Of which:		
Departmental Expenditure Limit (DEL)	**225,105**	**207,260**
Annually Managed Expenditure (AME)	**(23,396)**	**(3,483)**

Budget 2016-17

In common with all public sector organisations, the Department faces continued financial pressures. The Department has been allocated a non ring-fenced Resource budget of £197.9m in 2016-17. This is a £11.9m (5.7%) reduction on the 2015-16 opening position and represents a significant challenge, particularly given the ambitious programme of work ahead in areas such as NIRDP, relocation and *Going for Growth* and staff reductions from the 2015-16 Voluntary Exit Scheme. This further reduction of £11.9 million in 2016-17 on top of the reductions experienced by the three former departments in recent years means that difficult decisions have had to be made to balance the budget. In addition to seeking to optimise the use of resources, the measures DAERA has identified to live within its reduced budget involve taking forward full year savings from 2015-16's Voluntary Exit Scheme (£6.5m),further cost reductions measures (£0.9 million) and scaling back programmes (£4.5m). On Capital the allocation of £48.8 million will allow the Department to continue to take forward the majority of DAERA's existing schemes and programmes including priority investment in Programmes (£21.1 million), IT Systems (£11.3 million) and recurring capital (£16.4 million).

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.

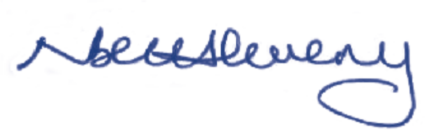
DARD Resource Allocation	**2016-17 £'000**
Administration Expenses	43,175
Administration Receipts	(496)
Other Resource Expenses (including CAP)	486,635
Other Resource Receipts (including CAP)	(331,428)
Non Ring-fenced Resource DEL	**197,886**
Administration Non Cash	4,002
Resource Non Cash	13,989
Ring-fenced Resource DEL	**17,991**
NET RESOURCE DEL	**215,877**

DARD Capital Allocation	**2016-17 £'000**
Capital	38,360
Capital Receipts	-
Capital Grant	10,445
Capital Grant Receipts	-
NET CAPITAL	**48,805**

Budgetary Outlook

Work on the Budget 2017-20 exercise will continue throughout 2016-17. 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.

The creation of the new department will represent an opportunity to develop a number of synergies which exist among the functions that have 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.



Mr Noel Lavery
Accounting Officer
Department of Agriculture and Rural Development
28 June 2016

ACCOUNTABILITY REPORT

Corporate Governance Report

Director's Report

Departmental Accounting Boundary

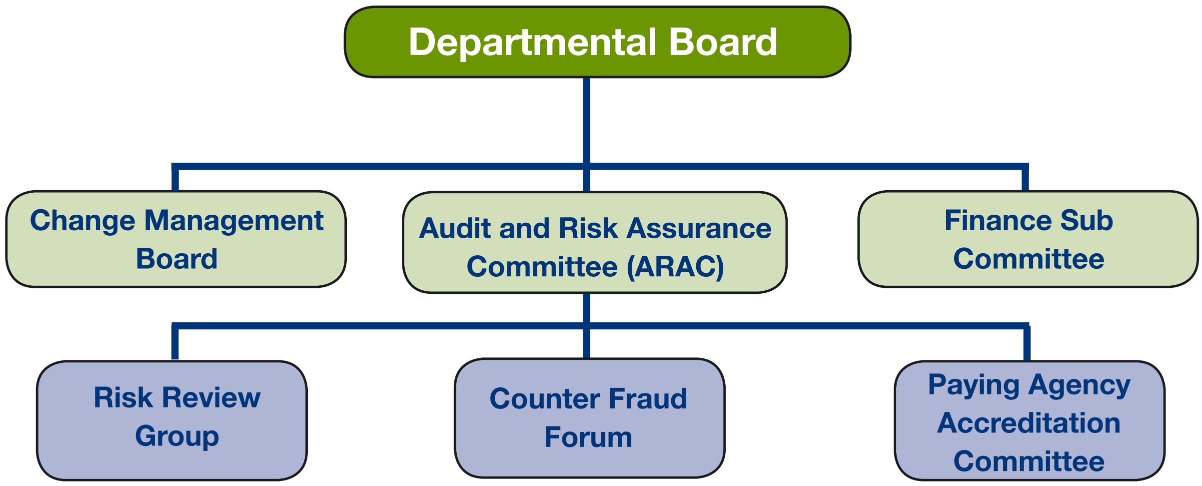
DARD, a devolved Government Department in the local Executive, has been under the direction and control of Minister, Michelle O'Neill, MLA.

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, through the Principal Accounting Officer, for the Agency's performance and operations, with the Senior Finance Director in the role of Fraser Figure[1].

DARD's Accounts for the financial year ended 31 March 2016 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.

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 2015-16 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 (until 30 September 2015)
Mr G Wilkinson	Acting Senior Finance Director (from 19 October 2015)
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)) (until 29 February 2016)
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 (until 18 October 2015)
Mr R Downey	Acting Finance Director (from 4 November 2015)
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).

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

www.finance-ni.gov.uk/sites/default/files/publications/dfp/Spring%20Supplementary%20Estimates%202015-16.PDF

Security of Personal Data

The Department is committed to the safeguarding of personal data and has set in place appropriate measures to ensure its security. The Department's Annual Report and Governance Statement reflect that necessary controls are in place to safeguard information assets; that when information assets are shared or disposed of as no longer necessary, that this is done safely and securely; that necessary controls are in place to deal with any information loss incident; and that staff and contractors are appropriately trained.

Should such an incident occur, each business area in 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 were no releases of data in Financial Year 2015-16 that needed to be reported to the Information Commissioner.

Departmental Auditor

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

The audit of the financial statements for 2015-16 resulted in a notional audit fee of £103,250. This is included in non-staff administration costs in the Consolidated Statement of Comprehensive Net Expenditure.

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

The C&AG may also undertake other statutory activities that are not related to the audit of the Department's financial statements. These include the preparation of Value for Money (VFM) studies, which report to the Assembly on the economy, efficiency and effectiveness with which the Department's financial resources have been used.

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* (*FReM*) and in particular to:

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

DFP has appointed the Permanent Secretary 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.

Disclosure to Auditor

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

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

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 2015 to 31 March 2016.

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),my own Internal Audit Branch and Audit and Risk Assurance Committee.

I provided an Assurance Statement to the Head of the Civil Service that I am satisfied that I can provide reasonable assurance that all necessary actions in relation to delivery of the required Day 1 position in regard to the creation of the Department of Agriculture, Environment and Rural Affairs (DAERA) had or were being taken, including the provision of adequate capacity to handle issues arising from the transition period, and that the DAERA Formation Project was on track for successful delivery.

Governance Framework

The Governance Framework, which includes the system of internal control, is designed to manage the Department's risks to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. A system of internal control has been in place for the year ended 31 March 2016, and up to the date of approval of the Annual Report and 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.

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

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

https://www.daera-ni.gov.uk/sites/default/files/publications/dard/Corporate%20Governance%20Framework.pdf

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 2015-16, 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	11/11
Mr G Lavery	Senior Finance Director (until 30 September 2015).	5/5
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)) (until 29 February 2016).	10/10
Mr R Huey	Chief Veterinary Officer (responsible for Veterinary Service).	9/11
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).	10/11
Mrs T Teague	Director of Corporate Services.	10/11
Mr G Wilkinson	Acting Senior Finance Director (from 19 October 2015).	5/5
Mr G Wilkinson	Finance Director (until 18 October 2015).	5/6
Mr R Downey	Acting Finance Director (from 4 November 2015).	5/5
Mr D Russell	Independent Board Member.	11/11
Mr F Caddy	Independent Board Member.	11/11
Mr D Small (as DAERA Shadow Board Member)	Head of Environment, Marine and Fisheries Group (responsible for Regulatory and Natural Resources Policy Division, Environmental Policy Division, Marine and Fisheries Division, Resource Efficiency Division and Natural Environment Division) – from March 2016.	1/1

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 Arms 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).

A Review of Board Effectiveness was undertaken in 2014-15 and the recommendations from that review and DB Planning Days were taken forward in 2015-16. The recommendations covered areas such as Business Planning, the Business Operating Model, the Change Management Programme, Guiding Coalition for Change, Enhanced Communications and the NICS Voluntary Exit Scheme.

During 2015-16, the Departmental Board has sought to continuously improve and has held a series of sessions to plan for the creation of the new Department for Agriculture, Environment and Rural Affairs (DAERA) on 8 May 2016. As part of this process, the DAERA Corporate Governance Framework, the Board Operating Framework and the Terms of Reference for DAERA Committees have been reviewed and revised taking account of the Code of Good Practice. The revised Frameworks are due to be ratified at the first meeting of the DAERA Departmental Board in May 2016.

The Departmental Board is currently undertaking an Emotional Competence Inventory (ECI) 360° assessment, which will identify the overall strengths and development needs of the Board to be taken forward in 2016-17.

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

Quality of the Data used by the Board

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

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

Committees of the Departmental Board

The Board has established the Audit and Risk Assurance Committee (ARAC) and the Change Management Board (CMB) to oversee and provide advice on specific areas of work. In addition, a Finance Sub-Committee of the Board has been established and a sub-group of the Department's Top Management Group (TMG) was 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 comprises the DARD Deputy Secretaries and Directors of Finance, Corporate Services, Digital Services and Change. The CMB met 6 times in 2015-16.

Finance Sub-Committee

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

- marshalling detailed proposals in respect of Spending Reviews and monitoring rounds;
- the monitoring of savings plans;
- monitoring value for money through the development of improved financial and performance reporting;
- monitoring the use of resources (including European Funds) to ensure that funds are allocated to those programmes as intended that deliver best value for money, taking account of ministerial priorities;
- the Department's Estate Strategy; and
- consideration of business cases before submission to DFP on behalf of the Board.

The FSC met five times during the 2015-16 financial year on 13 May, 22 June, 8 September, 18 November and 9 February 2016 and in addition to its core remit it also considered a number of significant issues including the impact of the formation of the new Department and the HQ Relocation Programme.

Audit and Risk Assurance Committee (ARAC)

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

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

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; Sharon Hetherington, Northern Ireland Courts and Tribunal Service; drawn from the wider Northern Ireland Civil Service. ARAC is chaired by the 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 identified during 2015-16. 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 18 May, 23 September, 14 November and 22 February 2016.
In addition the Committee also held special meetings on 26 May and 25 June 2015 to discuss the DARD Annual Report and Accounts 2014-15, and a meeting was held on 2 February 2016 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
Ms S Hetherington	Independent external member	6/7

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

Counter Fraud Forum

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

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

Responsibility for fraud investigations transferred to a new Group Service anchored in DFP, with effect from 1 April 2015.

Paying Agency Accreditation Committee

To ensure compliance with EU rules and Regulations on European Agricultural Funds and to monitor the implementation of these 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 and 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 NIAO) and, on the basis of this audit, the Commission can propose "clearance" of the relevant Paying Agency accounts. The 2015 EAF accounts have been submitted to the Commission and will be assessed under the annual Clearance of Accounts process in May 2016.

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 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 10 Key Risks were identified during the course of 2015-16 incorporating:

1. The potential for EC Disallowance;
2. Insufficient funding to meet business priorities;
3. Insufficiently robust governance and accountability of AFBI;
4. Ineffective information assurance;
5. Ineffective communications;
6. Serious animal disease;
7. Inadequate response to flooding;
8. Inability to implement the new NI Food Animal Information System (NIFAIS);
9. Significant business impact from loss of staff and staff movement linked to VES, HQ Relocation and formation of DAERA; and
10. Serious plant disease.

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 the 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, as advised by the Risk Review Group;
- the work undertaken by the Department's Internal Audit Branch; and
- Risk Registers produced and monitored at Group and Divisional level.

Assurances

A key element of the Departmental risk management processes is the provision of regular assurances. All business areas across the Department 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.

Whistle blowing

During 2015-16 a review was carried out of the current Whistle blowing policies and procedures with a view to addressing any shortfalls within the existing DARD arrangements.

As a result of this exercise, a new Whistle blowing recording system has been introduced which requires all Divisions to maintain a Whistle blowing register to record all disclosures received in each Division, or Arms Length Body. The maintenance of Registers is a mandatory requirement across the Department.

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

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 2015 - 2016 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 that Ministerial Directions are formally notified to DFP and to the Comptroller and Auditor General.

No Ministerial Directions were issued to me by the Minister during the year 1 April 2015 to 31 March 2016.

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 RTTCWG and other reports.

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

In addition, the Head of Internal Audit has provided me with a satisfactory opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control for 2015-2016.

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;
- take account in the Risk Register of risks arising as a consequence of the formation of DAERA while also removing those risks no longer applicable as a consequence of Departmental restructuring;
- continue to promote and develop counter fraud awareness across the Department;
- improve financial management generally, and the quality of financial information to the Departmental Board; and
- continue to improve monitoring of ALB Governance arrangements and compliance with all key guidance.

Internal Audit

For 2015-16, the Annual Internal Audit report provided a satisfactory opinion. The opinion of DARD Internal Audit Branch (IAB) was based on the results of 69 Final Reports and 3 Draft Reports. 51 of these reports had positive opinions, 3 reports had 'limited' opinions;

all of which were found to be satisfactory when subject to follow up reviews. There were 15 Special Exercises where no opinion was relevant.

Key issues reported by DARD IAB over the period

LIMITED OPINIONS 2015 - 2016

Article 31 Return – Commission Regulation (EC) No. 65/2011

The ‘limited’ opinion for the 2013 Article 31 return related to ongoing issues in relation to the completeness and accuracy of the return (Report dated 5 December 2014).

Internal Audit (IA) performed a further validation exercise for the 2014 Article 31 Return (Report Dated 20 August 2015) and consequently provided another ‘limited’ opinion due to ongoing regulatory compliance issues in relation to the legacy schemes. The Head of the Paying Agency in response to the audit findings for the 2013 return formally agreed that it was acceptable to continue to deliver the legacy schemes under current arrangements.

Other control issues reported

Area Aids Disallowance

The Department faces disallowances of EU funding as a result of identified instances of non-compliance with the required EU regulations in the administration of European funding.

In 2014, the Commission wrote to the Department and proposed financial corrections based on a certified error rate for Single Farm Payments and LFACA. In addition, a flat rate of 5% was established for Agri-Environment Schemes.

The Commission’s acceptance of the certified error rates, as a representation of the risk to the funds, represents a positive recognition of the major change that has taken place in the Department’s IACS control regime in recent years, and DARD’s engagement in the audit of Legality and Regularity.

This methodology was again applied by the Department in 2015-16 and an additional £17.4 million (excluding the effects of exchange rate movements) has been accrued in the 2015-16 financial statements in respect EU disallowances. The total disallowances accrued at 31 March 2016 is now £37.3 million covering the 2013 to 2015 area aids claim period, and a number of other disallowances which have followed EU Commission audits.

The key disallowances relate to the Basic Payment Scheme (and Young Farmers Scheme), and its predecessor Single Farm Payment Scheme, for which the Department’s assessment of the risk to the fund was 3.95% for 2014, reducing to 3.44% for 2015. Further details on CAP Disallowance can be found in note 17 to the accounts.

Following an audit in 2015 the Commission identified a number of issues relating to Cross Compliance and has proposed applying a 5% flat disallowance penalty on 10% of the area based payments, which the Department has calculated at £3.7m. This has been accrued in the financial statements. The Department continues to liaise with the Commission to agree the final amount due.

As a result of the Clearance of Accounts process for the European Agricultural Funds 2015 account, the Commission wrote to the Department in April 2016 and proposed a €2.3 million disallowance due largely to the Certification Body's error evaluation. The UK Coordinating Body, with the Department and Certification Body, has responded to the Commission's letter rebutting the proposal. The Department expects that this issue will be resolved with a favourable outcome and so has disclosed a contingent liability within the 2015-16 financial statements.

As with previous years, the C&AG has qualified his regularity opinion on the Department's 2015-16 Resource Accounts in respect of disallowances accrued by the Department in 2015-16 (£17.4 million). The C&AG considers disallowances to be irregular as it is expenditure that does not conform to the authorities which govern it, being the EU regulations. The C&AG has also limited the scope of his audit opinion as he was unable to obtain sufficient appropriate audit evidence concerning accrued disallowance amounts totalling £13.75m. Full details are available in the C&AG's report on these accounts.

Less Favoured Areas Compensatory Allowance

As part of the control framework which supports the delivery of the Less Favoured Areas Compensation Allowance (LFACA) scheme, the Department completed inspections of farm businesses who receive funding, to confirm the land areas against which claims were submitted. Where the Department identifies errors in the amounts that have been claimed, it is obligated to adjust claims made for earlier years to retrospectively recoup overpayments. The Department did not apply this principle of retrospection to the LFACA scheme between the years of 2007 and 2013.

In addition, as a result of historic staff shortages and system issues, the Department has been unable to reliably estimate overpayments relating to the LFACA scheme. One form of calculation estimates at this stage approximately £4.4m due for the years 2007 and to 2013. Of this estimated total, approximately £2.7m may be repayable to the European Union. Work commenced in January 2016 to identify these overpayments and to optimise the recovery action that the Department needs to take. The Department has sought advice from the Departmental Solicitor's Office to understand its position to affect the recovery of these debts. When the value of the debt is accurately determined, the

Department will make a decision on how to proceed. Regardless of whether or not the Department pursues recovery, an estimated £2.7m is likely to be repaid to the European Union. Due to the uncertainty surrounding this matter the Department has included a contingent liability in the financial statements.

Disallowance of EU Grant funding following the Audit of LEADER

The Commission carried out a Conformity Audit to DARD during April 2015. The objective of the audit was to verify whether the management, control and sanction system of the LEADER Programme complied with the provisions of the relevant EU legislation. The Commission has concluded that the Department has not fully complied with the requirements of the relevant Regulations and has proposed a financial correction of €0.2m.

NIRDP Legacy Debt

The total outstanding debt for the 2007/13 NIRDP is £710,883.89. The total outstanding legacy debt in relation to the pre 2007/13 Programme is £842,206.30. The total outstanding NIRDP debt is, therefore, £1,553,090.19 (as at 24 March 2016). Many of these debts relate to companies provided with grant assistance which have subsequently gone into administration and the chances of recovering the debt from these companies is minimal. In these cases permission has been sought from the EU Commission to write off the debt, which can take several years to conclude.

Axis 3 LEADER

In its role as Certification Body the NIAO is required to give an opinion on whether or not the Department's European Agricultural Funds accounts are true, complete and accurate in all material respects as regards total net expenditure charged to both the EAGF and EAFRD funds and that the underlying transactions are legal and regular. This includes undertaking audit control checks of DARDs primary functions, as an accredited Paying Agency.

The Certification Body audited a claim for financial assistance of £50,000 under the LEADER Programme and concluded that "based on evidence provided, we have concluded this case is an overstatement financial error as the terms and conditions of the Letter of Offer were breached and the expenditure ineligible. In our opinion, this transaction has not been paid in conformity with the applicable eligibility rules". The Department accepts that this case constitutes a compliance and financial error and that the expenditure is ineligible. The Department is currently undertaking a review of the respective case and will introduce lessons learnt. The Certification Body will be informed of the corrective actions the Department is undertaking.

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.

Remuneration and Staff Report

1. Departmental Remuneration Report 2015-16

Remuneration Policy

The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The SCS remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. This was subsequently reduced to 10 points in 2014 and 9 points in 2015 to allow progression through the pay scales within a reasonable period of time.

Service Contracts

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

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

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

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]

	2015-16				2014-15			
Ministers	**Salary £**	**Benefits in kind (to nearest £100)**	**Pension Benefits (to nearest £1,000)***	**Total (to nearest £1,000)**	**Salary £**	**Benefits in kind (to nearest £100)**	**Pension Benefits (to nearest £1,000)***	**Total (to nearest £1,000)**
Minister Mrs Michelle O'Neill MLA	38,000	-	13,000	51,000	38,000	-	12,000	50,000

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

	2015-16					2014-15				
Officials	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Pension Benefits** (to nearest £1,000)	Total £'000	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Pension Benefits** (to nearest £1,000)	Total £'000
Mr N Lavery Permanent Secretary	105-110	-	-	46,000	155-160	105-110	-	-	31,000	135-140
Mr G Lavery Senior Finance Director (1 April 15 - 30 September 15)	40-45 (100-105 full year equivalent)	-	-	6,000	45-50	75-80 (90-95 full year equivalent)	-	-	20,000	95-100
Mr G Wilkinson Senior Finance Director (19 October 15 - 31 March 16)	35-40 (80-85 full year equivalent)	-	-	49,000	85-90	-	-	-	-	-

Mr D Small Deputy Secretary (1 April 15 - 29 February 16)	80-85 (85-90 full year equivalent)	-	-	34,000	115-120	85-90	-	-	30,000	115-120
Mr R Huey Deputy Secretary	85-90	-	-	32,000	115-120	80-85	-	-	76,000	155-160
Ms L Warde Hunter Deputy Secretary	85-90	-	-	30,000	110-115	80-85	-	-	53,000	135-140
Mr G Wilkinson Finance Director (1 April 15 - 18 Oct 15)	35-40 (65-70 full year equivalent)	-	-	17,000	50-55	65-70	-	-	19,000	85-90
Mr R Downey Finance Director (4 November 15 - 31 March 16)	25-30 (65-70 full year equivalent)	-	-	38,000	65-70	-	-	-	-	-
Mrs T Teague Director of Corporate Services	65-70	-	-	37,000	100-105	60-65	-	-	39,000	100-105
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	27,272					27,270				
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 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 2015-16 relate to performance in 2015-16 and the comparative bonuses reported for 2014-15 relate to the performance in 2014-15.

Fair Pay [Audited Information]

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

The banded remuneration of the highest paid director in the Department of Agriculture and Rural Development in the financial year 2015-16 was £105,000-£110,000 (2014-15 £105,000-£110,000). The ratio was 3.9 times (2014-15 3.9) the median remuneration of the workforce, which was £27,272 (2014-15 £27,270).

No employees received remuneration in excess of the highest paid director in either year. Remuneration ranged from £14,216 to £96,969 (2014-15: £16,584 to £87,061).

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

These calculations have been based on guidance in FD (DoF)08/16 and are calculated on the basis of annualised salary information for the final period of the year. An adjustment has also been made to take account of agency staff working in the Department.

Pension Benefits [Audited information]

Minister	Accrued pension at pension age as at 31-3-16	Real increase in pension at pension age	CETV at 31-3-16	CETV at 31/3/15***	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Mrs. Michelle O'Neill MLA	0-5	0-1	34	27	7

****The change in CETV at 31-3-15 from last year's accounts is due to the change in financial assumptions used to calculate the factors in October 2015.*

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 20.6% 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 office holder service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the increase in accrued pension due to the department's contributions to the AMPS, and excludes increases due to inflation and contributions paid by the Minister and is calculated using valuation factors for the start and end of the period. Prior to October 2015, the CETV factors were calculated using a net discount rate of 3%, which was the rate set by HM Treasury for the major public service pension schemes. Following the completion of the 2014 funding valuation of the AMPS the assumptions used to calculate the scheme's factors were reviewed. The AMPS is not covered directly by the financial assumptions set by HM Treasury for other public service pension schemes, and the Trustees instead decided to adopt the financial assumptions used in the scheme's funding valuation to create CETV's (a net discount rate of 3.5%) rather than the HM Treasury rate. This has led to a reduction in CETVs in general between the closing CETVs reported in 2014-15, and the opening CETVs reported in 2015-16.

Pension Entitlements [Audited information]

Officials	Accrued pension at pension age as at 31-3-16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31-3-16	CETV at 31-3-15 ****	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr N Lavery Permanent Secretary	30-35 plus lump sum of 20-25	2.5-5 plus lump sum of 0-2.5	610	530	41	-
Mr G Lavery Senior Finance Director (1 April 15 - 30 September 15)	0-5 plus lump sum of 5-10	0-2.5 plus lump sum of 0-2.5	51	44	5	-

Mr G Wilkinson Senior Finance Director (1 April 15-18 October 15) Finance Director (19 October 15-31 March 16)	10-15	2.5-5	209	155	35	-
Mr D Small Deputy Secretary (1 April 15- 29 Feb 16)	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 5-7.5	786	731	28	-
Mr R Huey Deputy Secretary	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 2.5-5	624	559	29	-
Ms L Warde Hunter Deputy Secretary	10-15	0-2.5	244	193	24	-
Mrs T Teague Director of Corporate Services	20-25 plus lump sum of 60-65	0-2.5 plus lump sum of 0-2.5	363	318	18	-
Mr R Downey Finance Director (4 November 15 - 31 March 16)	10-15 plus lump sum of 30-35	0-2.5 plus lump sum of 2.5-5	178	136	27	-

*****The change in CETV at 31-3-15 from last year's accounts is due to the change in financial assumptions used to calculate the factors in October 2015 Northern Ireland Civil Service (NICS) Pension arrangements*

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

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Increases are applied from April and are determined by the CPI figure for the preceding September. The CPI in September 2015 was negative (-0.1%) and HM Treasury has announced that there will be no increase to public service pensions from April 2016. Therefore public service pensions will remain at their current level.

Employee contribution rates for all members for the period covering 1st April 2016 - 31st March 2017 are as follows:

Scheme Year 1st April 2016 to 31st March 2017

Annualised Rate of Pensionable Earnings (Salary Bands)		**Contribution rates** Classic members or classic members who have moved to **alpha**	**Contribution rates –** All other members
From	**To**	**From 01 April 2016 to 31 March 2017**	**From 01 April 2016 to 31 March 2017**
£0	£15,000.99	3.8%	4.6%
£15,001.00	£21,210.99	4.6%	4.6%
£21,211.00	£48,471.99	5.45%	5.45%
£48,472.00	£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 14.7% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal pension age in alpha is linked to the members State Pension Age but cannot be before 65. Further details about the NICS pension arrangements can be found at the website
https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the 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. The actuarial values factors used to calculate CETVs changed during the 2015-16 year and, consequently, CETV figures increased even without any further pension accrual. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Compensation for loss of office [Audited Information]

Mr G Lavery left under the NICS Voluntary Exit Scheme on 30th September 2015. He received a compensation payment of £47k.

2. Staff Report

2.1 Staff costs comprise [Audited Information]:

					Year Ended 31 Mar 16	Year Ended 31 Mar 15
	Permanently employed staff £'000	Others £'000	Ministers*** £'000	Special Advisor* £'000	Total £'000	Total £'000
Wages and salaries	80,363	556	38	60	81,017	86,237
Social security costs**	6,123	(2,428)	4	6	3,705	8,912
Other pension costs	17,757	14	8	15	17,794	16,583
Voluntary Exit Scheme	12,010	-		-	12,010	-
Sub total	**116,253**	**(1,858)**	**50**	**81**	**114,526**	**111,732**
Recoveries from outward secondments	(77)	-			(77)	(77)
Total net costs****	**116,176**	**(1,858)**	**50**	**81**	**114,449**	**111,655**

Of which:

	Charged to Administration £'000	Charged to Programme £'000	Total £'000
Core Department	45,352	61,190	106,542
Agency		7,984	7,984
Total net costs	**45,352**	**69,174**	**114,526**

*The Department's Special Advisor was paid in the band £59,037- £91,809 (2014-15: £59,037- £91,809).

**In 2015-16 the department received a refund of £2,422k that related to a payment without prejudice made to HMRC in 2014-15 in respect of employers and employees National Insurance Contributions for Private Veterinary Practitioners for the period ended 2010-2014.

*** Ministers salary is a notional charge.

****Excluded from the total is £1,332,266 (2014-15-£2,023,426.63) which has been charged to capital.

Departmental employees are eligible for pension benefits pension arrangements that are disclosed in note 1.16 and the Remuneration and Staff Report.

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 2016.

For 2015-16, employers' contributions of £17,733,359 were payable to the NICS pension arrangements (2014-15: £16,368,155) at one of three rates in the range of 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of a new career average earning scheme from April 2015. For 2016-17, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 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 £49,991 (2014-15: £55,924) 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 14.7% (2014-15 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,140, 0.5% (2014-15: £2,415, 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 (2014-15: £nil). Contributions prepaid at that date were £nil (2014-15: £nil).

12 persons (2014-15: 13 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £26,870 (2014-15: £17,404).

2.2 Average number of persons employed

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

					2015-16	2014-15
Departmental Strategic Objective	**Permanent staff**	**Others**	**Ministers**	**Special advisers**	**Total Number**	**Total Number**
RFR A	2,686	11	1	1	2,699	**2,886**
Staff engaged on capital projects	63				63	**49**
Total	**2,749**	**11**	**1**	**1**	**2,762**	**2,935**
Of which:						
Core Department	**2,533**	**11**	**1**	**1**	**2,546**	**2,703**
Agency/Agencies	**216**	**-**	**-**	**-**	**216**	**232**

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

Comparative data is shown in brackets for previous year.

			2015-16			
	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	-	1(-)	1(-)	-	1(-)	1(-)
£25,000 - £50,000	-	2(1)	2(1)	-	2(1)	2(1)
£50,000 - £100,000	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
Total number of exit packages	**-**	**3(4)**	**3(4)**	**-**	**3(4)**	**3(4)**
Total Resource Cost £	**- (-)**	**102,245 (50,460)**	**102,245 (50,460)**	**- (-)**	**102,245 (50,460)**	**102,245 (50,460)**

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.

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 3 Staff Costs.

The NICS also offered the VES scheme to DARD employees, with 392 staff leaving.

2015-16 NICS 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	-	8	8	-	8	8
£10,000 - £25,000	-	162	162	-	173	173
£25,000-£50,000	-	167	167	-	173	173
£50,000-£100,000	-	36	36	-	37	37
£100,000- £150,000	-	1	1	-	1	1
£150,000-£200,000	-	-	-	-	-	-
Total number of exit packages	**-**	**374**	**374**	**-**	**392**	**392**
Total Resource Cost £	**-**	**11,416,955**	**11,416,955**	**-**	**11,923,778**	**11,923,778**

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. Staff left over the period March 2015 to June 2015. The total cost of compensation paid to staff, by a participating Department, was reimbursed by the DOE, resulting in nil net cost to that Department.

2015-16 – 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	-	4(1)	4(1)	-	4(1)	4(1)
£10,000 - £25,000	-	1(4)	1(4)	-	1(4)	1(4)
£25,000-£50,000	-	-	-	-	-	-
£50,000-£100,000	-	-	-	-	-	-
£100,000- £150,000	-	-	-	-	-	-
£150,000-£200,000	-	-	-	-	-	-
Total number of exit packages	**-**	**5(5)**	**5(5)**	**-**	**5(5)**	**5(5)**
Total Resource Cost £	**-**	**99,372 (160,480)**	**99,372 (160,480)**	**-**	**99,372 (160,480)**	**99,372 (160,480)**

Staff Composition

The following is an analysis of staff numbers at the 31 March 2016:

Group	Male	Female	Total
Board Members	7	2	9
Senior Managers	10	6	16
Other Employees	1,630	998	2,628
Total	**1,647**	**1,006**	**2,653**

Off Payroll engagements

There were no off payroll engagements at a cost of over £58,200 per annum in place during the financial year 2015-16.

Consultancy Costs

The following table is an analysis of consultancy and temporary staff costs for 2015-16.

	2015-16		2014-15	
	Core	Consolidated	Core	Consolidated
Consultancy	658	658	387	508
Temporary staff costs	(2,006)	(1,877)	3,191	3,359
Total	**(1,348)**	**(1,219)**	**3,578**	**3,867**

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

Sick Absence data

Sickness absence rates for the Department for the period April 2015 to March 2016 were 9.7 working days lost per staff member compared to a target of 7.5. In the previous year, 2014-15, the Department achieved 9.6 working days against a target of 7.5 working days.

Equal Pay

No payments were made to DARD staff as part of the Equal Pay settlement in the 2015-16 financial year. There are now 38 DARD staff to sign agreements totalling £26,026 in lump sum payments.

Staff policies

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.

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 refreshed guidance has been provided on occupational health, surveillance, screening and information; investigation of workplace incidents and near misses; risk assessment; display screen equipment and generic training including refresher training arrangements.

To meet the key function of health and safety risk management Health and Safety Section, in conjunction with Business Area Safety Advisers, the Department has continued working with Business Areas to ensure legal compliance with risk assessment requirements and assist with the introduction of suitable control measures. The Department remained compliant with this legal requirement and has suitable and sufficient risk assessments in place.

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 14 reportable incidents under the Reporting of Injuries Diseases and Dangerous Occurrences Regulations, two less than in 2014-15.

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 training on health and safety awareness and display screen equipment.

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.

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.

Voluntary Exit Scheme

The Voluntary Exit Scheme ran throughout the 2015-16 financial year. The underlying principle of the Scheme was to achieve a permanent reduction in paybill to address significant budget pressures in the context of the agreed 2015-16 Budget. A total of 918 staff across all grades applied to the Scheme; 645 staff received an offer of which 392 accepted.

Staff departed in 4 tranches:-

105 staff (81 FTE) exited under Tranche 1 in September 2015.
80 staff (66 FTE) exited under Tranche 2 in November 2015.
104 staff (85 FTE) exited under Tranche 3 in January 2015.
103 staff (86 FTE) exited under Tranche 4 in March 2016.

In total 392 staff (318 full time equivalents) accepted the offer to leave under the Scheme.

This has resulted in a pay bill saving of £2.79m for 2015-16 and a projected annual pay-bill saving of £11.6m thereafter.

HQ Relocation

In line with the PFG target to "Advance the relocation of the Headquarters of the Department of Agriculture and Rural Development to a rural area by 2015", the headquarters of Fisheries Division was relocated to Downshire Civic Centre in Downpatrick in June 2015 and the headquarters of Forest Service relocated to Inishkeen House, Enniskillen in September 2015. Rivers Agency is on target to relocate to Loughry College, Cookstown in October 2016.

A Full Business Case for the relocation of the rest of DARD headquarters to Ballykelly was approved in February 2016 along with a planning application for the new building and new access road. Due to factors such as the NICS Voluntary Exit Scheme and the restructuring of the NICS Departments, the number of posts expected to relocate has reduced from 694 to approximately 600. The Department is currently utilising accommodation in the North West for staff coming to DARD to take up posts in Ballykelly. Work continues on the human resources aspects to ensure that the necessary skilled people are in place to continue to meet DARD business needs.

The target for the first staff to move into the new building in Ballykelly is December 2017.

Assembly Accountability and Audit Report

Statement of Assembly Supply [Audited Information]

In addition to the primary statements prepared under IFRS, the G*overnment 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 2015-16

								2015-16	2014-15
		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	SOAS1	606,775	(327,206)	279,569	511,699	296,446	215,253	64,316	237,495
Total resources		**606,775**	**(327,206)**	**279,569**	**511,699**	**296,446**	**215,253**	**64,316**	**237,495**
Non-operating cost Accruing Resources		**-**	**-**	**94**	**-**	**76**	**76**	**(18)**	**434**

Net Cash Requirement 2015-16

				2015-16	2014-15
		Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)	Outturn
	Note	£'000	£'000	£'000	£'000
Net cash requirement	SOAS3	264,050	221,722	42,328	239,584

The notes on pages 102-106 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).

		2015-16 Forecast		2015-16 Outturn	
	Note	Income £'000	*Receipts* £'000	Income £'000	*Receipts* £'000
Total	SOAS4	-	-	-	-

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

The notes on pages 102-106 form part of these accounts.

SOAS1: Analysis of net resource outturn by function

						2015-16 Outturn			2015-16 Estimate	2014-15 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	29,723	61,409	13,827	104,959	(4,966)	99,993	99,074	**(919)**	**(76)**	**99,432**
2. Veterinary Service	8,010	51,590	-	59,600	(14,347)	45,253	46,216	**963**	**483**	**46,202**
3. Central Policy Group	11,401	6,341	5,695	23,437	(9,454)	13,983	15,310	**1,327**	**964**	**12,153**
4. Rivers	3,685	16,431	-	20,116	(439)	19,677	19,928	**251**	**253**	**17,901**
5. Forest Service Agency	2,285	14,875	442	17,602	(11,319)	6,283	6,463	**180**	**178**	**7,816**
6. Common Agricultural Policy	-	241,985	13,931	255,916	(255,916)	-	-	**-**	**-**	**(5)**
7. EU Community Initiatives	-	-	7	7	(5)	2	3	**1**	**1**	**595**
Annually Managed Expenditure										
8. Flood Protection	-	10,516	-	10,516	-	10,516	12,000	**1,484**	**1,484**	**10,496**
9. Forest service timber	-	(32,790)	-	(32,790)	-	(32,790)	5,000	**37,790**	**37,790**	**(15,373)**
10. Provisions	-	(3,853)	-	(3,853)	-	(3,853)	12,868	**16,721**	**16,721**	**3,499**
11. Revaluations Due to Changes in Market Values	-	1,742	-	1,742	-	1,742	4,700	**2,958**	**2,951**	**(1,328)**
12. Central Policy Group Fisheries	-	91	-	91	-	91	84	**(7)**	**-**	**89**

						2015-16 Outturn			2015-16 Estimate	2014-15 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
13. Settlement of NICS Equal Pay Claims	-	-	-	-	-	-	-		-	-
Non-Budget:										
14. Agri-Food and Biosciences Institute	-	-	39,127	39,127	-	39,127	39,053	**(74)**	**-**	**39,029**
15. The Loughs Agency of the Foyle, Carlingford and Irish Lights Commission	-	-	1,312	1,312	-	1,312	1,954	**642**	**568**	**2,223**
16. Notional Charges	13,917	-	-	13,917	-	13,917	16,916	**2,999**	**2,999**	**14,766**
Total	**69,021**	**368,337**	**74,341**	**511,699**	**(296,446)**	**215,253**	**279,569**	**64,316**	**64,316**	**237,495**

Explanation of variance between Estimate and Outturn
The main reasons for the underspend of £64.3m are as follows:

i. The net underspend in Resource DEL is largely due to reduced staff costs across a number of business areas;

ii. Flood Protection spend represents depreciation charges in respect of the Department's flood defence network. Due to the variable nature of the asset value and the depreciation charges which arise from it, it has been classified as AME expenditure. During the 2015-16 year, spend was £2m less than forecast.

iii. The Forest Service Timber underspend of £38m 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 CAP Disallowance. However, these amounts were accrued and led to an underspend in AME. In addition, amounts in respect of LFA and Agri-Environment that had previously been included in provisions were transferred to accruals.

v. A revaluation of the Department's estate was completed by Land and Property Services during the year. The Department had originally anticipated a downward revaluation. The outcome of the exercise was a lower than anticipated downward revaluation leading to an underspend of £3m in AME.

vi. In Non Budget in notional costs across a range of categories were less than estimated, resulting in an underspend of £3m.In addition there was an underspend of £0.6m in the Lough's Agency as a result of the transfer of £0.6m of pensions.

SOAS2: Reconciliation of outturn to net operating cost

				2015-16	2014-15
	Note	Outturn £'000	Supply Estimate £'000	Outturn compared with Estimate £'000	Outturn £'000
Net Resource outturn (Note a)	SOAS1	215,253	279,569	64,316	237,495
Unrealised exchange (gain)/loss (note b)		2,150	-	(2,150)	15
Capital donations income (note c)		-	-	-	(217)
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure (Note a)		**217,403**	**279,569**	**62,166**	**237,293**

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

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

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

SOAS3: Reconciliation of net resource outturn to net cash requirement

				2015-16
	Note	Estimate £'000	Outturn £'000	Net Total outturn compared with Estimate: saving/ (excess) £'000
Resource Outturn	SOAS1	279,569	215,253	64,316
Capital:				
Acquisition of Property, Plant and Equipment	7,8	24,654	25,034	(380)
Non-operating Accruing Resources				
Proceeds of asset disposals		(94)	(76)	(18)
Accruals to cash adjustments				
Adjustments to remove non-cash items	*4,5*			
Depreciation		(30,703)	(19,313)	(11,390)
New provisions, and adjustments to previous provisions		(12,868)	3,842	(16,710)
Other non-cash items		(16,916)	22,348	(39,264)
Changes in working capital other than cash				
- Increase/(Decrease) in inventories			*52*	
- Increase/(Decrease) in receivables			*(1,931)*	
- (Increase) /Decrease payables falling due within one year			*(23,809)*	
Total changes in working capital other than cash		20,150	(25,688)	(45,838)
Use of provision	18	258	322	(64)
Net cash requirement		**264,050**	**221,722**	**42,328**

Explanation of variance between Estimate and Outturn

The variance of £42.3m mainly reflects the need to have cash cover in place in the event that accrued CAP disallowance liabilities in respect of the 2010 to 2015 scheme years fell due for payment in the year.

SOAS4: Income Payable to the Consolidated Fund

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

		Forecast 2015-16		Outturn 2015-16	
	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		-	-	-	*4*
Amounts collected on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund		-	-	-	-
Total income payable to the Consolidated Fund		**-**	**-**	**-**	***4***

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

		2015-16	2014-15
	Note	£'000	£'000
Operating income	6	296,446	336,193
Non-operating Income		-	217
Gross income		**296,446**	**336,410**
Income authorised to be Accruing Resources	SOAS1	296,446	336,410
Operating income payable to the Consolidated Fund	SOAS4	**-**	**-**

SOAS6: Non-operating income – Excess Accruing Resources

		2015-16	2014-15
	Note	£'000	£'000
Non-operating income – excess Accruing Resources	SOAS4	-	-

Assembly Accountability Disclosure (Audited Information)

Losses and Special payments

Losses Statement

	2015-16	2014-15
	Core Department & Agency £'000	Core Department & Agency £'000
Total number of losses/cases	98	147
Total value of losses	132	237
Details of cases over £250,000:		
Cash Losses	-	-
Administrative write offs	-	-
Fruitless payments	-	-

Special Payments

	2015-16	2014-15
	Core Department & Agency £'000	Core Department & Agency £'000
Total number of losses/cases	27	21
Total value of losses	341	543
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 in 2014-15 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.

Fees & Charges [Audited Information]

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

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

This exercise facilitates a review of DARD Services that fall within 4 discrete categories as follows:

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

The table below summarises the range of activities undertaken by the Department against which it receives income based on charges. The basis of against which charges are applied has also been highlighted. It is important to note that in a vast majority of cases the price for the goods and services is established by market rates. Where appropriate, the Department aims to secure full cost recovery and where that is achievable, it has been highlighted below.

		Value 2015-16	Value 2014-15
Category of Income	**Basis of Charges**	**£'000**	**£'000**
Timber sales	Market Value	9,957	8,170
Farm Sales	Market Value	961	1,072
Compensation for diseased animals	Market Value	2,438	2,293
FSA Income	Full cost recovery on FSA Share of work	6,727	6,639
Rent to NPDB	Market value	6,188	6,424
Recreation income	Maximum market can bear due to commercial competing activities	1,530	1,498
Inspection	£5m in funding is provided by the EU in support of animal testing and inspection	5,827	5,682

Remote Contingent Liabilities

In addition to contingent liabilities reported within the meaning of IAS37, the department also reports liabilities for which the likelihood of a transfer of economic benefits in settlement is too remote to meet the definition of contingent liability. During 2015-16, no such liabilities were reported which are not covered in Provisions Note 18 or the contingent liabilities Note 19.

Regularity of Expenditure [Audited Information]

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

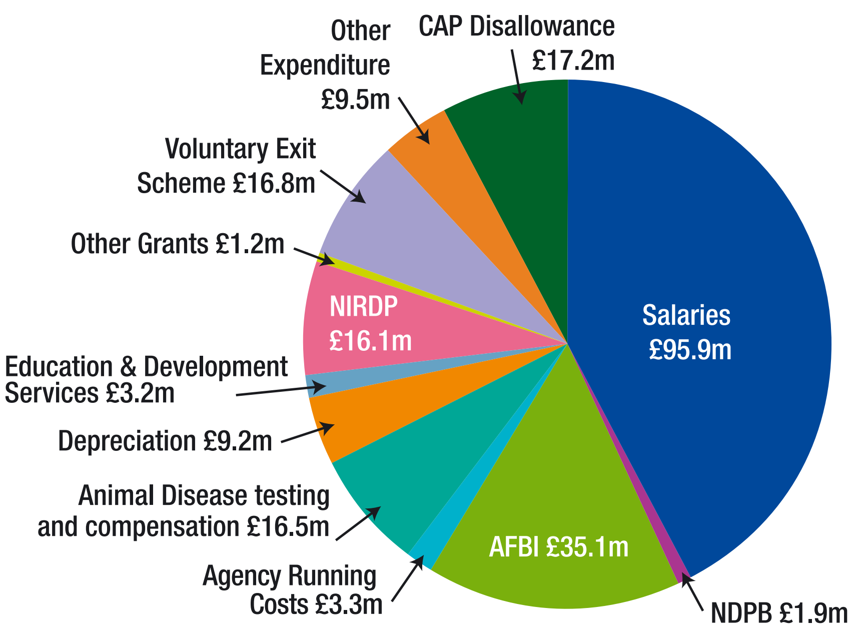
A Stewardship Reporting exercise is undertaken three times a year and Finance Division has a role in reviewing Economic Appraisals to ensure the regularity and propriety of proposals.

Financial Policy Branch asks business areas each month to confirm that the information held on the Losses and Special Payments Register is correct. Any discrepancies are identified and flagged as possible irregular payments.

No irregular payments were identified in 2015-16 through these processes.

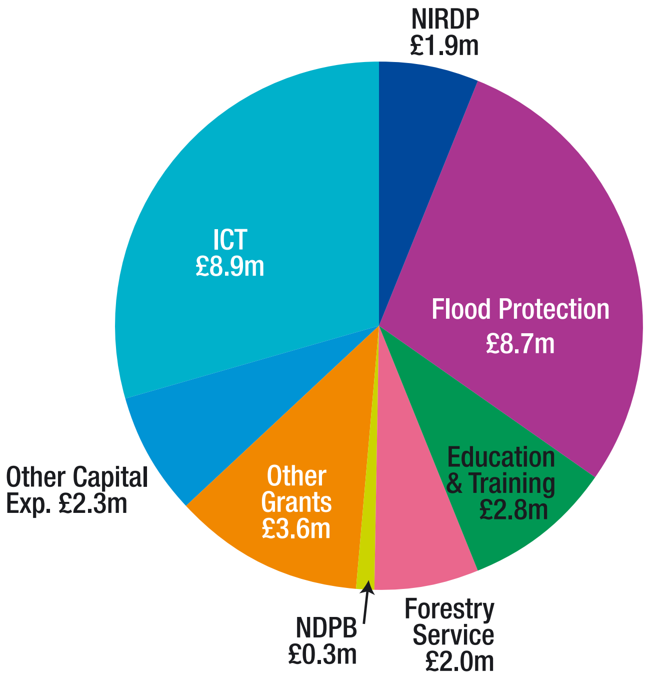
Expenditure Analysis and Trends

Figure 1 - DARD Resource and Grant Expenditure 2015-16



Notes
Single Farm Payment Scheme is fully funded by the European Commission, therefore spend of £239m has been offset by the EU income and is not reflected in Figure 1. NIRDP and Other Grants are partially funded by the European Commission, therefore spend is shown net of EU income in Figure 1. VES costs of £16.8m include £4.8m in respect of AFBI's VES.

Figure 2 – DARD Capital and Capital Grant 2015-16



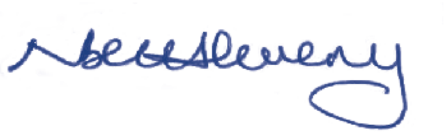
Notes
NIRDP and Other Grants are partially funded by the European Commission, therefore spend is shown net of EU income in Figure 2.

Departmental Expenditure

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

Resource and Grant Expenditure	2013-14 £million	2014-15 £million	2015-16 £million
AFBI	41	39	35
NIRDP	17	17	16
Agency Running Costs*	19	5	3
Disallowance	11	-	17
Animal and Disease Testing	11	15	16
Depreciation	8	8	9
Education Development Services and Grants	4	6	3
NDPB's	2	2	2
Other expenditure	13	7	10
Other grants	11	2	1
Salaries Excluding Agencies*	89	106	96
Voluntary Exit Scheme	-	-	17
Total	**225**	**207**	**225**

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



Mr Noel Lavery
Accounting Officer
Department of Agriculture and Rural Development
28 June 2016

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 2016 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 and the information in the Remuneration and Staff Report and the Assembly Accountability and Audit Report that is described in those reports as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to 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 Performance Report and Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against 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

The Department has accrued expenditure of £17.4 million as amounts due to European Commission (EU Commission) in respect of disallowances. These disallowances represent a loss to public funds as a consequence of not complying with EU regulations in the proper administration of EU funding. I consider that this expenditure does not conform to the authorities which governs it, being the EU regulations, and is therefore irregular.

Qualified opinion on regularity arising from EU Commission disallowances of £17.4 million

In my opinion,

- The Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2016 and shows that those totals have not been exceeded; and

- Except for £17.4 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.

Basis for qualified opinion on financial statements

The financial statements contain accruals for EU disallowances totalling £37.3m. Of this amount, the Department was unable to provide sufficient or appropriate audit evidence to support accrued disallowances totalling £13.6m. As a result the audit opinion has been qualified on this amount due to a limitation in scope.

Opinion on financial statements

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

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2016 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 (formerly Department of Finance and Personnel) directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit Report to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or

- the financial statements, the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit Report to be audited are not in agreement with the accounting records; or

- I have not received all of the information and explanations I require for my audit; or

- the Governance Statement does not reflect compliance with Department of Finance's guidance.

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

Kieran J Donnelly

K J Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU
30 June 2016

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

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.

	Notes	2015-16 Core Dept & Agency £'000	2014-15 Core Dept & Agency £'000
Income from sale of goods and services	6	(37,879)	(36,412)
EU Income	6	(258,567)	(299,998)
Total Operating Income		**(296,446)**	**(336,410)**
Staff costs	3	114,526	111,732
EU expenditure	4,5	340,593	381,614
Purchase of goods and services	4,5	30,347	29,525
Depreciation and impairment charges	4,5	21,054	17,275
Provision expense	4,5	(3,842)	3,564
Other operating expenditure	4,5	43,961	45,366
Growing Timber Revaluation	4,5	(32,790)	(15,373)
Total Operating Expenditure		**513,849**	**573,703**
Net Operating Expenditure		**217,403**	**237,293**
Finance income		-	-
Finance expense		-	-
Net expenditure for the period/year		**217,403**	**237,293**
Other comprehensive net expenditure **Items that will not be reclassified to net operating costs:**			
Net (gain)/loss on revaluation of Property, Plant and Equipment	7	(33,883)	(42,396)
Net (gain)/loss on revaluation of Intangible Assets	8	(165)	(170)
Comprehensive Net Expenditure for the year ended 31 March 2016		**183,355**	**194,727**

All income and expenditure are derived from continuing operations.

The notes on pages 121 to 160 form part of these accounts.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

Consolidated Statement of Financial Position as at 31 March 2016

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

		2015-16	2014-15
	Notes	Core Dept & Agency £'000	Core Dept & Agency £'000
Non-current assets			
Property, plant and equipment	7.1	1,012,447	981,251
Biological assets	7.2	180,052	147,587
Heritage assets	7.3	1,167	1,167
Intangible assets	8	17,005	10,255
Financial assets	11.2	26	26
Total non-current assets		**1,210,697**	**1,140,286**
Current assets			
Assets classified as held for sale	13	1,504	1,175
Inventories	14	2,173	2,121
Trade and other receivables	16	33,190	35,121
Cash and cash equivalents	15	364	371
Total current assets		**37,231**	**38,788**
Total assets		**1,247,928**	**1,179,074**
Current liabilities		-	-
Trade and other payables	17	(108,639)	(83,975)
Cash and cash equivalents	15	(1,686)	(4,767)
Provisions	18	(779)	(318)
Total current liabilities		**(111,104)**	**(89,060)**

The notes on pages 121 to 160 form part of these accounts.

Non-current assets less net current liabilities		**1,136,824**	**1,090,014**
Non-current liabilities			
Other payables	17	(412)	(1,267)
Provisions	18	(585)	(5,210)
Total non-current liabilities		(997)	(6,477)
Total assets less total liabilities		**1,135,827**	**1,083,537**
Taxpayers' equity & other reserves:			
General fund		570,754	544,486
Revaluation reserve		565,073	539,051
Total equity		**1,135,827**	**1,083,537**

Mr Noel Lavery
Accounting Officer
Department of Agriculture and Rural Development
28 June 2016

The notes on pages 121 to 160 form part of these accounts.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

Consolidated Statement of Cash Flows for the year ended 31 March 2016

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.

		2015-16	2014-15
	Notes	Core Dept & Agency £'000	Core Dept & Agency £'000
Cash flows from operating activities			
Net operating cost		(217,403)	(237,293)
Adjustments for non-cash transactions	4,5	(1,752)	20,170
(Increase)/Decrease in trade and other receivables less movements in receivables relating to items not passing through the	16	1,931	10,257
Statement of Comprehensive Net Expenditure		(3,044)	309
(Increase)/Decrease in inventories	14	(52)	29
Increase/(Decrease) in trade and other payables	17	23,809	(5,717)
less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		(1,233)	(1,517)
Provisions utilised in year	18	(322)	(1,367)
Net cash outflow from operating activities		**(198,066)**	**(215,129)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7.1	(14,584)	(17,458)
Purchase of intangible assets	8	(9,212)	(6,176)
Proceeds of disposal of property, plant and equipment		141	180
Net cash outflow from investing activities		**(23,655)**	**(23,454)**

The notes on pages 121 to 160 form part of these accounts.

Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		220,404	234,148
From the Consolidated Fund (Supply) – prior year		4,434	4,125
Net financing		**224,838**	**238,273**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		3,117	(310)
Payments of amounts due to the Consolidated Fund		(43)	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	15	**3,074**	**(310)**
Cash and cash equivalents at the beginning of the period	15	**(4,396)**	**(4,086)**
Cash and cash equivalents at the end of the period	15	**(1,322)**	**(4,396)**

The notes on pages 121 to 160 form part of these accounts.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

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

	Notes	General Fund £'000	Revaluation Reserve £'000	Taxpayers' Equity £'000
Balance at 31 March 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	CSoCNE	(237,293)	42,566	(194,727)
Non-Cash Adjustments				
Accommodation and other charges		14,662	-	14,662
Auditor's remuneration		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**
Net Assembly Funding - drawn down		220,404	-	220,404
Excess Vote Received - prior year				
Supply receivable adjustment	16	1,320	-	1,320
Comprehensive Net Expenditure for the period/year	CSoCNE	(217,403)	34,050	(183,353)
Transfer of asset		2	-	2
Non-Cash Adjustments				
Accommodation and other charges	4	13,814	-	13,814
Auditor's remuneration	4	103	-	103
Movements in Reserves				
Transfers between reserves		8,028	(8,028)	-
Balance at 31 March 2016		**570,754**	**565,073**	**1,135,827**

The notes on pages 121 to 160 form part of these accounts.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

RESOURCE ACCOUNTS AT 31 MARCH 2016

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2015-16 *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 which are included in the Accountability and Audit Report.

1.1 Accounting convention

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

1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the Department (the core department) and those entities which fall within the departmental boundary as defined in the *FReM*, interpreted for Northern Ireland, see note 22. Transactions between entities included in the consolidation are eliminated.

1.3 Property, Plant & Equipment and Biological Assets

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

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

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

Valuation

Land and buildings are carried at the last professional valuation, in accordance with the 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. LPS revalued all Core Land and Buildings at 1st April 2015 and Forest Service was revalued at 1st April 2014.

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

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

The Department’s Heritage Assets comprise the Peace Maze at Castlewellan Forest Park and Glenariff Walkway. These are shown separately on the face of the Statement of Financial Position and also in Note 7.3. Heritage assets are valued at historical cost.

Assets under Construction are carried at cost.

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

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

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

Assets under Construction are not depreciated until they are commissioned.

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

- Freehold & Long Leasehold Land — Not depreciated
- Other Land — Terms of lease
- Buildings — 10 - 75 years
- Above Ground Assets — 50 years
- Below Ground Assets — 90 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 31st March 2016 a revaluation of flood defence assets was carried out. This gave a new valuation for flood defence assets at 31 March 2016. The depreciated replacement cost 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 Networking 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 - Culverts

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 90 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 31st March 2016 a revaluation of the culvert network was carried out. This gave a new valuation for the culvert network at 31 March 2016. The depreciated replacement cost 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 Networking 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) Hydrometrics

The Department manages a hydrometric network of 161 active stations comprising: equipment housing, electronic equipment installed on site,winches installed on site and gauging footbridges.

(d) Soft Defences

Soft defence 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 is normally 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 Consolidated Statement of Comprehensive Net Expenditure.

(e) Capitalisation of engineer's time

The Department has included an element of engineer salary costs in Flood Defence and Culvert Network Valuations

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 5 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-tradeable shares, at historic cost, in United Dairy Farmers Limited, a dairy farmer co-operative 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 at the period end 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.

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

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

1.13 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 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.

1.15 Administration and programme expenditure

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

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.

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 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;
- 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 have used judgements based on the latest available, reliable information. Management continually review estimates to take account of any changes in the circumstances on which the estimate was based or as a result of new information or more experience.

1.22 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 are effective within EU adoption from 1 January 2014.

Accounting boundary IFRS' are currently adapted in the *FReM* so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in NI, which will bring NI departments under the same adaption, has been carried out but a decision has yet to be made by the Executive. Should the Executive agree to the recommendations, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALBs apply IFRS in full and their consolidation boundary may change as a result of the new Standards.

2. Statement of Operating Costs by Operating Segment

The Department has used the factors identified in IFRS 8 Operating Segments to identify the reportable segments. The Department's reporting structure is based on clearly defined divisions, as well as its agency, representing an individual business unit.

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

							2015-16
	Service Delivery Group £'000	Veterinary Service £'000	Central Policy Group £'000	Common Agricultural Policy £'000	Rivers Agency £'000	Forest Service £'000	Total £'000
Gross Expenditure	111,223	62,402	63,218	255,923	33,244	(12,161)	**513,849**
Income	(4,966)	(14,347)	(9,454)	(255,921)	(439)	(11,319)	**(296,446)**
Net Expenditure	**106,257**	**48,055**	**53,764**	**2**	**32,805**	**(23,480)**	**217,403**

							2014-15
	Service Delivery Group £'000	Veterinary Service £'000	Central Policy Group £'000	Common Agricultural Policy £'000	Rivers Agency £'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**

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 Costs

	2015-16	2014-15
	Core Dept & Agency £'000	Core Dept & Agency £'000
Wages and salaries	81,017	86,237
Social security costs	3,705	8,912
Other pension costs	17,794	16,583
NICS voluntary exit scheme costs	12,010	-
Sub Total	**114,526**	**111,732**
Less recoveries in respect of outward secondments	(77)	(77)
Total net costs	**114,449**	**111,655**

of which:

Charged to Administration	45,352	32,559
Charged to Programme	69,174	79,173
	114,526	**111,732**

4. Other Administration Costs

4 (a) Administration Costs

	2015-16	2014-15
	Core Dept & Agency £'000	Core Dept & Agency £'000
Purchase of goods & services		
Office services	2,605	3,419
Contracted out services	2,352	2,229
Professional costs	351	140
Consultancy costs	81	7
Other Expenses	218	84
Total	**5,607**	**5,879**
Depreciation & impairment charges		
Non – cash costs :		
Depreciation-property, plant and equipment	186	186
Amortisation of intangible assets	1,963	935
Impairment / revaluation of asset	-	-
Total	**2,149**	**1,121**
Other operating expenditure		
Rentals under operating leases	12	11
Staff related costs	1,952	2,054
Accommodation costs	82	73
Sub-Total	**2,046**	**2,138**
Notional Charges		
Notional auditor's remuneration	103	104
Notional accommodation	4,835	5,780
Other notional costs	8,929	8,832
Sub-Total	**13,867**	**14,716**
Total	**15,913**	**16,854**
Total Administration Costs	**23,669**	**23,854**

4 (b) Total Operating Expenditure Reconciliation

			2015-16
	Administration Expenditure £'000	Programme Expenditure £'000	Total £'000
Staff costs	45,352	69,174	114,526
EU Expenditure	-	340,593	340,593
Purchase of goods & services	5,607	24,740	30,347
Depreciation & impairment	2,149	18,905	21,054
Provision expenses	-	(3,842)	(3,842)
Other operating expenditure	15,913	28,048	43,961
Growing Timber Revaluation	-	(32,790)	(32,790)
Total	**69,021**	**444,828**	**513,849**

			2014-15
	Administration Expenditure £'000	Programme Expenditure £'000	Total £'000
Staff costs	32,559	79,173	111,732
EU Expenditure	-	381,614	381,614
Purchase of goods & services	5,879	23,646	29,525
Depreciation & impairment	1,121	16,154	17,275
Provision expenses	-	3,564	3,564
Other operating expenditure	16,854	28,512	45,366
Growing Timber Revaluation	-	(15,373)	(15,373)
Total	**56,413**	**517,290**	**573,703**

5. Programme Costs

5 (a) Programme Costs

	2015-16	2014-15
	Core Dept & Agency £'000	Core Dept & Agency £'000
Grant Expenditure		
EU Grants & Subsidies:		
Capital grants & subsidies	2,687	23,268
Current grants & subsidies – Area Aids and Single Farm Payment	231,097	253,578
Current grants & subsidies – other	24,782	23,172
Sub Total	**258,566**	**300,018**
National Grants & Subsidies:		
Grant in aid	40,438	41,252
Capital grants & subsidies	4,270	20,892
Current grants & subsidies	19,954	29,080
Sub Total	**64,662**	**91,224**
CAP Disallowance	17,365	(9,628)
Total	**340,593**	**381,614**
Purchase of Goods & Services		
Office services	1,707	1,244
Contracted out services	4,191	3,609
Private veterinary practitioners fees & expenses	7,361	6,683
Professional & legal costs	4,592	4,882
Consultancy costs	573	506
Consumables & materials	3,229	2,939
Other goods and services	3,087	3,783
Total	**24,740**	**23,646**

Depreciation & Impairment Charges		
Non Cash Costs:		
Depreciation – property, plant & equipment	16,505	16,372
Amortisation of intangible assets	659	1,040
Impairment/revaluation of assets	1,741	(1,258)
Total	**18,905**	**16,154**
Provision expense		
Provisions	**(3,842)**	**3,564**
Other Operating Expenditure		
Rentals under operating lease	365	387
Staff related costs	2,683	3,340
Accommodation costs	6,040	5,984
Exchange rate losses/(gains) - realised	(639)	(146)
Exchange Rate losses/(gains) - unrealised	2,150	-
Diseased animals compensation	15,284	13,708
Non-capital plant and equipment purchases	1,376	872
Irrecoverable VAT	(1,837)	1,590
Vehicle and plant costs	2,718	2,839
Sub Total	**28,140**	**28,574**
Non cash items		
Loss on disposal of assets	(65)	4
Provision for doubtful debt	(27)	(66)
	(92)	(62)
Sub Total	**28,048**	**28,512**
Growing timber revaluation	(32,790)	(15,373)
Total Programme Expenditure	**375,654**	**438,117**

5 (b) Non Cash Costs

			2015-16
	Administration Expenditure £'000	Programme Expenditure £'000	Total £'000
Ministers Notional Salary	50	-	50
Depreciation & impairment	2,149	18,905	21,054
Provision expenses	-	(3,842)	(3,842)
Other operating expenditure	13,868	(92)	13,776
Growing Timber Revaluation	-	(32,790)	(32,790)
Total	**16,067**	**(17,819)**	**(1,752)**

Non Cash Costs

			2014-15
	Administration Expenditure £'000	Programme Expenditure £'000	Total £'000
Staff costs	50	-	50
Depreciation & impairment	1,121	16,154	17,275
Provision expenses	-	3,564	3,564
Other operating expenditure	14,716	(62)	14,654
Growing Timber Revaluation	-	(15,373)	(15,373)
Total	**15,887**	**4,283**	**20,170**

6 Income

	2015-16	2014-15
	Core Dept & Agency £'000	Core Dept & Agency £'000
Sales of Goods		
Timber and other forest produce	9,957	8,170
Diseased animal salvage	2,438	2,293
Farm sales	961	1,072
	13,356	**11,535**
Sales of Services		
Food standards agency	6,727	6,639
Rental income from NDPB	6,188	6,424
Seconded staff	77	77
Education	2,329	2,173
Rent & recreational income	1,530	1,498
Inspection	5,827	5,682
Other	1,845	2,167
	24,523	**24,660**
Non operating income	-	217
Total Sales of Goods and Services	**37,879**	**36,412**
EU Income		
Area Aids and Single Farm Payment	231,097	253,578
Other EU programme income	27,470	46,420
	258,567	**299,998**
Total Income	**296,446**	**336,410**

In line with the Department's financial reporting requirements for 2015-16, the income note has been reformatted from the 2014-15 accounts in order to provide users with a better understanding of the entity's operating income.

7.1 (a) Property, Plant and Equipment 2015-16

	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 2015	343,901	20,976	10,338	3,362	851,669	24,825	1,255,071
Additions	2,709	687	599	821	-	11,006	15,822
Disposals	(377)	(630)	(340)	(522)	-	-	(1,869)
Reclassifications	(6,022)	837	(97)	30	16,879	(11,366)	261
Transfers	(378)	-	(26)	1	-	-	(403)
Revaluations to CSoCNE	(3,132)	8	5	(8)	-	(187)	(3,314)
Revaluations through revaluation reserve	(19,186)	115	45	(10)	56,177	298	37,439
At 31 March 2016	**317,515**	**21,993**	**10,524**	**3,674**	**924,725**	**24,576**	**1,303,007**
Depreciation							
At 1 April 2015	20,369	14,085	5,731	2,457	231,178	-	273,820
Charged in year	5,502	1,078	724	400	8,987	-	16,691
Disposals	(378)	(578)	(318)	(521)	-	-	(1,795)
Reclassifications	(1,462)	(15)	(98)	-	1,462	-	(113)
Transfers	-	-	(27)	-	-	-	(27)
Revaluations to CSoCNE	(1,579)	7	1	(1)	-	-	(1,572)
Revaluations through revaluation reserve	(15,731)	4	5	(11)	19,289	-	3,556
At 31 March 2016	**6,721**	**14,581**	**6,018**	**2,324**	**260,916**	**-**	**290,560**
Carrying Amount at 31 March 2015	**323,532**	**6,891**	**4,607**	**905**	**620,491**	**24,825**	**981,251**
Carrying Amount at 31 March 2016	**310,794**	**7,412**	**4,506**	**1,350**	**663,809**	**24,576**	**1,012,447**
Asset financing:							
Owned	310,294	7,412	4,506	1,350	663,809	24,576	1,011,947
Land at Baronscourt	500	-	-	-	-	-	500
Carrying Amount At 31 March 2015	**310,794**	**7,412**	**4,506**	**1,350**	**663,809**	**24,576**	**1,012,447**

	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	177,761	5,847	4,090	916	663,809	22,868	875,291
Agency	133,033	1,565	416	434	-	1,708	137,156
Carrying Amount At 31 March 2016	**310,794**	**7,412**	**4,506**	**1,350**	**663,809**	**24,576**	**1,012,447**

Notes:

(a) Land and Buildings includes land with a net book value of £165,934,630.45

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

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

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.

The Department's Culvert Network and Flood Defence were re-valued by in-house staff using standard recognised methodology at 31 March 2016.

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

(d) The Department received a donated asset valued at £1,939 from DCAL during the year to 31 March 2016 for which it made no consideration (2014-15 £217k).

(e) During 2015-16 an exercise was completed that allowed data on Dams, Flap Valves and Sluices, Inlets and Outfalls to be collated. This resulted in Dams, Flap Valves and Sluices, Inlets and Outfall that had not been previously valued being in the valuation model at a value of £9.5m. In 2014-15 a similar exercise was completed for Grilles and Trash screens resulting in the inclusion in the valuation model at a value of £15.5m. In the 2014-15 accounts some Sluices were included at a valuation of £9.7m. When applying the more detailed and rigorous valuation techniques in line with other infrastructure assets, this has resulted in a valuation of £29.9m for the Sluices included in the 2014-15 valuation, resulting in an upward revaluation of £20.2m.

7.1 (b) 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 CSoCNE	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 CSoCNE	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**

	Land & Buildings £'000	Plant & Machinery £'000	Transport & Equipment £'000	Information Technology £'000	Networked Assets £'000	Assets under Construction £'000	Total £'000
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**
The net book value of Property, plant and equipment comprises:							
Core department	166,230	5,296	4,308	843	620,491	21,533	818,701
Agencies	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**

7.2 Biological Assets

	2015-16	2014-15
Growing Timber	**Core Dept & Agency £'000**	**Core Dept & Agency £'000**
Value at 1 April	147,587	132,174
Revaluation adjustment		
Transfer to assets held for sale	(8,308)	(1,175)
Timber removals	(1,500)	(8,288)
Timber lost to fire	(3)	-
Timber lost to disease	-	(46)
Price/growth increment	42,276	24,922
Value at 31 March 2016	**180,052**	**147,587**
Revaluation adjustment:		
Credit/(charged) to Statement of Comprehensive Net Expenditure	32,790	15,373
In year movement in assets held for sale	(325)	40
Movement in timber valuation	**32,465**	**15,413**

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

Timber identified as having been allocated under contract and removed from the estate database being available for sale in 2015-16 is valued at the expected sales price. Timber removals in year are valued at the sales price achieved. The revaluation movement, except for the movement in the asset held for sale is taken directly to the Consolidated Statement of Comprehensive Net Expenditure. Timber felled and contracted for sale is removed from the valuation model and transferred to Assets Held For Sale.

7.3 Heritage Assets

	2015-16	2014-15
	Core Dept & Agency £'000	Core Dept & Agency £'000
Value at 31 March 2016	**1,167**	**1,167**

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

8.1 Intangible Assets

2015-16	Forest Land Rights £'000	Software £'000	Software Licences £'000	Total £'000
Cost or valuation				
At 1 April 2015	516	22,461	4,596	27,573
Additions	-	8,674	538	9,212
Disposals	-	(40)	(618)	(658)
Revaluations to CSoCNE	-	2	-	2
Revaluations through Revaluation Reserve	-	345	35	380
Total Cost	**516**	**31,442**	**4,551**	**36,509**
Amortisation				
At 1 April 2015	-	14,758	2,560	17,318
Charged in year	-	2,198	423	2,621
Disposals Depreciation	-	(35)	(618)	(653)
Revaluations to CSoCNE	-	2	1	3
Revaluations through Revaluation Reserve	-	190	25	215
Total Depreciation	**-**	**17,113**	**2,391**	**19,504**
Carrying Amount at 31 March 2015	**516**	**7,703**	**2,036**	**10,255**
Carrying Amount at 31 March 2016	**516**	**14,329**	**2,160**	**17.005**

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 CSoCNE	-	6	-	6
Revaluations through Revaluation Reserve	66	290	45	401
Impairments	-	-	-	-
Total Cost	**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 CSoCNE	-	6	-	6
Revaluations through Revaluation Reserve	-	200	31	231
Total Depreciation	**-**	**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**

9. Impairments

	2015-16	2014-15
	Core Department & Agency £'000	Core Department & Agency £'000
Charged to statement of comprehensive net expenditure	-	-
Charged to Revaluation Reserve	-	-
	-	**-**

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

10. Capital and other commitments

10.1 Capital Commitments

	2015-16	2014-15
	Core Department & Agency £'000	**Core Department & Agency £'000**
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property, plant & equipment	17,563	10,979
	17,563	**10,979**

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.

	2015-16	2014-15
	Core Department & Agency £'000	**Core Department & Agency £'000**
Land		
Not later than one year	7	7
Later than one year and not later than five years	26	26
Later than five years	419	420
	452	**453**
Buildings		
Not later than one year	67	72
Later than one year and not later than five years	72	80
Later than five years	71	81
	210	**233**
Other		
Not later than one year	136	140
Later than one year and not later than five years	60	196
Later than five years	-	-
	196	**336**

10.2.2 Finance leases

The Department had no finance leases during 2015-16 or 2014-15.

10.3 Commitments under PFI and other service concession arrangements

The Department had no PFI contracts during 2015-16 or 2014-15, so there are no commitments at 31 March 2016.

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 2016.

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

	2015-16	2014-15
	Core Department & Agency £'000	Core Department & Agency £'000
EU Grants / Schemes		
Not later than one year	15,343	27,705
Later than one year and not later than five years	23,974	22,763
Later than five years	1,367	1,519
	40,684	**51,987**
National Grant Schemes		
Not later than one year	1,873	1,056
Later than one year and not later than five years	2,084	1,733
Later than five years	911	1,012
	4,868	**3,801**
Total EU Grants/Schemes/National Grant Schemes		
Not later than one year	17,216	28,761
Later than one year and not later than five years	26,058	24,496
Later than five years	2,278	2,531
	45,552	**55,788**

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 £40.6 million, which includes EU and National funding for EU Grants/Schemes, is EU £18.1 million (45%) and DARD £22.5 million (55%). In 2014-15 the split of the total commitment of £52 million was EU £32.2 million (62%) and DARD £19.7 million (38%).

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. Exchange rate gains and losses are shown in note 5.

11.2 Financial Assets

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

	United Dairy Farmers Ltd £'000
Balance at 1 April 2014	**24**
Additions	2
Disposals	-
Balance at 31 March 2015	**26**
Additions	-
Disposals	-
Balance at 31 March 2016	**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	2015-16	2014-15
		Core Department & Agency £'000	Core Department & Agency £'000
Other assets	#1	4	-
Forestry – Timber			
Opening Balance as at 1 April	#2	1,175	1,213
Additions		1,500	1,175
Disposals		(1,175)	(1,213)
Closing balance		**1,500**	**1,175**
Total balance at 31 March 2016		**1,504**	**1,175**

#1 These assets are vehicles that are no longer being used and are awaiting sale

#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 sale price.

14 Inventories

	2015-16	2014-15
	Core Department & Agency £'000	Core Department & Agency £'000
Livestock:		
CAFRE	978	952
Consumable materials and supplies:		
CAFRE	437	427
Forest Service Agency	52	98
Rivers	555	495
Veterinary Service	145	133
Animal Health & Welfare	-	9
Central Services Group	6	7
Total Inventories	**2,173**	**2,121**

15 Cash and Cash Equivalents

	2015-16	2014-15
	Core Department & Agency £'000	Core Department & Agency £'000
At 1 April 2015	(4,396)	(4,086)
Net change in cash and cash equivalent balances	3,074	(310)
At 31 March 2016	**(1,322)**	**(4,396)**
The following balances at 31 March were held at:		
Government Banking Service	(1,369)	(4,443)
Commercial banks and cash in hand	47	47
At 31 March 2016	**(1,322)**	**(4,396)**
The balance comprises:		
Cash & bank	364	371
Bank overdraft	(1,686)	(4,767)
	(1,322)	**(4,396)**

16 Trade Receivables And Other Current Assets

	2015-16	2014-15
	Core Department & Agency £'000	Core Department & Agency £'000
Amounts falling due within one year		
VAT	831	1,305
Trade receivables	3,621	2,977
Other receivables	594	1,037
Prepayments & accrued income	8,184	8,005
Amounts due from Rural Payments Agency in relation to	18,640	17,363
Common Agricultural Policy (CAP)		
	31,870	**30,687**
Amounts due from Consolidated Fund in respect of supply	1,320	4,434
Total at 31 March due within one year	**33,190**	**35,121**

There are no amounts sitting in trade receivables that are due to the Consolidated Fund at 31st March 2016 (2014-15: £4,168).

17 Trade Payables And Other Current Liabilities

	2015-16	2014-15
	Core Department & Agency £'000	Core Department & Agency £'000
Amounts falling due within one year		
Trade payables	492	307
Other payables	8,306	2,336
Accruals and deferred income	32,150	23,784
CAP Disallowance	37,351	20,169
EU grant creditors - Common Agricultural Policy	19,609	14,649
Other grant creditors	10,731	22,687
	108,639	**83,932**

	2015-16	2014-15
	Core Department & Agency £'000	Core Department & Agency £'000
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received-Other	-	39
Receivable-Other	-	4
	-	43
Total at 31 March 2016 due within one year	**108,639**	**83,975**
Amounts falling due after more than one year		
Deferred Income	412	1,267
CAP Disallowance	-	-
Total at 31 March 2016 due after more than one year	**412**	**1,267**

In the last audit conducted by the Commission for the 2010 – 2012 scheme years, a penalty of €2,613k was applied and paid for in 2015/16. The methodology used by the Commission in calculating this disallowance has been re-performed for the 2013-2016 scheme years for the Area Based Schemes which includes Basic Payment (BPS), Young Farmer (YFS), Agri-environment and Areas of Natural Constraint (ANC).

In the 2015 scheme year the SFP was replaced by Basic Payment, Young Farmer and Greening Schemes. The BPS is almost a direct replacement for SFP and the YFS is an additional payment made to eligible young farmers. The risk to the fund calculation has reduced to 3.44% for the 2015 scheme year from 3.95% in 2014.

Greening is a payment made to farmers for eligible land that meet the greening requirements. This scheme differs from SFP, BPS and YFS in that no over declaration penalty will be applied by the Commission and therefore the same methodology applied to SFP cannot be used. Due to the way in which the scheme operates and based on previous experience in similar schemes, the Department fully expects that the Commission will apply a flat rate penalty of 5%.

Following an audit in May 2015 the Commission identified a number of issues relating to Cross Compliance and proposed applying a 5% flat disallowance penalty on 10% of the area based payments.

With the approval of the 2014-20 Rural Development Programme there is now greater certainty regarding the amounts due in respect of Less Favoured Areas (LFA)/ Areas of Natural Constraint (ANC) and Agri Environment (AE). Consequently, a further £3.4m for these programmes has been included in the accrual.

The introduction of a new mapping system in 2013 and the many changes to the CAP in 2015 will unavoidably bring new risk into the system, but the Department is seeking to manage these risks to minimise future disallowance and recognises the need to ensure the mapping system is refreshed and maintained in line with Commission guidance. The Department will continue to recover overpayments to minimise future disallowance.

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

Scheme Year	Estimated Risk	Opening Accrual 31 March 2015	Charged to CSoCNE 2016 *	Paid	Closing Accrual 31 March 2016
	%	£m	£m	£m	£m
Area Based Schemes					
2010-12 LFA		1.4	-	(1.4)	-
2010-12 AE		0.5	-	(0.5)	-
2013-15 LFA/ANC	7.05%/6.54%	-	2.5	-	2.5
2013-15 AE/AEC	5.0%	-	1.4	-	1.4
2013 SFP	3.94%	8.7	0.8	-	9.5
2014 SFP	3.95%	8.6	1.1	-	9.7
2015 BPS/YF	3.44%	-	5.6	-	5.6
2015 Greening	5.0%	-	3.6	-	3.6
2013-15 Cross Compliance	5.0%	-	3.7	-	3.7
Subtotal		**19.2**	**18.7**	**(1.9)**	**36.0**
NIRDP		1.0	0.1	-	1.1
Leader Disallowance		-	0.2	-	0.2
Total		**20.2**	**19.0**	**(1.9)**	**37.3**

*Included within the amounts charged to SOCNE is a £1.6m of exchange rate loss. This is included within exchange rate movements in note 5.

18 Provisions For Liabilities And Charges

	2015-16	2014-15
	Core Department & Agency £'000	Core Department & Agency £'000
Balance at 1 April 2015	5,528	3,332
Provided in the year	616	4,207
Provisions not required written back	(4,458)	(645)
Provisions utilised in the year	(322)	(1,366)
Balance at 31 March 2016	**1,364**	**5,528**

18.1 Analysis of expected timing of discounted flows

	2015-16	2014-15
	Core Department & Agency £'000	Core Department & Agency £'000
Not later than one year	779	318
Later than one year and not later than five years	585	5,210
Later than five years	-	-
Balance at 31 March 2016	1,364	5,528

	2015-16 Core Department & Agency			
	Early Departure Costs £'000	Litigation Claims £'000	Other Provisions £'000	**Total** £'000
Not later than one year	34	722	23	779
Later than one year and not later than five years	10	500	75	585
Later than five years	-	-	-	-
Balance at 31 March 2016	**44**	**1,222**	**98**	**1,364**

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

18.2 Early Departure Costs

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

18.3 Litigation & Other

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

19. Contingent liabilities disclosed under IAS 37

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

Less Favoured Areas Compensatory Allowance

As part of the control framework which supports the delivery of the Less Favoured Areas Compensatory Allowance (LFACA) scheme, the Department completed inspections of farm businesses who receive funding, to confirm the land areas against which claims were submitted. Where the Department identifies errors in the amounts that have been claimed, it is obligated to adjust claims made for earlier years to retrospectively recoup overpayments. The Department failed to apply this principle of retrospection to the LFACA scheme between the years of 2007 and 2013. In addition, as a result of historic staff shortages and system issues, the Department has been unable to fully recognise overpayments relating to the LFACA scheme estimated at this stage as approximately £4.4m for the years 2007 and to 2013. Of this estimated total, approximately £2.7m may be due back to the European Union. Work commenced in January 2016 to identify these overpayments and to optimise the recovery action that the Department needs to take. The Department has sought advice from the Departmental Solicitor's Office to understand its position to affect the recovery of these debts. When the value of the debt is accurately determined, the Department will make a decision on how to proceed. Regardless of whether or not the Department pursues recovery, an estimated £2.7m is likely to be repaid to the European Union.

2015 Area Aids cases not yet processed

The Department has not provided for or accrued any amounts in respect of the 2015 Area Aids schemes for applications that have not yet been processed. The Department does not yet have sufficient information to reliably estimate what the liability in these cases will be. Based on a broad assessment of 2014 Single Farm Payment entitlement, the Department estimates that there are approximately 700 cases with a potential total amount due of £2m. As this is a scheme that is fully funded by the European Union, the amount due to farmers will be fully recouped by the Department from the European Union.

Legal Cases

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

Clearance of Accounts Process – Potential Disallowance

As a result of the Clearance of Accounts process for the European Agricultural Funds 2015 account, the Commission wrote to the Department in April 2016 and proposed a €2.3 million disallowance due largely to the Certification Body's error evaluation. The UK Coordinating Body, with the Department and Certification Body, has responded to the Commission's letter rebutting the proposal. Although the Department expects that this issue will be resolved with a favourable outcome, this will be contingent on the progress of negotiations with the European Commission.

The Department has entered into the following unquantifiable contingent liabilities.

Unpaid Single Farm Payment applications

The Department has assessed a number of cases from 2005 to 2014 in respect of Single Farm Payment for which no payment has ever been made. There are a variety of reasons why a claim may not have been paid; for example, cases subject to appeal or incorrect details being provided which prevented the payment from processing. It is not possible for the Department to estimate the payments that could result annually from historic claims. It is however likely that if applicants who historically did not receive any payment come forward, further claims will be made in the future. As these payments are received from The European Union, they have a nil impact on the Department's financial outturn.

DARD Headquarters Relocation

In June 2015 the headquarters of Fisheries Division relocated to Downshire Civic Centre and in September 2015 Forest Service headquarters were relocated to Inishkeen House, Enniskillen . Rivers Agency is on target to relocate to Loughry College, Cookstown in October 2016.

A Full Business Case for the relocation of the rest of DARD headquarters to Ballykelly was approved in February 2016 along with a planning application for the new building and new access road. Due to factors such as the NICS Voluntary Exit Scheme and the restructuring of the NICS Departments, the number of posts expected to relocate has reduced from 694 to approximately 600. The Department is currently utilising accommodation in the North West for staff coming to DARD to take up posts in Ballykelly. Work continues on the human resources aspects to ensure that the necessary skilled people are in place to continue to meet DARD business needs.

The target for the first staff to move into the new building in Ballykelly is December 2017.

20 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. 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
- British Bee Veterinary Association
- Institute of Northern Ireland Beekeepers
- Royal Ulster Agricultural Society
- British Veterinary Poultry Association

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 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.

21 Third-party assets

The Department held third-party assets at 31 March including bank accounts, Consolidated Fund investments, shares in the Northern Ireland Central Investment Fund for Charities, and Government Stocks. These are not departmental assets and are not included in the Statement of Financial Position. The assets held at the reporting period date to which it was practical to ascribe monetary values as at 31 March 2016 are set out in the table below.

			Consolidated
Northern Ireland Central Investment Fund for Charities	**No. of Shares**	**Market Value at 31 March 2016**	**Market Value at 31 March 2015**
Description		**£**	**£**
DARD Moore Memorial Fund	96	1,057	1,126
DARD Thomson Memorial Account	990	10,899	11,609
DARD Thompson Bequest Account	10,973	120,800	128,671
Vaughan Charity	181,395	1,996,941	2,127,056
Vaughan Charity – Fermanagh Pig Project	1,099	12,099	12,887
DARD Drainage Trusts	3,008	33,114	35,272
Total	**197,561**	**2,174,910**	**2,316,621**

			Consolidated
Government Stocks	**Nominal Value**	**Market Value at 31 March 2016**	**Market Value at 31 March 2015**
Description	**£**	**£**	**£**
DARD Drainage Trusts:			
2 ½% Treasury Stock	119.0	-	119

The 2 ½% Treasury Stock was sold during 2015-16.

Third-party account balances as at 31 March	Bank Accounts		Consolidated Fund	
	2016 £	2015 £	2016 £	2015 £
DARD Horse Racing Fund Account	115	2,726	4,472	6,872
Enniskillen College of Agriculture (ECA) Sport and Tuck Shop	14,861	17,835	-	-
ECA Travel Fund	7,173	8,615	-	-
ECA Vaughan Charity – current account	5,000	5,000	-	-
ECA Vaughan Charity – deposit account	38,408	35,817	-	-
Greenmount College Floristry Club	23	23	-	-
Greenmount College Sports Fund	9,863	10,182	-	-
Greenmount College Sports and Recreation Club	2,240	2,239	-	-
GCR Enterprise Management	2,614	2,322	-	-
Greenmount Travel – Current	47,840	40,466	-	-
Greenmount Travel – Business Reserve	8,703	8,699	-	-
Greenmount – Projects	1,287	1,425	-	-
Greenmount – Cream Advisory	26,340	26,245	-	-
Greenmount College Rugby Club	191	263	-	-
Greenmount College Football Club	12	12	-	-
Greenmount Horse Riding Club	193	193	-	-
Greenmount Bursaries	10,469	13,537	-	-
Greenmount Erasmus Euro account	13,106	-	-	-
Greenmount Erasmus Sterling account	2,101	-	-	-
Loughry Student Affiliation Account	9,277	10,740	-	-
Drainage Trust Investment Accounts	69,160	67,995	-	-
DARD Moore Memorial Fund	52	27	1,470	1,500
DARD Thomson Memorial Account	553	297	12,320	12,620
DARD Thompson Bequest Account	50	8	1,485	535
Totals	**269,631**	**254,666**	**19,747**	**21,527**

22 Entities within the departmental boundary

The entities within the boundary during 2015-16 were as follows:

Supply-financed agency: Forest Service Agency

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

23 Events after the reporting period

On the 23rd June 2016, a referendum was held where citizens of the United Kingdom were asked whether they wanted to remain or leave the European Union. As a result of the referendum, the United Kingdom has voted to leave the European Union. This result may have a material impact on the work of the Department for Agriculture, Environment and Rural Affairs. As noted in the 2015-16 Resource Accounts, the Department for Agriculture and Rural Development distributed £258.6m in European Funding. The Department is not yet in a position to outline the impact that the eventual exit of the United Kingdom will have on DAERA. The Department will work closely with other areas of Government and key stakeholders to fully assess the impact that this change will have on the services it delivers and the support that it provides.

Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 30th June 2016.

Report by the Comptroller and Auditor General
Department of Agriculture and Rural Development
Resource Accounts 2015-16

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 opinions on the 2015-16 Resource Accounts for the Department; and
   - the actions the Department is taking to reduce the disallowances determined by the European Commission ('the Commission').

Background to the disallowances imposed on the Department

2. 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 £260 million in 2015-16 (2014-15; £300 million).

3. The Department has, in prior years, paid disallowances of EU funding of approximately £78 million across Area Aids Schemes 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 2015-16

4. At 31 March 2015, the Department's Resource Accounts contained accruals of £20.2 million for expected disallowances across a number of EU schemes. During 2015-16, a number of developments contributed to an increase in the total amount accrued to £37.3 million at 31 March 2016.

5. The Department made a payment of £1.9 million to the Commission during the year in respect of the amounts due for Area Aids claim years 2010-12, which was formally agreed by the Agricultural Funds Committee in June 2015. No other payments were made during the year.

6. The Northern Ireland Rural Development Programme (NIRDP) disallowance remains and has been increased by £0.1 million to £1.1 million as a result of an exchange rate loss. The Department expects that this will become payable after clearance of the closure account for the European Agricultural Funds for Rural Development (EAFRD) 2007-13.

7. The accruals for Single Farm Payment (SFP) 2013 and 2014, which were calculated based on the Department's assessment of the 'risk to the funds'[1], also remain although the amounts have increased in year by £1.9 million due to exchange rate movements and an update to the risk to fund percentage for 2014 (from 3.90% to 3.95%).

8. In the 2014-15 account the Department had provided for amounts due for the Less Favoured Areas Compensatory Allowances (LFACA) Scheme and the Agri-Environment Scheme 2013 and 2014 claim years. Following clarification around the affected populations, the Department has now accrued £3.2 million relating to these schemes, based on the Department's assessment of the risk to the funds, being 7.05% for LFACA 2013, 6.54% for LFACA 2014 and 5% for Agri-Environment across claim years 2013 to 2015.

9. 2015-16 is the first year of the new schemes under the reformed CAP. The Department has accrued an additional £9.9 million in 2015-16 for disallowances relating to the new direct payment schemes for claim year 2015. Of this, £5.6 million relates to the Basic Payment Scheme (BPS) and Young Farmers Scheme (YFS) and has been calculated based on the Department's assessment of the risk to the funds (3.44%). An additional £3.6 million relates to Greening and is based on a 5% flat rate disallowance, being the Department's assessment of the most likely outcome. £0.7 million has been accrued for the Areas of Natural Constraint (ANC) Scheme using the 2014 risk to fund rate for the predecessor LFACA scheme.

10. The actual amounts due for Area Aids disallowances across claim years 2013 to 2015 have not yet been notified by the Commission.

11. In addition to the above, the Department has included accruals for disallowances which have arisen as a result of recent audits:

    - £3.7 million has been accrued relating to cross-compliance disallowance for the claim years 2013 to 2015. This is as a result of an EU Commission audit in June 2015, in which the Commission identified a number of deficiencies in key controls and has initially proposed 5% flat rate correction.

    - £0.2 million has been accrued relating to a disallowance on the Axis 3 Leader programme for claim year 2014. This followed an EU Commission audit in April 2015 which found weaknesses in the operation of key and ancillary controls. Following a period of liaison, the Department and the Commission have been able to ring-fence and agree the unduly spent amounts meaning that the flat rate correction of 10%, which was initially proposed, has been avoided. The Department expects that the decision will be formally confirmed by the Agricultural Funds Committee in late 2016.

[1] The 'risk to the fund' rate is calculated by the Department based on an assessment of the error rates within the random sample of 'on the spot' inspections completed for an area based scheme within that claim year.

12. The movement in the disallowance accruals and the balance at 31 March 2016 is included at note 17 to the accounts and summarised in the following table:

	£ million
Increase in NIRDP disallowance accrual	0.1
Increase in the SFP disallowance accrual for claim years 2013 and 2014	1.9
New accruals for BPS, Young Farmers and Greening for claim year 2015	9.2
New accruals for LFACA/ANC and Agri-Environment for claim years 2013 to 2015	3.9
New accruals for Cross Compliance disallowances	3.7
New accruals for Leader disallowances	0.2
Total charge to expenditure	**19.0**
Less exchange rate loss on prior year accruals	1.6
Total CAP disallowance	**17.4**

Basis of my qualified audit opinion on regularity

13. 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'.

14. My opinion on 'regularity' is qualified in respect of disallowances of £17.4 million incurred by the Department in 2015-16 and accrued in the financial statements. I consider it to be irregular as it is expenditure that does not conform to the authorities which govern it, being the EU regulations. The amounts due to be paid to the Commission in respect of disallowances represent a loss of public funds as a consequence of not complying with the required EU regulations in the administration of European funding. My opinion has been qualified on a similar basis since 2009-10.

Basis of my qualified true and fair audit opinion

15. I have also qualified my opinion on the truth and fairness of the financial statements due to a limitation in scope arising from insufficient evidence to support a proportion of the disallowances accrued by the Department

16. 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. However, of the £17.4 million accrued in 2015-16 for EU disallowances, the Department has been unable to provide me with sufficient or appropriate audit evidence to support the treatment of £13.6 million of this as an accrual. This relates to four new direct payment schemes under the reformed CAP and a proposed disallowance following an EU Commission cross compliance audit:

Scheme/Claim year	Amount £m
Basic Payment Scheme / Young Farmers 2015	5.6
Greening 2015	3.6
Areas of Natural Constraint 2015	0.7
Cross Compliance 2013 – 2015	3.7
Total	**13.6**

17. I consider that the introduction of the new direct payment schemes during 2015-16 has introduced a significant element of uncertainty with regards to how the Commission may view the Department's internal control system over these schemes and consequently how this may impact upon the assessment of the risk to the funds. The controls over the new schemes have not yet been subject to Commission scrutiny and the Department has been unable to demonstrate that there is sufficient certainty surrounding the assumptions and judgements which underpin the calculations of the risk to the funds.

18. The Commission's initial proposal for Cross Compliance disallowance is based on a flat rate 5% correction, however liaison is ongoing between the Department and the Commission with the Department seeking to defend its position and demonstrate a lower risk to the fund. Work is also in progress to ring-fence the specific populations affected.

19. For the reasons set out above, I consider that there is uncertainty as to the final amounts that will be due in respect of these disallowances and therefore I have not obtained sufficient evidence to support the amounts accrued by the Department.

Department's actions to reduce disallowances

20. The Department has informed me that it 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) and more recently through business as usual enhancements.

21. 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 EU Commission 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.

22. This involves the systematic review and, where necessary, the updating of approximately 740,000 fields within the LPIS. Additional information relating to CAP reform, such as features associated with Ecological Focus Areas, have been added to the LPIS.

23. Using the latest available ortho-photography from its earlier investment in a digital camera, the Department has deployed these maps as a control in recent scheme years.

24. Other developments include: -

- 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.

25. Following on from the voluntary implementation of the Legality and Regularity audit in years 2011 and 2012, the Department has supported the re-verification of controls by the Certifying Body. The Department has also carried out an annual EU-mandated self-assessment of the quality of its mapping system, demonstrating a good standard of mapping has been achieved.

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

Summary and Conclusions

27. I have qualified my audit opinion on the Department's 2015-16 Resource Accounts on the grounds of regularity. During the 2015-16 financial year, the Department accrued a further £17.4 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.

28. I have also qualified my opinion on the truth and fairness of the financial statements due to a limitation in scope arising from insufficient evidence to support £13.6 million of the disallowances accrued by the Department.

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30 June 2016

Department of Agriculture and Rural Development Resource Accounts 2015-16

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