

**Chapter 26 Department of Agriculture, Fisheries  
and Food**

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**Farm Waste Management Scheme Liabilities**



## Farm Waste Management Scheme Liabilities

26.1 The Department launched a Farm Waste Management (FWM) scheme in March 2006. The aims of the scheme were to help farmers to meet the requirements of the EU Nitrates Directive by reducing pollution from agricultural sources, and to meet the environmental obligations arising from their participation in the Single Payments Scheme.

### The Nitrates Directive

The Nitrates Directive was adopted in 1991 and has the objective of reducing water pollution caused or induced by nitrates from agricultural sources. In March 2004, the European Court of Justice ruled against Ireland for failing *inter alia* to adopt a Nitrates Action Programme under the Nitrates Directive. Following these proceedings, the EU Commission indicated that if agreement could not be reached on the implementation of the Nitrates Action Programme, Ireland faced the prospect of further European Court of Justice proceedings that could result in the imposition of daily fines and the possibility of a substantial lump sum fine.

In response to the judgment, Ireland introduced a national Nitrates Action Programme and this was given statutory effect by regulations made in 2006. These regulations provided strengthened statutory support for the protection of waters. Implementation of the programme was supported by an enhanced package of financial supports for farmers by the Department, including the Farm Waste Management Scheme.

New nitrates regulations were signed into law by the Minister for the Environment, Heritage and Local Government in 2009. These provide for further strengthened enforcement provisions and for better farm management.

26.2 The FWM scheme involved providing grant aid to farmers for investment in storage facilities for silage and agriculture wastes, animal housing, safety improvements and equipment for the application of farm waste. Aid was also available for conversions and roofing for existing structures.

26.3 The closing date for applications for grant assistance under the scheme was the end of December 2006. Applicants were allowed to submit certain supporting documentation up to 29 June 2007. Following receipt of completed applications and all supporting documentation, the Department assessed the planned improvement projects and issued grant approvals where the scheme conditions were complied with.

26.4 In order to qualify for payment, approved applicants had to complete all construction of structures by 31 December 2008. The Department agreed that where farmers had not completed all the approved investment works by the end 2008 deadline, payment would be made for discrete elements of the planned work that were fully completed to the Department's approved specifications. Incomplete elements of approved work were not eligible for grant assistance.

26.5 Figure 91 sets out the key dates for application processing.

**Figure 91 Key dates for the Farm Waste Management Scheme**

Action	Date
Closing date for receipt of applications	31 December 2006
Closing date for submission of supporting documentation	29 June 2007
Closing date for completion of works and submission of claims for payment	31 December 2008

26.6 Just under 48,600 applications for grant aid had been received by the closing date of 31 December 2006. By end June 2007, 46,000 applicants had provided all the documents required in support of their applications. A total of 43,000 applications were ultimately approved by the Department. An estimated 35,000 claims for payment were subsequently received in respect of completed works by 31 December 2008. Over 14,000 claims were received in the final month.

26.7 Payments made to 17,600 applicants under the scheme by end 2008 totalled approximately €549 million (see Figure 92) — an average grant payment of around €31,200. Recoupment from the EU in respect of the scheme amounted to €37.1 million. The scheme has been entirely Exchequer-funded since the end of September 2007.

**Figure 92 Expenditure under the Farm Waste Management Scheme 2006-2008**

Year	Scheme Expenditure €m
2006	21
2007	114
2008	414
<b>Total</b>	<b>549</b>

26.8 The ultimate cost of assistance, subject to the maximum amount of investment eligible for grant aid of €120,000 per holding, is only determined on claim submission and is based on invoiced or standard costs.

## Legislative Provision for Deferral of Expenditure

26.9 In February 2009, the Government decided to discharge the outstanding claims over two years because of the state of the public finances. It was felt that the payment of the grant aid on a phased basis was a more equitable approach than paying only a portion of claimants in full, ensuring that each claimant received a significant proportion of their payment in 2009. The payment tranches decided upon were

- 40% of the outstanding grants to be paid in 2009
- 40% in January 2010
- 20% in January 2011.

26.10 An additional ex-gratia payment will be made to farmers whose grants under the scheme have been partially deferred. The payment, which will not exceed 3.5% of the value of the deferred instalments, will be made with the final grant payment in January 2011.

26.11 Section 12 (1) of the Financial Emergency Measures in the Public Interest Act, 2009 made provision for the Minister for Agriculture, Fisheries and Food to defer payment under the FWM scheme by making a statutory order. The Department indicated on 1 July 2009 that an order was being prepared and that it would apply to all claims under the scheme with effect from 1 March 2009.

### Audit Focus

The audit set out to examine

- the liabilities and commitments under the scheme at 31 December 2008
- the arrangements for controlling expenditure under this scheme.

### Accrued Liabilities

26.12 The accounting policies used in compiling Appropriation Accounts require the recording of accrued liabilities under grant schemes where the grantee has met all the requirements of the scheme but has yet to receive payment.

26.13 Accrued liabilities in respect of FWM scheme grants were estimated at €50 million at end 2008. This amount has been recorded as an outstanding liability in the Department's 2008 Appropriation Account. This projection is based on the assumption that the estimated 17,400 scheme claims remaining to be processed by the Department at the end of 2008 would result in average grant payments similar to those processed previously.

26.14 Under the payment approval arrangements for the FWM scheme, the Department must carry out an on-farm inspection in relation to each individual claim before payment of the grant is finally approved. At the end of December 2008, inspections had not been carried out in relation to most of the claims that remained unpaid. Consequently, the liabilities had not matured for payment at that stage.

26.15 Subject to the Minister making the order as indicated, payments under the scheme in the period 2009 to 2011 are projected as shown in Figure 93.

**Figure 93 Projected Financial Obligations under the FWM Scheme 2009-2011**

Year	Scheme Obligation €m
2009	220
2010	220
2011 (including ex-gratia payment)	121
<b>Total</b>	<b>561</b>

## Control of Scheme Expenditure

26.16 The projected total grant expenditure under the scheme is €1.1 billion. No cash limit was applied to the FWM scheme at the time of its launch.

26.17 Grant ceilings were applied to individual projects under the scheme. The maximum amount of investment eligible for grant-aid was €20,000 per holding. In addition, a system of standard costs was applied as cost limits in relation to elements of proposed investments. Each claim submitted had to include receipts to support the claim, together with statements in relation to the value of own work and machinery used (if any) and other supporting documentation. The terms and conditions of the scheme provide for the payment of the lower of standard cost or actual cost incurred.

26.18 The Department prepared an initial estimate for expenditure under the scheme in July 2005, when it sought approval for the proposed scheme from the Department of Finance and under EU Commission State aid rules. The projected cost of €248 million was based on an assessment of the farm waste storage deficit in the country (i.e. the number of farms where improved facilities were needed to meet the requirements of the Nitrates Directive) and on the average cost of developing those facilities based on the experience of previous schemes.

26.19 The Department significantly underestimated the level of interest of farmers in the scheme, and the extent to which applications would be followed by completed work. The rate at which applications were received in the first months following the launch of the scheme in March 2006 was in line with the Department's expectations, but by November 2006, almost 18,000 applications had been received. In the final month for receipt of applications (December 2006), over 30,000 further applications were received.

26.20 The level of applications greatly increased the potential grant expenditure under the scheme. However, the Department still felt there was some considerable uncertainty about the likely expenditure, which ultimately would depend on the number of projects that would be completed during 2007 and 2008. It believed this would depend on a number of factors, including the availability of finance to applicants, market conditions for agricultural commodities and farmer confidence about the future of the sector, and the capacity of the then booming building sector to absorb the additional work in the timescale allowed.

26.21 By end November 2008, around 21,000 claims for payment had been submitted. However, the 14,000 claims for payment submitted in December 2008 brought the total number of claims under the scheme to about 35,000 — over 81% of the approved applications.

## Conclusions

The total liabilities and commitments under the FWM scheme at 31 December 2008 amounted to €50 million. A subsequent decision to make an additional ex-gratia payment where instalments of scheme payments are deferred will add up to €1.5 million to the total expenditure.

The scheme was time limited and experienced a surge in applications in December 2006, which was the final month for farmers to apply. In such demand-led schemes, it may be worth considering establishing a cash limit or other such mechanism in order to manage commitments and avoid the risk of incurring expenditure that is significantly in excess of what is intended to meet the stated objectives of the scheme.

In addition, as in the case of the Farm Improvement Scheme, a more refined mechanism may be necessary to ensure that those projects that are assisted yield the optimum value in terms of the scheme objectives.

