

**Date:** Wednesday 4 July 2001  
**Time:** 2.00pm to 5.20pm  
**Venue:** Committee Room, National Assembly Building

## **BUDGET ISSUES FOR 2002-03**

### **Purpose**

1. To assist the Committee in responding to the request from the Minister for Finance for comments on budget priorities for the Budget Planning Round.

### **Context**

2. The Minister for Finance has made it clear that:

- this is not a Spending Review year and it is unlikely that there will be additional finance available for the Assembly's budget. No large new bids are therefore anticipated; rather the emphasis will be on changes at the margin;
- the amount of underspending against budgets needs to be minimised, to align budgets more closely with actual spending expectations;
- the Budget Planning Round will, for the first time, be conducted on a resource basis rather than in cash terms.

### **Review of 2000-01**

3. It is important to consider the budget outcomes for 2000-01 against the relevant key priority identified in *betterwales*, which was to **Promote a sustainable future for Welsh agriculture and forestry within a modern rural economy**. The specific results required by 2003, were as follows:

1. The value added per person employed in agriculture to grow at least as fast as productivity in the economy as a whole; and the number of jobs in the dairy, lamb and beef processing sectors to increase by about 5 per cent.
2. Updated action plans for the lamb, beef, dairy and organic sectors to be agreed within the Agri-Food Partnership.
3. An action plan for strengthening training, information and advisory services to help farms adapt to be agreed with the Agri-Food Partnership, by December 2000.

4. The proportion of agricultural land covered by an agri-environmental agreement, or which is registered as organic or is being converted to organic status, to reach nearly 25 per cent.
5. The added-value of forestry to Wales to increase by developing small-scale sawmills, biofuels and increasing by 10 per cent the area of woodlands brought into active management on farms.
6. To achieve a better balance of employment between sectors in rural areas and lower levels of out-migration of young people by implementing the Rural Development Plan.

4. Substantial progress has been made against a number of these targets, though the absolute priority which has had to be accorded to combating the outbreak of foot and mouth disease disrupted the achievement of a number of intermediate targets and unavoidably led to underspending of certain budgets.

5. The Agri-Food Partnership has continued to drive forward the implementation of the Wales agri-food strategy, with the objective of securing greater added-value production and processing in Wales: regular reports on progress have been presented to the Committee by the partnership's steering group and sectoral strategy groups, all of which are industry-led. A document summarising progress to date and outlining priorities for the year ahead is being prepared by the WDA's Food Directorate, who provide the Secretariat to the partnership, and this will be published shortly.

6. The Countryside Council for Wales has continued, on behalf of the Assembly, to administer the Tir Gofal scheme, although progress towards completing the signing of first-year agreements and dealing with second-year applications has been hampered by FMD, which has seriously restricted the farm visits which are all but essential to allow agreements to be finalised. The environmental outputs expected from the 470 first-year agreements which have so far been signed are, however, significantly in excess of those predicted when the scheme was put in place. The third application window is now open (and will be kept open much longer than usual so as not to disadvantage potential applicants who may be affected, directly or indirectly, by FMD). All eligible applicants to the Organic Farming Scheme during Autumn 2000 were offered agreements in Spring 2001, and the funds are in place to expand the contribution which organic farming can make to the sustainability of Welsh agriculture. Similarly, work on increasing the added-value of forestry in Wales has increased, and important links have been made to ensure that the issue of farm woodland management is addressed and that the potential for biomass is thoroughly evaluated.

7. The key achievement during the year was to secure the European Commission's approval to the Rural Development Plan for Wales and to begin to implement both this and the associated rural aspects of the Objective 1 Single Programming Document. The Rural Development Plan provides an all-Wales basis for implementation of the Tir Mynydd Scheme of compensatory allowances for hill farmers, the Tir Gofal whole-farm agri-environmental scheme, the Organic Farming Scheme and the Woodland Grant Scheme together with the Farm Woodland Premium Scheme. In addition, it provides for schemes related to processing and marketing of agricultural products, training, investment in agricultural holdings and wider rural development in east Wales; these schemes, a number of which are being provided under the umbrella of *Farming Connect*, are mirrored in west Wales in the Objective 1 document. The new budget

lines providing for match funding for processing and marketing and farm adaptation will allow coherent, co-ordinated programmes to be implemented across Wales.

8. A very substantial amount of preparatory work was undertaken in 2000-01 to ensure that the *Farming Connect* package, which is of critical importance in encouraging farming families to adopt new business practices and become more efficient in order to secure a sustainable long-term future for Welsh agriculture, could be introduced in a phased manner from 1 April 2001. Regrettably the foot and mouth outbreak led to a postponement of its introduction, since it rapidly became clear that it would be impossible for consultants to make farm visits to work up farm business development plans, which are the key first element in the *Farming Connect* process. However, farm business options reviews have now been offered to all farmers directly affected by FMD, and it is now proposed to introduce farm business development plans and the other elements of the *Farming Connect* package in September.

9. Despite the work which has been summarised above, it is important to recognise that Welsh agriculture remains subject to enormous pressures and that farm incomes remain at very low levels. The initiatives being undertaken, and crystallised in the work of the *Farming Futures* group, are designed to address these deep-rooted problems but it would be unrealistic to expect that they will make a substantial impact in the short term.

10. The key Assembly theme to which the work of the Committee relates is that of sustainable development. It is for the Committee to judge the extent to which the initiatives listed, which are intended to promote a sustainable long-term future for Welsh agriculture, address the integration of the economic, environmental and social aspects of the sustainable development theme.

### **Targets and Outputs for 2003**

11. There is no doubt that FMD has had a serious impact on the achievement of targets in the short-term. Nevertheless, there is no reason to believe that the specific targets which have been set for 2003 should not be met: the funding is in place through the European elements of Objective 1 and the Rural Development Plan and, importantly, the substantial Assembly match funding which has been committed, together with receipts from the modulation of direct subsidy payments and additional Treasury funding to match this part of the funding package. Arrangements for implementing the various programmes are also all in place, and budgets have either been fully spent (as with Tir Mynydd) or were on course for full spending until the FMD outbreak intervened. Where schemes have only recently been launched – as with processing and marketing grants – it is heartening to see that a significant number of enquiries are already being followed up by the programme managers. And the introduction of *Farming Connect* later this year will be accompanied by substantial and rapid expenditure, initially on farm business development plans.

12. There will, however, need to be a fundamental reconsideration of the extent to which further, targeted funding is required to assist in the recovery of the rural economy of Wales from the very serious difficulties which have been caused by foot and mouth disease. This is the subject of separate

consideration, culminating in the presentation of a report to the Rural Partnership in late July. Subject to that important caveat, the budget provision which already exists is generally appropriate as the basis for achieving the Assembly's objectives for the medium term.

## **Future plans and priorities**

13. Within the overall context indicated above, there are a number of potential additional pressures which may need to be accommodated, including:

- funding for the accelerated implementation of the National Scrapie Plan in Wales; provision for 2001-02 will be found from within existing provision but this is unlikely to be possible for future years;
- relatively modest provision to allow for the implementation of a communications strategy to enhance our contact with farmers together with key partners – to build on the foundation of the regular contact with farmers over FMD issues and to ensure that a regular flow of information on the *Farming Connect* initiative reaches those who most need to benefit;
- sponsorship of the Agriculture and Environment Biotechnology Commission and other issues relating to plant health and pesticides.

14. So far as delivery mechanisms are concerned, it is important to note that many of the schemes which have been or are about to be introduced are wholly reliant on delivery by a wide partnership including local authorities, the farming unions, education and training providers, environmental bodies, statutory advisors and many others. It will be important that this partnership is maintained and indeed enhanced in order to ensure the co-ordinated, strategic delivery of programmes across Wales.

15. The Committee is invited to consider its budget priorities in the light of this paper.

## **Contact**

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