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Y Dirprwy Weinidog Ffermio a Bwyd
Deputy Minister for Farming and Food



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: SF/RE/0918/15

Alun Ffred Jones AM
Chair
Environment and Sustainability Committee
National Assembly for Wales

15 April 2015

Dear Alun Ffred

Thank you for your letter of 19 March I am pleased to provide a response in advance of the scrutiny session with you on 20 May. I have addressed each of your questions in detail below.

Bovine TB

The reasons for the £8 million net revenue underspend from TB eradication shown in the Supplementary Budget

A proportion of the underspend identified (£3 million) relates to the Welsh Government's share of the TB EU income received in respect of the successful implementation of the 2013 UK TB Eradication Plan. TB EU income is received in retrospect following scrutiny and audit of TB financial claims by European Commission auditors and the European Court of Auditors. Funding levels are based on the actual numbers of cattle tested and slaughtered in any given year in Wales, England and Northern Ireland.

Given that I have sufficient allocation within my budget to implement measures associated with the TB Eradication Plan, I have identified the EU income as an underspend, as in previous years.

The Welsh Government continues to use the TB Eradication budget to good effect and we are taking forward new initiatives and pilots in order to assess the effectiveness of various approaches. It is fully recognised that no single approach will lead to TB eradication and we need to tackle bovine TB from all angles in order to get on top of it, which is why we have developed a comprehensive approach.

We continue to monitor and evaluate policies in light of the latest information so that we continue to implement those which have the greatest long term impacts on the disease. This includes scrutinising all costs, ensuring value for money, and identifying savings wherever possible.

In the last few years the TB Eradication budget has been used to offset overspends against the TB Slaughter Payments and Receipts BEL which is a demand led budget. In 2014/15, given the reduction in the number of cattle slaughtered in Wales, I expect that the TB Slaughter Payments and Receipts budget will be sufficient to meet demand and therefore the TB eradication budget will not be called upon to meet compensation overspends.

If any action planned in 2014-15 not been undertaken and what impact will this have

Annual TB Eradication Plans covering Wales, England and Northern Ireland have been in place since 2010 and each year they have been updated in order to include enhanced measures. We have recently received notification of the European Commission's approval of the 2015 UK TB Eradication Plan.

I can confirm that all measures committed within the 2014 TB Eradication Plan have been met, including the strengthening of the Pre-Movement Testing exemptions and other cattle control measures.

Work is underway to develop policies to meet commitments given in the 2015 TB Eradication Plan. However, the costs relating to these enhancements will principally fall within the 2015/16 financial year.

There is no specific action that was planned for this financial year but was not undertaken.

Will this underspend have an impact on future years' budgets for both TB slaughter and TB eradication

As I mentioned above, the TB Slaughter Payments and Receipts BEL is a demand led budget and is therefore difficult to accurately forecast. Given the decreases seen over recent years, it is anticipated that the revised budget of £9.8 million will meet demand for 2015/16 (after £1.8 million was surrendered from this budget).

However, we remain cautious over future demand. One large, high cost TB breakdown has the potential to increase the pressure on this budget substantially. We maintain close contact with the Animal Plant Health Agency (APHA) in order to have early notification of such breakdowns.

We must not become complacent and there remains more to do to further bear down on the disease. As such, we continue to develop our actions to tackle all sources of bovine TB infection, learning from others' experiences, new technologies and research.

Although their remit has now been expanded following successful pilots, initiatives such as Cymorth TB and the work of the TB Epidemiologist are still in their infancy and will continue to evolve and develop as time goes on. There are likely to be increased budgetary pressures associated with these developments, not only for the TB Eradication budget, but also in respect of knock on impacts on the TB Slaughter Payments and Receipts budget as we find more disease.

The portfolio budget in 2015/16 for TB Eradication is to reduce from £10 million to £8 million to help with other pressures. We envisage that the revised budget will be sufficient to meet the costs of currently profiled initiatives.

There is no indication that the underspends will result in any detrimental impact on the overall objectives of the TB Eradication Programme.

Common Agricultural Policy

Reason for the £6.2 million reduction in the 'Delivering the Programmes within the RDP' Action

£4 million of the reduction was part of the in year savings target requested by the Finance Minister in order to provide additional funding to the NHS in Wales.

The remaining £2.2 million was transferred to Capital in order to contribute to fund the £6.9 million essential CAP Reform ICT infrastructure developments. This investment is essential in order to be compliant with the European Commission draft regulations and to make payments.

In order to achieve these reductions all budgets across my portfolio were scrutinised and it was agreed that the £6.2 million of revenue budget could be saved from the current RDP this year due to predicted programme spend, without impacting on programme delivery.

If any action planned in 2014-15 has not been undertaken and what impact this will have.

Will any of this action be carried over to future years and if so will associated funding be available

There has been no impact on programme delivery regarding this reduction. However, the RDP is predominantly a demand led, multi-year programme and the current RDP programme spend must be finalised by December 2015.

The outcomes that are anticipated from the additional £6.9 million capital allocation highlighted in the Supplementary Budget as being in 'respect of CAP Reform IT'

The business case is predicated upon the importance of maintaining paying agency status in Wales and avoiding the penalties inherent in non-compliance. Maintaining compliance will allow the Welsh Government to make payments to the value of €360 million per annum to farmers and landowners in Wales – amounting to a total of some €2.16 billion over the six year period.

In summary, the main intangible key benefits to Wales are:

- Enhanced competitiveness and business sustainability within the farming sector.
- Improved sustainability in the farming sector to support climate change measures and the natural environment.
- Improved sustainability in terms of farming businesses creating economic activity and local employment in rural areas.
- Support to young farmers.
- Full compliance with CAP EU legislation and regulations avoiding disallowance of EU funding in Wales

The £6.9 million expenditure in 2014-2015 contributes to the delivery of the overall outcomes of the CAP Reform Programme, which will not be fully realised until the programme completes. However, online functionality delivered to date includes:

- New Single Application Form (SAF).
- Interactive map viewer.
- National Reserve.
- EOI Applications for Glastir Advanced and Organic available through RPW Online.

In addition, systems for the processing of applications (including BPS, EFA, greening, NINO, active farmer), and management of land and entitlements are under development fully aligned to the CAP Reform regulations.

The overall cost for the CAP Reform IT project

The current budget profile is shown below. However, costs related to the delivery of Pillar 1 payments will need to be reviewed in the light of the consultation. Pillar 2 cost estimates are based on current understanding and will need to be confirmed when the RDP policy is finalised.

	2013-14	2014-15	2015-16	2016-17	Total
Budget (Capital)	3,077,000	6,900,000	9,536,000	2,500,000	£ 22,013,000

For comparison, England's budget is £154 million and in Scotland it is £137 million.

EID Cymru and new entrants

The actions that will be delivered by the additional £1.6 million in capital provided for delivery of the young entrants scheme

This £1.6 million is not additional funding. The YESS scheme has historically been allocated a revenue budget but the majority of its spend is in capital grants to young farmers, an anomaly that will be corrected once YESS becomes part of the new RDP from 2015/16. The revenue budget allocated this year was £1.705 million and £1.6 million of this funding was transferred to capital in order to meet the commitments of the scheme.

Drawing on the success of the YESS scheme to date, it was decided to extend the current scheme by twelve months. This would also bridge the gap between the current scheme and the next new entrants scheme under the next RDP. Welsh Government is currently engaged in consultation with industry stakeholders on the direction of the new scheme.

The scheme will continue to support succession within the industry and the experience of previous years has shown that YESS has been a great success in that respect. Creating further opportunities to improve mobility within the industry will be a priority going forward for YESS under the next RDP. Focus on entry into and exit from the industry will be critical to its success.

The total cost of EID Cymru

The net cost for the EID Cymru project is £2.42 million. An ongoing sum of £503k per annum is required to cover running costs from 2017/18.

If the additional £0.3 million provided in capital for development of EID Cymru is as a result of increased costs or because spending on the project is being brought forward from 2015-16

The additional £0.3 million capital costs are attributed to increased costs. This is composed of system development costs and Defra/Rural Payments Agency costs associated with the transfer of information on cross border movements.

The support that has been made available to dairy farmers towards the end of the 2014-15 financial year and options that are being explored for the next financial year

The fully funded Knowledge Transfer Programme provides access to the latest knowledge, information and research, and opportunities to share best practice and learn from others through a number of programmes.

This includes the network of demonstration farms across Wales that provide access to the latest technical information and specialist advice to improve business management and on farm efficiencies. In addition, the discussion groups and business clubs focus on performance, sharing of best practice, and the challenges of running a business.

Building on its 'Farming Connect Means Business' theme, Farming Connect is offering hour long, one-to-one business review sessions to farm businesses. The session can be tailored to address relevant issues taking place in the industry as and when required. The session is used to measure business performance, and is an opportunity to consider options to improve business profitability and direction.

Farming Connect are working closely with DairyCo in Wales to provide complimentary support to the Dairy industry, and offering a farm visit from a business consultant to advise on any necessary changes to business plans.

We will be launching a new rolling programme of knowledge transfer, advice and innovation support which will commence in 2015. In particular the programme will increase the emphasis on business focused behaviour and therefore improve the profitability, competitiveness and environmental performance of farm, forestry and food businesses.

Activities will be targeted to promote the economic growth and development of rural areas and to improve the sustainability, competitiveness, resource efficiency and environmental performance of these businesses.

I enclose a table of the Supplementary Budget breakdown by BEL, for your information.

I trust that this addresses the Committee's queries in full.

Yours sincerely



Rebecca Evans AC / AM

Y Dirprwy Weinidog Ffermio a Bwyd
Deputy Minister for Farming and Food

AGRICULTURE & FOOD MAIN EXPENDITURE GROUP (MEG)														
SPA	Actions	Budget Expenditure Line (BEL)	BEL	Division	2014-15 1st Supp Budget	Transfers within MEG	MEG to MEG transfers	Allocation s to/from Reserves	AME Changes	Other Changes	2014-15 revised Final budget	Comments		
Agriculture & Food	Delivering the programmes within the Rural Development Plan	RDP Axis 2 - Tir Mynydd	2923	RPW	0						0			
		RDP Axis 2 - Improved Land Premium	2924		27						27			
		RDP Axis 2 - Organic Farming	2926		2,287						2,287			
		RDP Axis 2 - Other Agri-Environment Schemes	2927		3						3			
		RDP Axis 2 - FWS/FWPS	2928		257						257			
		RDP Axis 2 - Axis 2 Review	2929		0						0			
		RDP Technical Assistance	2931	CAP Planning	1,765							1,765		
		RDP Other Expenditure	2933		540	-450					90	Transfer £450k to BEL 2849		
		RDP Axis 2 - Glastir Entry and Advanced	2871	RPW	11,034							11,034		
		RDP Axis 2 - Glastir Common Land Element	2872		1,677						1,677			
		RDP Axis 2 - Glastir Acres	2873		0						0			
		RDP Axis 2 - Glastir Woodland	2874		17						17			
		RDP Axis 3 - Diversion into Non Ag	2941	CAP Planning	78							78		
		RDP Axis 3 - Support for Business Creation	2942		1,312						1,312			
		RDP Axis 3 - Encouragement of Tourism Acc	2943		527						527			
		RDP Axis 3 - Basic Services for Economy	2944		391						391			
		RDP Axis 3 - Village Renewal & Development	2945		135						135			
		RDP Axis 3 - Conservation & Upgrading of	2946		267						267			
		RDP Axis 3 - Provision of Training & Inf	2947		147						147			
		RDP Axis 3 - Skills Acquisition	2948		651						651			
		RDP 2014-20	2949		19,009					-6,200			12,809	1. In year savings: £4,000k; 2. revenue to capital switch: £2,200k
		Sub Total				45,330		0	0	-6,200	0	0	39,130	
		Evidence based development for Rural Affairs	Research & Evaluation	2240	CAP Planning	806	-200						606	1. Transfer £200k to BEL 2864 - realignment of budgets
			Sub Total			806	-200	0	0	0	0	0	606	
		Meeting the needs of rural communities and rural proofing WAG actions	New Farm Entrants	2794	ARAD	1,705	-1,705						0	1. Transfer BELs to 'Develop & deliver overarching policy & programmes on Agriculture, Food & marine' action - realignment of budgets. This action deleted
			Local authority Framework Funding	2831		600	-600					0		
Sub Total				2,305	-2,305	0	0	0	0	0	0			
Developing & Marketing Welsh Food & Drink	Promoting Welsh Food	2970	Food	5,000							5,000			
	Sub Total			5,000	0	0	0	0	0	0	5,000			

AGRICULTURE & FOOD MAIN EXPENDITURE GROUP (MEG)													
SPA	Actions	Budget Expenditure Line (BEL)	BEL	Division	2014-15 1st Supp Budget	Transfers within MEG	MEG to MEG transfers	Allocation s to/from Reserves	AME Changes	Other Changes	2014-15 revised Final budget	Comments	
Total: Agriculture & Food					60,811	0	-30	-7,430	0	0	53,351		
Protecting and improving Animal Health and Welfare	Support & Delivery of the Animal Health & Welfare programme/strategy	Animal Health and Welfare	2270	OCVO	600						600		
		Sub Total			600	0	0	0	0	0	600		
	Management and delivery of TB Eradication and other Endemic Diseases	TB EU Income	2269	OCVO		-3,000						-3,000	
		Animal Health VLA	2271			18,781			-3,000			15,781	1. In year savings
		TB Slaughter Payments, Costs and Receipts	2272			11,660			-1,000			10,660	1. Resource to capital switch: £1,000k
		TB Eradication	2273			10,000			-4,000			6,000	1. In year savings: £2,000k; 2. Resource to capital switch: £2,000k
	Sub Total				37,441	0	0	-8,000	0	0	29,441		
Total: OCVO					38,041	0	0	-8,000	0	0	30,041		
Total Revenue - Farming & Food					98,852	0	-30	-15,430	0	0	83,392		

CAPITAL BUDGET - Departmental Expenditure Limit				£000's								
Agriculture & Food	Develop and deliver overarching policy and programmes on Agriculture, Food and Marine	New Farm Entrants	2794	ARAD	0			1,600			1,600	1. Resource to capital switch:£1,600k
		EID Cymru	2862		0		300		300	1. Resource to capital switch: £300		
		CPH	2861		0			0				
					0	0	0	1,900	0	0	1,900	
	CAP Administration and making payments according to EU and WG rules	CAP Reform	2789	RPW	0			6,900			6,900	1. Resource to capital switch: £6,900k
					0	0	0	6,900	0	0	6,900	
	Delivering the programmes	RDP General	2841	RPW	0						0	
		RDP Axis 1 - PMG	2845	CAP Planning	3,016						3,016	
		RDP Axis 4 - Strategy	2847	CAP Planning	146						146	
		RDP Axis 4 - Co-Operation	2848	CAP Planning	23						23	
		RDP Axis 4 - Running Costs	2849	CAP Planning	0						0	
		RDP Axis 2 - Tir Gofal	2921	RPW	77						77	
		RDP Axis 2 - Glastir Entry and Advanced	2871	RPW	3,458						3,458	
		RDP Axis 2 - Glastir Common Land Element	2872	RPW	0						0	
	RDP Axis 2 - Glastir Acres	2873	RPW	1,350						1,350		
RDP Axis 2 - Glastir Woodland	2874	RPW	338						338			

AGRICULTURE & FOOD MAIN EXPENDITURE GROUP (MEG)												
SPA	Actions	Budget Expenditure Line (BEL)	BEL	Division	2014-15 1st Supp Budget	Transfers within MEG	MEG to MEG transfers	Allocation s to/from Reserves	AME Changes	Other Changes	2014-15 revised Final budget	Comments
	Continuing the programmes within the Rural Development Plan	RDP Axis 1 - Catchment Sensitive Farming	2925	CAP Planning	0						0	
		RDP Axis 3 - Diversification into Non Ag	2941	CAP Planning	188						188	
		RDP Axis 3 - Support for Business Creation	2942	CAP Planning	357						357	
		RDP Axis 3 - Encouragement of Tourism Acc	2943	CAP Planning	302						302	
		RDP Axis 3 - Basic Services for Economy	2944	CAP Planning	235						235	
		RDP Axis 3 - Village Renewal & Development	2945	CAP Planning	262						262	
		RDP Axis 3 - Conservation & Upgrading of	2946	CAP Planning	192						192	
		RDP Axis 3 - Provision of Training & Inf	2947	CAP Planning	1						1	
		RDP Axis 3 - Skills Acquisition	2948	CAP Planning	0						0	
		RDP 2014-20	2949	CAP Planning	778						778	
		Sub Total				10,723	0	0	0	0	0	10,723
Total: Agriculture & Food					10,723	0	0	8,800	0	0	19,523	
Total Capital - Agriculture & Food					10,723	0	0	8,800	0	0	19,523	

AGRICULTURE & FOOD MAIN EXPENDITURE GROUP SUMMARY												
		Revenue			98,852	0	-30	-15,430	0	0	83,392	
		Capital			10,723	0	0	8,800	0	0	19,523	
		Total DEL			109,575	0	-30	-6,630	0	0	102,915	
Total - Agriculture & Food					109,575	0	-30	-6,630	0	0	102,915	