Opening Address to the Public Accounts Committee

Brendan Gleeson, Secretary General, Department of Agriculture, Food and the Marine

Appropriation Account 2017

EAGF, EAFRD and EMFF Irish Operations Financial Statements 2017

Fisheries Harbours Accounts 2017

I thank the Chairman for giving me the opportunity to address the Committee.

I would like to refer to the department's Appropriation Account for 2017, and two associated sets of financial statements.

The first of these is a non-statutory account, provided for the sake of transparency, which shows the interaction between funding received from the European Union, and the Department's Vote. This funding is accounted for separately under EU rules, and audited by the EU institutions. Because the bulk of it is not matched by National Funds, much of it is does not appear in the Department's Appropriation Account, and therefore these financial statements provide a fuller picture of total departmental expenditure, both National and EU.

The second is the financial statements for the six fisheries harbours centres owned and operated by the Department.

I will begin with the Appropriation Account. The Department's gross estimate for 2017 was €1.49 billion. This included a carry-over of capital savings of €21.7 million from 2016. This represented an overall increase of almost €120 million over the gross voted estimate for 2016. The gross outturn was €1,387 million, an increase of €131 million over 2016.

The Department received a technical Supplementary Estimate to further address emerging priorities by the transfer of funds within the Vote. I will refer to this in my later remarks.

The Department also receives appropriations-in-aid. These principally comprise EU receipts in respect of Rural Development and Animal Disease Programmes. In 2017, these receipts amounted to €258.9 million, some €78 million less than the estimate of €337 million, largely because EU receipts expected in December 2017 in respect Rural Development Schemes, were not received until January 2018.

The Department's Vote is divided into four programmes, each representing a key policy priority.

Programme A relates to the food safety, animal health and welfare and plant health programmes that underpin our agri food sector. These include disease eradication programmes such as those relating to TB, or TSE's, testing for residues in food products, on farm controls, plant protection controls and other such headings. Programme expenditure under this heading, excluding staff and administration costs, amounted to just over €80m in 2017. This is a saving of €5.5m compared to the budgeted amount.

Programme B covers our major farm support schemes other than the Basic Payments Scheme, which is entirely EU-funded. By and large, these schemes are intended to encourage sustainable agricultural practices, and most of them receive co-funding from the EU under the Rural Development Programme. The final allocation for these schemes in 2017, following a supplementary estimate, over came to just under €806m. This was some €182m greater than the €623m outturn in 2016. In 2017 almost 50,000 people participated in our GLAS Scheme, more than 24,000 participated in the Beef Data and Genomics Scheme, and the Sheep Welfare and Knowledge Transfer (KT) schemes were launched. Other co-funded schemes included the Areas of National Constraint Scheme, and the TAMS (Targeted Agricultural Modernisation Scheme) farm investment scheme, the Organics Scheme, and the Forestry programme, which alone among these schemes is 100% nationally funded.

The eventual outturn was for this programme was €726m. This was more than €100m greater than the previous year, but also €80m short of the available funds. Key factors in this shortfall were that participation in new schemes (Sheep Welfare and KT) was lower than provided for, and an adjustment to deadlines for certain actions in KT slowed the payment process, with some falling into 2018. Similarly, our ambitious target for payments to a very high portion of GLAS participants within the calendar year wasn't achieved.

However, for the 2018 scheme year, close to 90% of GLAS applicants were paid their annual advance within the calendar year.

On the capital side, the TAMS Investment scheme saw a much improved drawdown compared to 2016, with €33m expended, albeit drawdown was lower than the provision. To help with the financial management of the scheme, we reduced the time allowed for applicants to submit payment claims and the experience in the last 18 months reflects good levels of investment in improved on-farm facilities. Expenditure on the forestry programme was lower than hoped in 2017, and this remains a continuing, but critically important challenge. The capital carry-over into 2018 from 2017 was largely drawn from the TAMS and Forestry savings in 2017.

I should say that Programme B also includes an element of National Funding on EU Market Support Schemes, such as intervention.

Programme C, Policy and Strategy, includes expenditure on Research and Training, on a number of food support schemes, as well as Grants-in-Aid to some of our State Agencies. The outturn slightly exceeded the voted allocation of €338m, due partly to a number additional measures designed to help build resilience in the sector confronted by the challenge of Brexit. Those initial measures included an increase in Bord Bia's allocation by €8.6 million to assist it in its marketing and promotion of Irish food overseas. In addition, the sum of €9m was provided for the agri-food sector component of the SME Brexit Loan scheme.

This scheme was jointly established by the Department of Agriculture, Food and the Marine and the Department of Business Enterprise and Innovation, in conjunction with the Strategic Banking Corporation of Ireland. Along with €14 million from DBEI, this provision leveraged a working capital loan fund of €300 million for SME's at an interest rate not exceeding 4%. The Department of Agriculture, Food and the Marine contribution ensured that at least 40% of the fund would be available for the food sector. Savings which emerged in other parts of the programme, particularly research, allowed us to respond to a specific request from the World Food Programme for the earliest possible release of the final element of funding under our 2016-2018 strategic partnership agreement. This resulted in payments of €14 million to the World Food Programme in 2017.

Programme D relates to Seafood. Expenditure under this heading in 2017 included some €21 million for the upgrading and development of fisheries harbours. Around 88% of fish landed in Ireland now are landed into the six centres owned by the Department, and the value of those landings has increased from €224.3 million in 2013, to €271.5 million in 2017. Programme D also includes €5.6 million under the Seafood Development Programme, and Grants-in-Aid to the Marine Institute, BIM and the SFPA. This programme also includes expenditure of €4 million on the commencement of substantive work on the remediation of Haulbowline Island.

I will now touch very briefly on the Financial Statements of the Irish Operations for the EAGF, The EAFRD and the EMFF.

The account consolidates financial data on a calendar year basis, incorporating EU and Vote Funds. It was devised in the early 2000s, at the request of this Committee, to provide visibility of expenditure across all these funds as some of the expenditure is not Vote related.

Notable features in 2017 include EU receipts of over €1.5 billion across the Irish operations of the three funds. When combined with the national exchequer funding of €266.6m, we get total expenditure under the funds in 2017 amounts to €1.77bn.

More generally, I know that the C&AG has prepared a Special Report in relation to the full range of Ireland's transactions with the EU in 2017, and I must say that that report provides a very clear picture of Ireland's engagement with the EU across all funds and all departments.

Finally, I would like to refer to the account relating to Fisheries Harbour Centres. The Harbours were subject of a Special Report in 2014 and we are continuing to address some of the recommendations. Turning to the financial performance of the harbours themselves, the higher level of rental income and profit on disposal were the main factor behind the increases in receipts and the surplus on the revenue account. The accounts also show the substantial increase in the capital investment at the harbours, with substantial projects at each of the 6 harbours, the vast majority of which is funded through the DAFM vote.

I thank the Chairman and the members of the Committee for their attention and welcome any follow-up questions.