

REGULATORY APPRAISAL

The Tir Gofal(Amendment)(Wales) Regulations

Background

1. Tir Gofal is the Assembly's flagship agri-environment scheme, widely regarded as one of the best in Europe and highly praised in Lord Haskins' independent review of rural schemes.
2. The scheme was established in 1999 as an integral part of the first Rural Development Programme for Wales. The scheme has been successfully run jointly with Countryside Council for Wales (CCW) since then; the CCW have administered applications and payments, with mapping support and overall policy control provided by the Welsh Assembly Government. There are currently some 2,900 agreements bringing some 307,000ha of agricultural land – almost a fifth of the agricultural land of Wales – into positive environmental management.
3. The decision to transfer the administration of Tir Gofal from the CCW to the National Assembly for Wales is part of the wider agenda of the Welsh Assembly Government to deliver quality public services which are more joined-up, more responsive to people and businesses, and more efficient.

Purpose and intended effect of the measure

4. The Regulations transfer responsibility for the administration of Tir Gofal from the CCW to the National Assembly with effect from 16 October 2006. They also provide for the transfer of rights and liabilities in connection with Tir Gofal agreements entered into by the CCW under the principal regulations to be transferred to the National Assembly and update references in the principal Regulations to certain European Community instruments which have either been amended or replaced since the coming into force of the principal Regulations.

Risk Assessment

5. The probability of any significant risk arising as a result of this legislation proceeding or not is likely to be minimal. It is intended that existing functions should continue and that improvements to the services will be made.
6. However, in transferring the administration of Tir Gofal, the Welsh Assembly Government and CCW have identified the following possible risks;

(i) the transfer may undermine the CCW's wider environmental operations.

The CCW will remain an active partner in the delivery of Tir Gofal and their nature conservation and countryside management remit remains intact. These are areas of growing importance and complexity, for example action to be taken forward by the CCW under the new Welsh Assembly Government Environmental Strategy will rely to a considerable extent on their continuing involvement in agri-environment action.

(ii) Loss of key agricultural knowledge and skills from the CCW

Tir Gofal has improved the agricultural community's perception of the CCW and has given CCW staff a direct link with day-to-day agricultural practice. The transfer of Tir Gofal removes this link. The CCW will need to ensure that the lessons learned from the experience of running Tir Gofal continue to influence working practices and that agricultural expertise is retained to inform and improve SSSI management.

(iii) Possible loss of small local CCW offices

The CCW deliver Tir Gofal at a local community level through a network of small local offices. The possible removal of Tir Gofal staff from some of these offices will jeopardise their viability.

However, the co-location of Tir Gofal and CCW wherever possible will enable both organisations to support each other to maintain a locally available service.

(iv) Potential loss of key CCW staff could impact on the scheme's delivery

The CCW currently employs 91 full-time equivalents on the delivery of Tir Gofal. These posts will transfer to the Welsh Assembly Government on 16 October 2006. Postholders who opt to transfer will continue to work on Tir Gofal undertaking the same roles as they do now.

To address the issue of potential key staff losses, the Minister for Environment, Planning and Countryside has determined that Tir Gofal project officers should remain at their existing locations where this is feasible and cost effective and work alongside CCW colleagues whilst continuing to carry out their existing duties. To ease the transfer there will be an interim stage whereby the delivery of Tir Gofal will be ring-fenced within CCW for the 6 months preceding the transfer. A key component of managing the change has been the appointment of a new Head of Tir Gofal operations from within CCW. All other staff involved will begin to move into the ring-fenced unit in preparation for the transfer from the start of April.

The CCW Trade Unions also play a full role on the Project Board and staff have been able to influence the project through their representatives. Staff receive regular information from CCW and the Project Board keeping them informed of progress. Workshops have also been held to provide staff with

a clear picture of what the change will mean for them and how they can contribute to it's successful delivery.

(v) Incompatible IT systems might cause a delay in payments

A team from the Welsh Assembly Government and CCW with advice from an independent computer consultant, PA Consulting Ltd looked at a number of IT options. These ranged from using existing CCW software to rewriting the Welsh Assembly Government systems. The selected IT solution minimises the risks by transferring the existing CCW database onto the Welsh Assembly Government network and linking it to other relevant systems. This avoids the need to build an entirely new system which would have had significant time and cost implications. However, the solution fully addresses the future IACS cross check requirements of the 2006 Rural Development Regulations.

(vi) Over the longer term the high quality of Tir Gofal might be eroded

To ensure the continued long term provision of the high quality advisory and scientific knowledge necessary to run Tir Gofal – particularly with regard to wildlife habitat management, public access and landscape – specialist advisory staff will remain within the CCW and continue to provide their specialist input under the terms of a partnership agreement between the Welsh Assembly Government and the CCW.

Options

Option 1: Do not make the legislation

7. Without the Regulations the transfer of responsibility for the administration of Tir Gofal from the CCW to the National Assembly for Wales cannot be implemented.

Option 2: Make the legislation

8. In order to achieve the desired objectives the administration of Tir Gofal needs to be transferred from the CCW to the Rural Payments Division of the Welsh Assembly Government. Tir Gofal is currently run under the Land in Care Scheme (Tir Gofal) (Wales) Regulations 1999 (as amended) which conferred the power to administer the scheme on the CCW. Therefore, legislation is the only practical option for bringing the administration of Tir Gofal into the National Assembly for Wales.

Benefits

9. The Welsh Assembly Government's plans are intended to build on the scheme's success to date and to improve delivery still further, as part of the next Rural Development Programme for Wales. This will be achieved by bringing together within the Assembly Government the delivery of the

whole range of agri-environment schemes – Tir Cynnal, Tir Gofal and the potential actions including the catchment sensitive farming scheme.

10. This will allow Tir Gofal to be delivered as a fully integrated part of the agri-environment pyramid within the new Rural Development Programme due to be implemented from 2007.

11. The key benefits to external stakeholders are;

- The Scheme will be more democratically accountable as the Minister for Environment, Planning and Countryside will become directly responsible for the scheme's administration.
- There will be better services for customers because they will be able to access all the agri-environmental expertise they need from within one organisation. Farmers will be able to get consistent access to dedicated staff who will be able to advise on the right choice of scheme, and just as importantly, advice on how to move between schemes and to deepen their environmental commitment in managing their farms.
- There will be more opportunities for staff as the CCW staff will be working on a wider suite of agri-environment schemes and will be part of a larger organisation with greatly enhanced opportunities to broaden their skills and experience and for career advancement. Assembly Government officials will have greater and more direct access to highly skilled and experienced staff in CCW, helping to spread good practice on agri-environment issues within both organisations.
- There will be greater efficiency because administrative processes will be streamlined and efficiencies gained through running the range of agri-environment schemes as one coherent package
- There will be a better fit with EU requirements on a Single Paying Agency and cross compliance. It will be consistent with the new European Finance and Rural Development Regulations that require all European payments to be paid by one paying agency in each region from 1 January 2007. In Wales, this will be the National Assembly. It will also help Tir Gofal to comply with the IACS cross checking requirements established under the Rural Development Regulations.

Costs

12. The administration of Tir Gofal currently costs a total of £4.26million per annum. The funding necessary to meet these costs will transfer from the CCW to the Welsh Assembly Government in 2006-07. Table 1 breaks down the cost into its component parts; staff, overheads, capital, contracts and mapping.

13. There are also one off project costs spread over 2005-06, 2006-07 and 2007-08. These total £2.1million. Table 2 breaks this down into IT, accommodation, HR, training and other costs.

14. There are no costs falling on external stakeholders resulting from the transfer of Tir Gofal.

Competition Assessment

15. The competition filter was applied and no effects were identified. Increased regulation is neither an objective nor a foreseeable outcome of the merger.

Consultation

With Stakeholders

16. A Project Board with membership from the key Tir Gofal Partner organisations was set up to help steer the project. The Project Board meets on a monthly basis. In addition, the Senior Responsible Officer has had one to one meetings with Tir Gofal partners including the CCW, CADW, the National Parks and Archaeological Trusts.

17. The CCW has recently written to all Tir Gofal agreement holders about the transfer of administration and what it will mean to them – copy attached at Annex A. A similar statement will be included in all new agreements offered between now and the 15 October. No responses have been received as yet.

18. The transfer of Tir Gofal was debated at Plenary on 28 June 2005 under the motion, "to propose that the National Assembly for Wales instructs the Welsh Assembly Government to drop its plans to transfer the staff responsible for delivering agri-environment schemes, particularly Tir Gofal, from the Countryside Council for Wales into the direct employment of the National Assembly for Wales". Following the debate the motion was put to the vote and was defeated.

With Subject Committee

19. The Committee was notified of the Regulations via the list of forthcoming legislation on 1 Feb 2006 (EPC (2) – 02-06 (p3). The Minister for Environment, Planning and Countryside has included an update on the transfer as a standing item in his Report to the Environment, Planning and Countryside since January 2005 and there was a detailed discussion in the Committee's meeting of 13 July 2005. Regular updates have included information on;

- the setting up of a project management board with membership drawn from the Welsh Assembly Government, CCW and Trade Unions;

- the appointment of a project manager from the CCW in Sept 2005;
- the setting up of a project stakeholder group with membership from the key Tir Gofal Partner organisations to help steer the project;
- update bulletins to all CCW and Rural Payments Division staff;
- workshops for all Tir Gofal staff to update staff on progress;
- the preparation of a detailed implementation risks and issues register;
- Updates on IT and HR issues.

Review

20. The impact of the transfer will be monitored as part of normal business. The newly created Tir Gofal unit in the Rural Payments Division of the Welsh Assembly Government will incorporate Tir Gofal administration in an annual operational plan which will set out for each major activity what it is for, what will be done in the year and whether it is delivering against a strategic policy statement or statutory duty. Progress against these plans is reported quarterly to the Management Board and Cabinet. The Annual Report will report on progress against Wales: A Better Country commitments and the Welsh Assembly Government agenda.

Summary

21. The aim of the transfer is to bring the administration of Tir Gofal under more direct Ministerial control to deliver policy in rural development matters more efficiently and effectively. In order to achieve this, the proposed change to the relevant legislation is necessary. It is not anticipated that there will be any significant compliance costs imposed on external stakeholders who should see improvements in the services delivered. No adverse competition effects are anticipated.

Robert Griffiths
ECM

The competition filter test	
Question	Answer yes or no
Q1: In the market(s) affected by the new regulation, does any firm have more than 10% market share?	No
Q2: In the market(s) affected by the new regulation, does any firm have more than 20% market share?	No
Q3: In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?	No
Q4: Would the costs of the regulation affect some firms substantially more than others?	no
Q5: Is the regulation likely to affect the market structure, changing the number or size of firms?	no
Q6: Would the regulation lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet?	no
Q7: Would the regulation lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?	no
Q8: Is the sector characterised by rapid technological change?	no
Q9: Would the regulation restrict the ability of suppliers to choose the price, quality, range or location of their products?	no

1. ON-GOING COST OF DELIVERING TIR GOFAL

		MERGER YEAR					
CCW COSTS	2005/6	2006/7		2007/8		2008/9	2009/10
	<u>£ M</u>	<u>£ M</u>		<u>£ M</u>		<u>£ M</u>	<u>£ M</u>
Staff	2.95	1.48		0.15		0.15	0.15
Overheads	0.53	0.27		0.05		0.05	0.05
Capital	0.27	0.14					
Contracts	0.18	0.09					
NAW Cartographic Unit							
CCW TOTAL	3.93	1.98		0.20		0.20	0.20
NAW COSTS	2005/6	2006/7		2007/8		2008/9	2009/10
	<u>£ M</u>	<u>£ M</u>		<u>£ M</u>		<u>£ M</u>	<u>£ M</u>
Staff		1.47		2.80		2.80	2.80
Overheads		0.26		0.48		0.48	0.48
Capital		0.13		0.27		0.27	0.27
Contracts		0.09		0.18		0.18	0.18
NAW Cartographic Unit	0.33	0.33		0.33		0.33	0.33
NAW TOTAL	0.33	2.28		4.06		4.06	4.06
OVERALL TOTAL	4.26	4.26		4.26		4.26	4.26

ONE-OFF COSTS OF THE TIR-GOFAL MERGER

	MERGER YEAR						
<u>CCW COSTS</u>	2005/6	2006/7	2007/8				MERGER TOTAL
	<u>£ M</u>	<u>£ M</u>	<u>£ M</u>			<u>£ M</u>	<u>£ M</u>
IT Infrastructure							
IT System							
Accommodation							
HR & Training							
Excess Fares							
Project & Misc.	0.030	0.055	0.043				0.128
CCW TOTAL	0.030						0.128
<u>NAW COSTS</u>	2005/6	2006/7	2007/8				MERGER TOTAL
	<u>£ M</u>	<u>£ M</u>	<u>£ M</u>			<u>£ M</u>	<u>£ M</u>
IT Infrastructure	0.027	0.800					0.827
IT System	0.038	0.240					0.278
Accommodation		0.614					0.614
HR & Training	0.002	0.118					0.120
Excess Fares							
Project & Misc.	0.028	0.083	0.020				0.131
NAW TOTAL	0.095	1.855	0.020				1.970
OVERALL TOTAL	0.125	1.910	0.063				2.098

EXPLANATORY NOTE TO FINANCIAL TABLES

ON-GOING COST OF DELIVERING TIR GOFAL

1. Staff costs of 2.95M include £2.605M for CCW Tir Gofal staff; £0.14M for CCW Specialist staff; £0.20M for Snowdonia National Park staff.
2. Overheads of 0.53M includes £0.45 for CCW overheads & £0.08M supporting staff from SNP;
3. Capital support of £0.27M for CCW Tir Gofal Staff
4. Contract costs include Archaeological Advice (£0.11M) & Farmer Training (£0.04M)
5. NAW Cartographic costs include for the cost of digitising Tir Gofal Maps etc
6. Since Transfer is anticipated on 16-Oct-06 to co-incide with the start of the new EU FEOGA financial year, it is assumed for the purpose of this table, that 2006/7 costs are split equally between CCW and NAW.
7. For the purpose of this table, a direct pro-rata split of overhead costs has been assumed. However, the actual split is currently in the process of being defined through work being done by the CCW and the Environment Division of EPC, which sponsors the CCW.
8. It has been assumed for the purpose of this table that the cost of delivering Tir Gofal remains flat over the period. However :-
 - i. it is anticipated that the number of agreements in the scheme will continue to increase by 10%+ per annum until the first agreements mature in 2010 whereupon agreement numbers will level-off.
 - ii. It is anticipated that once the Scheme has been merged into RPD, it will be possible to harvest economies of scale from running the Agri-Environment Pyramid together;
 - iii. The IT changes and linkages inherent in the Tir Gofal merger will ensure that Tir Gofal complies with the new EU requirements for cross compliance, cross-checking, and a single EU paying Agency for Wales;

ONE-OFF COST OF THE TIR GOFAL MERGER

1. The main elements, IT infrastructure costs & Accommodation costs, are based on staff remaining in CCW offices
2. The costs are based on estimates which will be further clarified by a full survey of sites, which is in progress. This will be complete by end April 2006.
3. Current indications are that the estimated costs shown for these two elements, can be reduced by c.£0.75M if staff were instead, moved to NAW nearby. However, excess fares costs of up to £0.28M in total (spread over 3 years) would become payable.
4. Similar costs relating to IT system changes would have to be borne in any event (even if the Merger was not occurring) in order to be able to deliver EU requirements in relation to cross-checking, cross-compliance & single-paying-agency.

