



Supporting the Food Industry

A New Approach

May 2008

Contents

Page

Ministerial Foreword	2
Summary	3
Background to Structural Proposal	5
Terms of Reference for Inter-Departmental Group and Industry Advisory Panel	7
FSIP Proposals (May 2006) For Information purposes only	10

MINISTERIAL FOREWORD

An industry-led Food Strategy Implementation Partnership (FSIP) have, since 2005, overseen DARD and Invest NI implementation of the Food Strategy Group's 'Fit for Market' Report recommendations in 2004.

This proved to be a successful initiative and the FSIP has clearly strengthened the public sector's response to this key part of the local economy. It has helped to position the food sector to benefit substantially from many marketing and innovative opportunities and face the challenges of an increasingly competitive marketplace.

Now that the remit of FSIP has been fulfilled we want to maintain this momentum and build on the good work already done. The food industry is the backbone of our economy and we are both committed to supporting its development.

The core of our approach is to establish new structures to strengthen further the joint working across Government departments on food issues, and to provide the industry with a strategic forum to offer advice to Government departments on public policy, funding priorities and development support for the food sector. This will involve the setting up of an Inter-Departmental Group (IDG) of senior officials and an Industry Advisory Panel (IAP).

We expect these structures to be in place by summer 2008.

This paper sets out the background to our decision to establish these new arrangements. It outlines the structural proposals submitted by FSIP to our predecessors in 2006 and explains our reasons for favouring an incremental approach at this time, rather than the creation of a new public body, as proposed by the FSIP.

We are confident that our approach will give this important sector unprecedented, direct influence at a strategic level on public policy and its delivery across our respective departments, and will promote further progress on joined-up working.


We look forward to the early introduction of these new arrangements and would value the industry's active support for them as we move forward. The arrangements will be reviewed in 2010 in dialogue with the industry to ensure that they are working effectively.

Michelle Gildernew MP MLA



Department of Agriculture & Rural Development

Nigel Dodds OBE MP MLA



Department of Enterprise, Trade & Investment

SUMMARY

1. In response to one of the 31 recommendations in the 'Fit for Market' report, the then Minister, Ian Pearson, tasked the FSIP with developing proposals for improved structures within government for policy and delivery in relation to the development of the NI food sector.

The central theme of the FSIP's proposals submitted in May 2006 was to establish a new NDPB as the delivery agent for public intervention to assist the development of the food sector.

Its proposals envisaged the consolidation of the food-related functions, powers and funding currently within DARD and Invest NI, along with functions in the Livestock and Meat Commission (LMC) and the Pig Production Development Committee (PPDC) and one industry body, NI Seafood. PPDC has since decided, that following the Review of Public Administration (RPA) announcements, to pursue voluntary status.

2. Both the DARD and DETI Ministers under Direct Rule were concerned about the potential cost of such a radical approach and that the establishment of a new NDPB was inconsistent with the conclusions of the Review of Public Administration. They decided to seek advice from non-executive directors in DARD and Invest NI on the scope for a more incremental approach, based on existing structures. The Invest NI Board and senior management team also had concerns about the cost and implementation of the proposal.
3. In January 2007 the non-executive directors recommended that, rather than setting up a new NDPB, much could be achieved by correcting perceived weaknesses in the existing structures and by building on the achievements since the Fit for Market report publication in July 2004. They recommended establishing an Industry Advisory Panel (IAP) and an Inter-departmental Group (IDG) to take forward an integrated strategy. These proposals were put to FSIP for comment.
4. FSIP welcomed and encouraged the "mainstreaming" of successful initiatives to date but raised some concerns in relation to the IAP and the IDG. Their main strategic concern centred on the interconnectivity between the IAP and the IDG, to ensure that the IAP would have sufficient influence over policy, including the broad allocation of funds available to the sector across both departments.

FSIP felt that an IAP needed more authority than was currently foreseen, to ensure influence on direction and deliverables. It proposed that the IDG should report into the IAP that DARD and DETI/Invest NI non-executive directors should be members of the IAP, and that the IAP should have direct influence over the allocation of funds. In making these comments, FSIP reaffirmed their preference for a radical restructuring.

5. The DARD and DETI Ministers under Direct Rule maintained their position; however they were content to allow the incoming Northern Ireland Administration to review the position. Since the restoration of devolution in May 2007 the incoming DARD and DETI Ministers have reviewed the proposals and both Ministers have accepted that the establishment of a new food NDPB, as favoured by FSIP, would incur significant additional costs in the region of £2m per annum in running costs alone.
The Minister's therefore tasked their departments with reviewing the incremental approach to see if it could be made more robust in response to the concerns expressed by FSIP.

6. Following this review, revised Terms of Reference have been agreed by both Ministers in consultation with industry representatives.

BACKGROUND TO STRUCTURAL PROPOSAL

1. DARD and DETI (including Invest NI) currently provide wide-ranging support to the food sector in Northern Ireland covering the four key areas highlighted in the 'Fit For Market' report: Marketing, Supply Chain, Innovation and Capability.
2. Under marketing, these include schemes such as the Processing and Marketing Grant, the Northern Ireland Regional Food Programme, Trade Missions, Market Research, Trade Exhibitions and dedicated marketing advisors across GB and the island of Ireland.
3. DARD operates a dedicated Supply Chain Development branch which provides advice and assistance to producers and processors in developing effective and sustainable supply chains.
4. Innovation within the food sector is supported by a wide range of grant schemes and specialist advice, which are available from Invest NI, the College of Agriculture Food and Rural Enterprise (CAFRE) and the Agri-Food and Biosciences Institute (AFBI).
5. Within the Capability agenda, DARD, DETI and Invest NI all offer a comprehensive range of training courses, advice and development opportunities for the food sector.
6. Invest NI also offer the food-processing sector a range of business development tools, advice and capital and revenue financial support.
7. Key successes from FSIP are:
 - a. Closer collaboration between Government departments and agencies.
 - b. Engagement of industry in the development of public support for the food sector.
 - c. A range of new support products and programmes for the food sector which are now being adopted within the existing economic development product range e.g. Food Sector Marketing Advisors (GB, ROI and Scotland), enhanced buyer and trade event programme, market intelligence, PR and information, design development, waste, packaging, licensing programmes, etc.
 - d. Enhanced collaboration within the industry, most notably with the setting up of Food Promotions NI Ltd to drive forward a marketing campaign for local produce.
 - e. Genuine focus and momentum now exists within the food agenda.
8. FSIP proposal presented in 2006 recommended that a new Non-Departmental Public Body (NDPB) be established which would focus on the development of the food sector. Its functions would relate to supply chain, innovation, capability development and marketing. It was envisaged that it would be established by transferring the relevant functions, powers and funding of Invest NI, DARD, LMC, NI Seafood and the Pig Production Development Committee. Further details of the FSIP proposal are attached at page 15.

9. The rationale for not supporting the FSIP's proposals at this time are:
- a. The proposal includes the setting up of a new NDPB, which is inconsistent with the Review of Public Administration, which aims to streamline public services by reducing the number of NDPB's.
 - b. It is estimated that the additional running cost to the taxpayer of supporting the proposed NDPB would be approximately £2m per annum. Establishment costs would also be required.
 - c. Setting up a new NDPB would require primary legislation, which means that it would take at least 2 years to set up such a body. It is important that the momentum currently built up by the good work from the FSIP is not lost.
 - d. Removing functions from existing bodies and placing them in a new NDPB would disrupt the operation of the bodies affected and, more importantly would disrupt the important services these bodies are currently delivering.
 - e. Establishment of a new NDPB would require significant corporate governance issues to be resolved in relation to such matters as giving grant and collecting levy, EU State Aid clearance, Venture Capital investments (FSA approval), Workplace 2010, recruitment and personnel management and the appointment and operation of a Board.

DETAIL OF NEW STRUCTURES TO SUPPORT THE FOOD INDUSTRY

The new arrangements to support the local food sector will be made up of an Inter-Departmental Group and an Industry Advisory Panel. The Inter-Departmental Group will provide an integrated approach to public policy and the delivery of development support for the sector. The Industry Advisory Panel will provide a strategic forum for the industry to identify industry needs and issues and to provide advice to Departments on public policy and support to the local food sector.

INTER-DEPARTMENTAL GROUP (IDG)

Rationale

1. The rationale for this Group is to provide an effective forum for officials to take forward an integrated approach to public policy and the delivery of development support for the food sector. It also offers a channel for dialogue with the industry through the proposed new Industry Advisory Panel (IAP).

Membership

2. Public policy and programme delivery support for the food industry takes place primarily through DARD and DETI/Invest NI, though some other Government Departments also have an interest. DETI/Invest NI and DARD both have economic development roles and responsibilities. Other Departments have responsibilities for functions such as skills, higher education, research and development (DEL), public health and food standards (DHSSPS/FSA) and environmental and waste control (DOE).
3. Although DHSSPS, FSA and DOE's roles are largely regulatory in nature, DEL's role in public policy in the areas of skills and research is strategically important to the food industry's development agenda. Consequently, DEL representation on the IDG together with DETI/Invest NI and DARD is proposed, so that they can input to relevant strategic discussions.
4. Membership of the IDG will be at Senior Management Level and will be co-chaired by DARD and Invest NI at Deputy Secretary level.

Terms of Reference

5. The operating framework for the IDG needs to embrace a number of key characteristics:
 - a. It must have the capacity for strong leadership and influence on Departments' business planning;
 - b. It must demonstrate a visible commitment and responsibility to industry for a joined up approach on the totality of government action, for example as reflected in Departmental Business Plans and Strategies;
 - c. It must have a strong focus on unambiguous aims and collective performance targets, clearly designating executive responsibility.
 - d. It must develop effective communications with the industry, particularly through the IAP.

- e. It must work within the normal accountability and corporate governance rules for government departments and agencies.
 - f. It must report regularly to respective Departmental boards.
6. It is envisaged that the IDG will have a role in the following areas:
- a. **FUNDING:** The IDG will exercise strategic oversight of funding within the totality of existing Departmental budgets allocated to the food sector.
 - b. **POLICY:** The IDG will coordinate policies in relation to the support for the food sector to achieve an integrated approach.
 - c. **DELIVERY:** The IDG will, in line with Programme for Government and associated targets, coordinate the provision of all services to the food sector to achieve an integrated, relevant and accessible service.
 - d. **EVALUATION:** The IDG will review and update the existing food strategy and other relevant initiatives.
 - e. **LIAISON WITH INDUSTRY:** The IDG will undertake all the above functions in dialogue with IAP including responding in a timely manner to the proposals it receives from the IAP.
 - f. IDG will actively consider and encourage joint private/public sector responses to development issues.
7. The IDG will develop an annual work programme for itself with clearly established deadlines, the determination of which should be discussed with the IAP. This will include the type of targets, timeframes and their quantification.
8. The IDG and IAP will meet three times a year and the Permanent Secretaries of DARD and DETI would co-chair an annual joint meeting of the IAP and IDG.

INDUSTRY ADVISORY PANEL (IAP)

Rationale

1. The rationale for the establishment of this group is to provide a strategic forum for the industry to advise departments on public policy and the delivery of development support for the food sector.

Membership

2. The IAP should have a membership strong in experience and interest in the NI food sector. It is proposed that it should comprise a chairperson and up to 10 members with an appropriate spread of experience. These members should be commercially focused, with a deep understanding of the industry and closely connected to Northern Ireland.
3. Members should be endorsed by Ministers, following nominations from industry. The industry will be invited to bring forward proposals on how best to establish membership

whilst ensuring equality considerations are taken into account. The IAP should select a chair from its own members.

Terms of Reference

4. To ensure that the IAP is an effective and meaningful advisory group, it will have a role in the following areas:
 - a. The IAP will contribute to regular review of over the overarching NI food strategy and its implementation, including the definition of targets and their quantification.
 - b. The IAP will identify major issues and challenges facing the sector and provide advice on the direction of policy required to address these issues.
 - c. The IAP will respond to proposals and issues put forward by IDG.
 - d. The IAP should seek to galvanise industry action and contribute to strategic development priorities.
 - e. The IAP will have an active advisory role in relation to industry funding, marketing, training and research priorities and other development needs.
 - f. The IAP will identify key industry needs.
5. The chairperson will have the opportunity for relevant, strategic involvement with both DARD and Invest NI boards. This person will be invited to participate at board meetings where strategic issues associated with the food sector are being discussed.
6. The IAP will be required to report to Ministers on a regular basis.
7. The panel would be non-executive and have no budgetary function.

SUPPORT TO THE INTERDEPARTMENTAL GROUP AND THE INDUSTRY ADVISORY PANEL

8. DARD/Invest NI will provide administrative support to the IDG and the IAP

FSIP PROPOSALS TO MINISTERS ON DELIVERY STRUCTURES FOR THE AGRI-FOOD SECTOR (For information only)

OUTLINE

The FSIP recommends to Ministers that a new Non Departmental Public Body (NDPB) be established which would focus on the development of the agri-food sector. The functions of the NDPB would relate to supply chain, innovation, capability development and marketing. It would involve the transfer of relevant functions from DARD, INI, LMC, Seafood NI and the Pig Production Development Committee. It is envisaged that LMC, Seafood NI and the Pig Production Development Committee would cease to exist. It is also recommended, following the appropriate consultation process that a shadow board be established which would prepare the detailed business plan for the organization, recruit the key management and drive the creation of the new organization. It is envisaged that the new NDPB in shadow form would also take over the relevant functions of the FSIP, no later than December 2006 when the group will cease to exist, at the end of its scheduled two years of operation.

1 BACKGROUND

Recommendation 31 of the Fit for Market Report stated the following....” The delivery of public policy should have the capacity to evolve from existing arrangements... (taking into account)... the efficient use of public funds, the number of agencies currently active and the current review of public administration. The long term vision is for an integrated joined up approach for the development of the sector.”

As a consequence it was recommended and agreed that ... “the FSIP will review, within two years, the performance of the revised public policy delivery system and in light of this experience and the long term vision set out in this report, develop proposals regarding the delivery structures for the medium term.”

The FSIP decided that this issue formed one of its key tasks for 2006 and reflected that in its Year 1 report to Ministers. The FSIP determined that it should address this issue in the first half of 2006 so that there was adequate time for government to consider the proposals and make decisions well in advance of the end of this year. The FSIP consider this to be of major significance so as to ensure that the momentum generated to-date is not lost when the term of office of the FSIP comes to an end in December. This paper summarises the considered views of the FSIP and is presented in fulfilment of our responsibilities under recommendation 31 of the FFM report.

2 CONSIDERATIONS

In developing its views the FSIP took into account the revised implementation systems, opportunities for more efficient use of public resources, the range of agencies involved and the decisions arising from RPA. The FSIP were particularly conscious of the demand from the RPA to create focus, get better value for money, have systems that are fit for purpose and are customer centred. In addition the FSIP were conscious of the Radcliffe review of levy bodies in GB and the conclusions contained in that report.

3 REVIEW OF PROGRESS

The key conclusions of the FSIP are:

- 1 Momentum has been generated in the implementation of recommendations from Fit for Market
- 2 Limited integration with some bodies.
- 3 A greater level of trust has been developed between the key agencies/departments but a distance remains.
- 4 There is inevitable management duplication among the four larger organizations, DARD, INI, LMC, and Seafood NI.
- 5 There is scope for further rationalization of programmes and services e.g. in the marketing area
- 6 There is a limited strategic overview of the totality of public funds being committed to the agri-food sector and funding “silos” related to either organizations or functional activities continue.
- 7 The existing structures require disproportionate management effort.
- 8 The existing structures require the industry to engage with a wide variety of governmental bodies in relation to business development issues which is an inefficient and time consuming process.
- 9 The sector clearly faces real challenges but the FSIP is strongly convinced that this sector will play a vital role in the much needed growth of the private sector in NI, in both terms of food production and new diversified activities.
- 10 An interim model, the FSIP, which has created an initial momentum, is not the platform for the long term.

It is the conclusion of the FSIP that an integrated structure, with clear management responsibility and a performance driven ethos is now required and timely.

4 RECOMMENDATION

In developing its proposal the FSIP considered the spectrum of seven options set out in the original Fit for Market report which ranged from maintaining the then status quo to a single body across all functions including AFBI as well as other possibilities.

The factors, which influenced the final recommendation of the FSIP, included:

- The agri-food sector is unique in the Northern Ireland economy in that it is indigenous, operates across the entire supply chain (from farm to fork) to the extent which is not found in any business sector in NI, and must generate through strategic decisions made primarily in NI, significant sales outside of NI. A key source of long-term competitiveness will be how effectively the entire supply chain functions and how it exploits new and diversified opportunities. These features emphasise the need for a development organization, which focuses on the delivery

- of strategies across the entire food chain, from primary production to innovation, capability strengthening and marketing.
- The opportunity to obtain better value for money through having a strategic approach to the allocation of public funds and a streamlined management structure.
- The need to rationalize the number of delivery agencies/bodies so that client service can be enhanced.
- The need to have clarity of responsibility and a performance driven ethos with a particular focus on driving up sales outside Northern Ireland while also delivering on agency rationalization.

The FSIP therefore recommends the following:

- The establishment of a new NDPB focused on the development of the agri-food sector
- Its functions to include supply chain initiatives support for applied and near to market innovation, capability development and marketing/market intelligence activities. It would not have any regulatory functions but it would have responsibility for the management of quality systems
- Its powers would include the ability to both directly incur expenditure on its own behalf in relation to these activities as well as funding third parties to provide appropriate services as well as the finding of a range on incentive instruments.
- Its key impact measure would be to assist industry drive up the level of sales outside NI.

The implications of this recommendation for existing organizations are:

- That three existing bodied/groups, the LMC, Seafood NI and the PPDC would cease to exist and their functions transfer to the new NDPB (with the exception of the regulatory functions of the LMC)
- The relevant functions/powers in supply chain development and marketing in DARD would transfer to the new body
- The relevant functions/powers in INI as they relate to the agri-food sector would also transfer to the new body
- INI would continue to fund capital investment projects. This would ensure that particularly from an inward investment viewpoint there would be no ambiguity as to which organisation potential investors would engage with in relation to the negotiation and provision of incentives. It is envisaged that this new body would have a close working relationship with INI in relation to capital funding
- The voluntary levy bodies would be invited to actively collaborate with the new NDPB.

It is proposed that the funding of this organization would be on similar basis to that of INI but would continue to secure levy funds, consistent with the Radcliffe proposals in GB.

5 ASSESSMENT

In the view of the FSIP the key benefits are:

- A strategic approach to the allocation of public funds targeted at the development of the agri-food sector could now be adopted yielding an improved return to the taxpayer

- It would deliver an improved integrated service across key business functions to support the client base in the agri-food sector based upon the development needs of the sector
- The aims and objectives of the organization would be unambiguous, to drive up the level of sales by the sector outside Northern Ireland

The short-term issues are:

- That there will be some disruption to existing organizations and uncertainties for the staff involved
- Considerable management effort will be required to deliver the desired outcome and
- The risk of some loss of momentum to the activities sponsored by FSIP.

The view of the FSIP is that the strategic benefits would quickly outweigh operational disruption, which will have to be managed.

6 IMPLEMENTATION

It is the view of the FSIP that the optimum approach to implementation, following consideration by government and appropriate consultation, would involve the following:

- The appointment of a shadow board which would develop the detailed strategic business plan for the new organization
- The recruitment of a CEO designate and core management team by competition
- The transfer of the shadow board of the implementation functions of FSIP no later than December 2006 to ensure that momentum is maintained
- There are potential efficiencies to be gained but changes in skill sets are required. An up front investment would be necessary to finance the change management process.
- Action should now be taken to identify the detailed existing operating and programme budgets in the relevant organizations and that such resources should “travel” to the new organization. Provision should now be made in the budget allocation for the financial year 07/08 for this NDPB.

The FSIP recognises that legislation will be required to implement its proposals.

It is of the view that is highly desirable to progress the implementation of this recommendation at the earliest possible date so the momentum, which has been generated to-date can be maintained and the opportunity of generating an enhanced performance by the sector captured.

7 SUMMARY

It is the considered view of the FSIP that the establishment of a new NDPB with the functions and powers outlined above would significantly enhance the effectiveness and efficiency in the delivery of public policy instruments focused on the agri-food sector. It would facilitate a strategic approach being adopted to the allocation of public funds, would contribute to the strengthening of a key part of the private sector economy and that the approach is consistent with the ethos of the RPA.

