

14 February 2011

FROM THE PRESIDENT

Shaun Donnelly
Finance Director (Acting)
Room 352A, Dundonald House
Upper Newtownards Road
Belfast,
BT4 3SB

Dear Mr Donnelly

DRAFT BUDGET 2011-15: SPENDING AND SAVINGS PROPOSALS WITHIN THE DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

The Ulster Farmers' Union welcomes the opportunity to provide our views on the above consultation. The UFU represents over 11,000 members, primarily involved in agricultural activities, and we trust that the comments listed below will be given due consideration.

In response to the consultation we do not propose to comment on each of the individual items, rather we propose to set out our overall thoughts in the form of an overview, highlight several key areas where we believe a more strategic budgetary approach would contribute to supporting and growing industry competitiveness and finally highlight some other areas where, should further “invest to grow” or “spend to save” initiatives be identified, funds to deliver those initiatives could be generated.

The UFU would first of all wish to make some comments in respect of the overall position of the DARD budget within the NI Block allocation. The UFU recognise that there are significant constraints in respect of overall funding, and that the UK Government has set dealing with the UK Budget deficit as its main financial priority with spending cuts the major plank of that policy. As a result the NI block allocation has been reduced and we accept that the consequence of that reduction is that individual departments will have to share that impact on their own budgets. The NI Executive, in their December Draft Budget, set out Departmental Budget allocations, and the DARD allocation is as follows:

	2011-2012 (£m)	2012-2013 (£m)	2103-2014 (£m)	2014-2015 (£m)
Net Current Expenditure	224.9	236.0	222.6	219.0
Capital Investment	16.4	13.9	20	29.3

While we believe the capacity of the agricultural and agri food sector to deliver for the NI economy, on a range of economic, environmental and social priorities, is such that a larger budget could be justified, nevertheless we are making our comments based on accepting the budget allocations as above.

Overview

The Department's budget approach is based around proposals to make savings of £43m over the budget period, to remain within the overall NI Executive's Budget allocation, and to enable some rearrangement of spend within that allocation. However, UFU take the view that the proposals are not in any way strategic but rather are piecemeal in approach with a focus on cutting expenditure on soft targets while avoiding any tough decisions on targeting efficiencies within the Department. As evidence the Department proposals suggest spending cuts of £43m or 4.75% of the overall budget, while also anticipating staff reductions of 80 or 2.8% of current staff levels. While accepting that these two statistics are not directly related, nevertheless they should be closely correlated. With an anticipated reduction in delivery of 4.75% it would be reasonable to anticipate a pro rata reduction in staffing levels to maintain at least present efficiency levels. Such a reduction would suggest a further reduction of 55 jobs or savings of approximately £11m over the budget period.

Also throughout the budget proposals there are several examples of proposals to identify savings by transferring cost back to the industry. The UFU are firmly of the view that statutory or regulatory requirements which the industry are expected to meet, should be funded by Government. In addition, service delivery should not be forced upon the industry by Government at a cost over and above what the same service could be delivered for by the private sector. The UFU are firmly opposed to the unwarranted transfer of cost onto the industry or the introduction of cost and responsibility sharing by the back door.

Specific Budget Proposals

As an alternative to the piecemeal approach of the DARD spending and savings proposals, the UFU has identified several areas, which could deliver savings of a similar scale to that proposed by DARD, but which are strategic in nature and if accepted would make both the Department and the industry more competitive and better placed to compete in the global market place.

Animal Disease Compensation

The Draft Budget Proposals identify savings in the region of £2.1 million over the budget period based on changing the basis of valuing cattle which have to be removed from farms after having tested positive for either of the 2 main notifiable statutory diseases, TB and BR. Currently such cattle are valued at their market value with a change to table vales projected to reduce compensation paid by £1.5m over the budget period. The UFU believes that these proposals will adversely impact on innocent farmers whose livelihood is already under threat from the additional costs associated with dealing with the disease, never mind having their compensation reduced.

In addition the UFU believes that the budget proposals contain no additional measures, other than further research, aimed at tackling the causes of these diseases at source. We believe a decisive change in approach would deliver significantly more savings due to a much quicker reduction in disease levels and therefore overall compensation levels, but more importantly would rid both DARD and the industry of the scourge and ongoing cost of these diseases. We therefore oppose this approach and budget proposal as currently presented.

Third Party Delivery

The UFU understands and accepts that DARD can and should provide funding to third parties with a view to leveraging either additional investment or enhanced delivery of outputs across a

range of its strategic priorities. The Capital Grants Programme budget proposals describe the aims, as combating poverty, improving the quality of rural life, improving industry competitiveness and encouraging sustainable environmental initiatives, but provide little other detail on which to form a view on either the effectiveness of the programme or on the balance of allocations.

Equally so, on the resource side of the budget proposals the Department has published an extensive list of spending cuts but has failed to provide sufficient detail on which to base an objective critique of the proposals. A good example of this has been the proposal to remove funding completely from the Young Farmers Clubs of Ulster, without any form of justification or indeed mention in the proposals.

It is this lack of transparency, coupled with the fact that no information has been provided on the Department's internal administration spend relating to each of these interventions, which reinforces our view that the budget proposals are focused on soft targets rather than on efficiencies. We have asked for additional information to be provided on the detail and we would reserve the right to comment further on that detail when it is received.

Food

Several cost savings measures have been identified by the Department around its interaction with agri food. The UFU believes that, with the sector having continued to grow throughout the recession and having the potential to further contribute to the NI economy both in terms of growing jobs and increasing sales out of Northern Ireland, designating "food" as a lower priority programme is both short sighted and illogical. Indeed the UFU believes the budget proposals are indicative of a Department preparing to exit from its involvement in food, another example of a focus on soft targets rather than on what will strategically benefit both the agri food industry and the NI economy.

The UFU have requested further detail as to the extent of food focused programmes which will remain in the Department, should these proposals be implemented, and we reserve the right to comment further on that detail when received.

Animal Health /Veterinary

The UFU believes that the budget proposals around the delivery of Animal Health and Veterinary services are also not in any way strategic but instead concentrate on reducing frontline services and making some savings on procurement costs.

As an alternative, the UFU would propose that the current piecemeal approach of using both private vets and Departmental vets, which inevitably lead to inefficiencies and duplication, should be replaced by a single, streamlined, delivery approach which would benefit, in cost terms alone, from significant efficiencies in scale. However such an alternative should not be seen as an excuse or an opportunity simply to transfer cost from Government to the industry, rather this should have a genuine focus on providing a value for money service and enhancing industry competitiveness.

The UFU propose that an immediate business case should be developed based around transferring the bulk of frontline veterinary /animal health work to private vets, with the Department only retaining a core regulatory, laboratory/diagnostic and policy function. Such a business case should focus on such areas as: eliminating duplication; work scheduling to strip

out operational inefficiencies; and constructing service level agreements to facilitate a crisis response capability in the event of a serious animal disease outbreak.

The UFU believe that the inevitable transfer of staff from the public sector to the private sector would contribute to an overall rebalancing of public/private sector employment and we believe could generate savings totaling £26.5m over the budget period.
(Yr1 savings of £4.05m, Yr2, £7.15m, Yr3, £7.53m Yr4, £7.85m)

APHIS

The UFU accept that the APHIS system will eventually need replacing and indeed will need additional functionality, both to deliver enhanced controls but also to provide management and disease control information which could improve industry competitiveness.

However the UFU do believe that replacement by the private sector could be delivered at significantly less than the proposals in the Draft Budget, and also that operational delivery by the private sector would deliver further savings. The UFU estimate that operational savings of £2.8 million, replacement savings of at least £5m and an additional saving from the Animal Health and Welfare budget, in respect of incorporating cattle EID into the replacement system, of at least £1m could be achieved. This approach could deliver total savings of £8.8m over the Draft Budget proposals.

DARD Direct/ DARD HQ

The UFU can not accept the proposals for a significant spend on **both** DARD Direct and on a new DARD Headquarters. The UFU have been supportive of the DARD Direct concept and indeed can accept the additional spend in the Draft Budget proposals to complete the project.

The logic behind the DARD Direct project was to provide a one stop point of contact for all front line interface, strategically located across Northern Ireland. An extension of that logic would be to locate all front line staff in those offices resulting in a significantly reduced requirement for staff accommodation in a Headquarters location. Relocating staff in the DARD Direct offices would also achieve the Minister’s objective of moving jobs out into rural areas.

The UFU would therefore propose that there should be no consideration, or indeed budget allocation, for a new DARD HQ in this budget period and that future consideration should be based on a significantly reduced accommodation requirement following an evaluation of the effectiveness of DARD Direct delivery. This proposal would release £13.3m from the current draft budget proposals.

Summary

The UFU has sought to identify strategic savings, of a similar scale to that envisaged in the Draft Budget proposals, but we have only highlighted savings which we believe can be clearly identified. These are tabulated below:

	Current (£m)	Capital (£m)	Total (£m)
Animal Health/Veterinary	26.5		26.5
APHIS	5.8	3.0	8.8
DARD Direct/DARD HQ		13.3	13.3
Total	32.3	16.3	48.6

Other Strategic Measures

In addition, the UFU believes there are some other strategic measures which if implemented could generate additional savings, which could be used to fund 'invest to grow' or 'spend to save' initiatives aimed at shaping a Department and industry which is more competitive. However we do accept that these are more difficult to accurately quantify and, particularly any asset disposals, may only be realisable under longer time scales than is covered by the current budget proposals.

We believe there are cross Departmental efficiencies which could be achieved with a more strategic approach.

In terms of Food, three Departments have an interest, DARD, DETNI and DEL. The UFU strongly believe that the food sector is vital to the NI economy and as such would benefit from a strategic, co-ordinated, approach, similar to that in other UK regions and other major food producing countries.

In terms of Research/Education and Technology Transfer, the UFU hold the view that current budget levels should be maintained but that closer co-operation, sharing of resources and planning of activity, between DARD, CAFRE, and AFBI would deliver a significantly enhanced output for the benefit of NI agriculture and Agri Food industries. Indeed the spread of assets across the three bodies is such that there is potential for generating funds from asset disposals which could fund any capital investment which may be required to keep the R&D function at the forefront of global technological advances.

In terms of regulatory inspections, this work is currently the role of both DARD and DOE, with considerable duplication of both effort and cost.

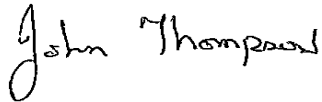
The UFU believe that the potential of forestry in Northern Ireland is not being maximised. We believe therefore that plans should be brought forward to transfer approx 50% of largely commercial forest to the private sector. Under the current system, income from forestry only covers costs which is an inadequate return on the capital value of the asset base. By injecting commercial expertise and capital, UFU believe that the potential for the sector to grow and expand would be considerably enhanced to the benefit of the NI economy. We would however propose that public amenity forests should remain within the Government Estate and be managed with a view to covering costs with revenue generated from public use and timber sales. The UFU believe that in excess of £150m could be generated from such an asset disposal.

Conclusion

The UFU is firmly of the view that the agriculture and agri food industries are key elements of the NI economy and as such have the latent potential to contribute significantly to the process of taking the economy out of the current economic difficulties. The UFU is therefore disappointed that such a piecemeal approach has been taken to developing Departmental Spending and Savings proposals and that the opportunity to turn adversity into further opportunity could potentially be squandered as a result. In this response we have attempted to inject a degree of overall vision and strategic direction into what might otherwise end up as a series of unrelated and potentially damaging cuts.

Before this process started, the UFU stated that we would measure any budget proposals against our focus on maintaining frontline services. We believe that the NI Executive's budget allocation to the Department provides a framework within which this could be achieved. The Department's spending and savings proposals do not fully address our criterion and indeed we believe there is an underlying move towards transferring unwarranted cost onto the industry in order to maintain a core which sees greater value in its regulatory function than its support and developmental focus. That approach is contrary to good governance and significantly undervalues the benefits which could be achieved with a Department working in tandem with the industry. The UFU believes the proposals which we have suggested in this response would address that deficit and we would ask that they are given due and appropriate consideration.

Yours sincerely

A handwritten signature in cursive script that reads "John Thompson". The signature is written in black ink and is positioned above the printed name.

JOHN THOMPSON