

Cyfoeth Naturiol
Natural Resources

Cyfarwyddwr Cyffredinol • Director General



Llywodraeth Cymru
Welsh Government

Darren Miller AM
Chair
Public Accounts Committee
National Assembly for Wales
CARDIFF CF99 1NA

3 November 2014

Dear Mr Miller

Thank you for your letter of 23 September. The Permanent Secretary has asked me to respond as I am the Additional Accounting Officer for this area of work.

Welsh Government welcomes the report from the Welsh Audit Office which comes at a key point as we are currently shaping the future of support schemes, including Glastir, for the next Rural Development Programme 2014-20.

Welsh Government is pleased that the report recognises that there have been significant improvements in the design and implementation of Glastir when compared to previous agri-environment schemes such as Tir Gofal. We are particularly pleased that the report finds that Welsh Government have responded to the recommendations of the Tir Gofal audit in 2007 and have ensured that environmental actions are far better targeted under Glastir, and that there is now also a significantly reduced risk of public money being spent without a beneficial change in land use. Most importantly, we are satisfied the report, while offering suggestions for improvement, concludes that Glastir is more likely to deliver towards Welsh Government's environmental objectives than previous schemes. From an administrative perspective we also are pleased that the report identifies significant improvements particularly in how Welsh Government managed the transition between Tir Gofal into Glastir and the cost savings that have been generated in operational time required for Contract Managers to sign Higher Level agreements.

Welsh Government accepts a number of the criticisms in the report, not least that in the early years the scheme was poorly communicated and subject to too much change, and that there was too much complexity. We are pleased, however, that the report also acknowledges Welsh Government has already taken steps to rectify some of these problems, including through the 2012 stocktake of the scheme which reduced the red tape surrounding the scheme and through the employment

of a dedicated Glastir communications officer and a communications strategy published in 2013.

Welsh Government has carefully considered the six specific recommendations made in the Wales Audit Office report and our response to each is detailed in the annex attached.

Yours sincerely

GARETH JONES

R1 Drawing on any knowledge and experience of agri-environment schemes run by other jurisdictions, the Welsh Government should develop an approach for Glastir Advanced to ensure that, in return for grant funding, landholders commit to making significant changes to their land management practices that directly support the delivery of Glastir's objectives.

Welsh Government accepts this recommendation in part.

Welsh Government accepts it is fundamental that agri-environment schemes pay for the delivery of environmental goods and services and deliver real change. Welsh Government notes the WAO report highlighted that only 32% of Tir Gofal participants were required to make a change to their pre-existing farm practices to join that scheme and are pleased that the WAO report finds that Glastir has taken many steps which will ensure that real change occurs and genuine additionality offered. The WAO particularly highlights that the significant increase in capital expenditure payments compared to management payments, which is a feature of Glastir compared to earlier schemes, will reduce the risk of scheme deadweight. However Welsh Government also believes that management payments should continue to have a rightful place in agri-environment activity and that under some circumstances payments for the maintenance of status quo favourable environmental practices should continue, particularly where there is a risk these favourable practices would be discontinued without the incentive of support payments.

R2 The Welsh Government should explore the scope to develop a risk-based approach to identify and target appropriate interventions at farms where poor agricultural practices are responsible for causing wider water quality problems. The Welsh Government should consider a range of interventions, including the provision of advice, grant funding and regulatory action.

Welsh Government accepts this recommendation in part.

Welsh Government accepts the need to tackle wider water quality problems in line with our objectives for a safe and healthy environment for the people of Wales and to meet our European commitments e.g. under the Water Framework Directive. The Glastir scheme currently prioritises such catchments within the scoring process which selects farms for entry into Glastir Advanced and pays for positive works to improve water quality, such as streamside corridor tree-planting. However Welsh Government believes it would be wrong to target agri-environment support at farms where poor agricultural practices are causing problems. Welsh Government believes that far from representing value for money, such an approach potentially risks rewarding poor management or negligence and even activities where breaches of existing environmental regulations may be occurring. This approach would appear to set the wrong example to the industry and would represent poor value for the use of public money. Welsh Government's current,

and intended future approach, is to take a risk-based approach to regulatory inspections in these key catchments, in order to identify recurring offenders, and to use both advisory support and regulatory penalties where necessary to rectify these problems. Rural Inspectorate Wales and Natural Resources Wales have a key ongoing role in delivering improvements to land management in these areas.

R3 After the introduction of online-only applications for Glastir Organic, Glastir Advanced and Glastir Woodland, the Welsh Government should review applicants' experiences and seek to identify and address any remaining barriers to making online applications.

Welsh Government accepts this recommendation fully.

Welsh Government will be seeking feedback from our customers on their experience in submitting their online Glastir applications. This feedback will be taken into consideration when planning the delivery approach for the remainder of the Glastir Schemes.

R4 The Welsh Government should routinely identify the running costs for Glastir and benchmark these against the costs for other similar schemes to help assess the efficiency of the scheme's administration and to demonstrate value for money

Welsh Government accepts this recommendation in part.

The Welsh Government will continue to routinely monitor the overall cost of the administration of all Common Agricultural Policy (CAP) schemes.

We will continue to bench mark Glastir Contract managers' time against Tir Gofal Project Officer time. However we are unable to break down fully the administration costs for individual components of Glastir as we operate Multi Skilled Teams (MSTs) for the delivery of the schemes. Whilst the MST approach does not allow for a scheme by scheme breakdown of costs, utilising this approach has enabled Welsh Government to continually reduce the number of processing posts and make year on year overall CAP programme administrative cost savings between 2009 and 2014.

R5 The Welsh Government should review its targets for Glastir to ensure an adequate evidence base to support each target, and to ensure that the targets are challenging yet achievable, affordable and reflect the scale of change the Welsh Government is expecting the scheme to deliver. The Welsh Government should also ensure that its internal targets for Glastir are consistent with the targets it agrees with the European Commission.

Welsh Government accepts this recommendation in part.

Welsh Government accepts the report findings that the initial targets for the scheme were unrealistic when compared to what could be expected based upon analysis of historic participation in agri-environment schemes in Wales. Welsh Government will set revised targets for the uptake of all elements of the Glastir scheme for the RDP 2014-20 programme once the final RDP 2014-20 budget allocation to Glastir is finalised. This will include the policy rationale behind these targets. These will form the basis for the submission of our performance measures to the European Commission. Welsh Government would like to point out, however, that it is not always possible throughout the duration of the programme to ensure that the targets in documentation held by the European Commission are consistent with Welsh Governments own targets. This is because the EC does not expect those targets set for the RDP to be revised after their submission at the start of the programme except in exceptional circumstances. A change in domestic policy objectives due for example to a change in government which might justify/necessitate an amendment to Welsh Government targets would not generally be accepted alone as a reason for amending RDP targets.

R6 The Welsh Government should use the results of the March 2014 impact modelling exercise to help quantify the scale of the improvements it expects Glastir to deliver. Through setting appropriate targets for the scheme, the Welsh Government should also determine how and by when it expects Glastir to deliver its objectives and contribute to wider objectives such as those included in the *Environment Strategy for Wales*.

Welsh Government accepts this recommendation fully.

The scientific evidence base required for quantifying the level of environmental change from agri-environment activities is often somewhat poorly established. This means that while the direction of change can be predicted, it is often extremely difficult to predict the extent. Previous agri-environment schemes in Wales have therefore not set out quantitative targets for environmental change. However Welsh Government accepts that for Glastir's success to be evaluated effectively some attempt to quantify the changes which could be expected to occur is required. The pioneering Glastir Monitoring and Evaluation Programme (GMEP) uses advanced modelling techniques to predict environmental outcomes based on scheme uptake scenarios and expected land use changes. Welsh Government officials will work closely with the GMEP team and interested stakeholders to identify quantitative targets for the next programme. This commitment has previously been made by Welsh Government in its response to the *Proposals for Glastir consultation* issued in June 2