

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

## **STOCKTAKE OF TIR GOFAL**

### **Purpose**

1. To present to the Committee the developing thinking on the Tir Gofal Stocktake and to consider possible ways to improve the administration of the scheme and target the scheme more effectively.

### **Background**

2. Tir Gofal is the Assembly's flagship agri-environment scheme. It was introduced in 1999 and re-approved in October 2000 as part of the Rural Development Plan. It is run on behalf of the Assembly by the Countryside Council for Wales (CCW). In February 2001, the Minister for Rural Affairs agreed that a stocktake of Tir Gofal should take place. The essential aims of the stocktake were to improve the application process as there had been criticism of the time it took to see an application through to agreement stage; to reduce dropout and deadweight; and to enable a greater number of farmers to enter the scheme for a given budget. A copy of the Terms of Reference, which were sent to Members on 13 February, is at Annex A.

3. The Stocktake had two main components. The Process Improvement Group (PIG) comprised operational and policy staff from CCW, and representatives from the former FRCA Cartography Unit and the Assembly's Food and Farming Development Division. The role of this group was to examine the process of dealing with applications and converting them into agreements, with a view to improving the overall efficiency of the process. The other component of the Stocktake considered the wider policy orientated aspects. To ensure continuity and cross fertilisation, a number of members served on both groups.

4. As part of the Stocktake a limited consultation exercise was undertaken. Those who commented included NFU Cymru Wales, the Farmers Union of Wales, the RSPB, the Organic Centre Wales, the Forestry Commission, CADW, the Wales Wildlife Trusts and the Young Farmers' Clubs. The major points which were made by respondents were that complexity of the scheme does deter applications, as does the application process which can take up to a year before a management agreement is signed. Suggestions include pre-application advice, earlier Project Officer visits and simplification of the scheme. There were also concerns about levels of participation and the perception that large environmental organisations were more successful (in securing agreements) as their income is not so dependent on income from farming. The Young Farmers Clubs suggested that extra points could be awarded to people under 40; there was however, no clear consensus on whether the 3 hectare minimum farm size should change or whether there should be a maximum hectareage. All respondents supported the concept of Tir Gofal although one thought that it should be run in parallel with a part farm scheme.

### **Potential for Change in the Scheme**

5. The proposals below have emerged from discussions with CCW and others with an interest. Even if the proposals were to be recommended by the Committee and accepted by the Minister for Rural Affairs, it will be necessary to propose and negotiate a modification to the RDP with the European Commission and prepare a new Statutory Instrument. As the former is likely to take some time (we are allowed only one modification per year), the changes could not be introduced before the application round beginning in the Spring of 2002.

#### **i. Revised Scoring System**

6. Two modifications are suggested which should benefit the family farm. These are environmentally beneficial and likely to be acceptable to the European Commission as they are positive in nature - rather than discriminating overtly against other groups of

land managers.

7. Firstly, it is suggested that extra points are awarded for many of the arable options since this type of activity is more likely to be taken up by the family farmer who has both the land and the skills to deliver what is needed. The proposed increases in the weightings are of the order of 50% and will deliver some 3 – 5 extra points to medium sized farms (50-200ha) in a typical situation.

8. Secondly, it is proposed that five extra points be awarded for each agricultural enterprise present on the farm, in order to help reward mixed farming, the proposed enterprises are cereals, non-cereal fodder crops, horticulture and vegetables, dairy, beef and sheep. These enterprises have been proposed as they offer greater environmental benefits than other potential enterprises. The proposed system would deliver a benefit of 5-10 points to the family farm.

9. The combined effect of the two modifications will be to deliver an advantage to the family farm over small farms of some 8- 15 points.

10. To ensure that the number of farms scoring over the threshold (100points) does not increase too rapidly, the scores for educational access and field size could be reduced and the weightings for converting arable land to grass and undersown cereals could be reduced (maximum deduction of 5 points each in a typical situation).

11. To ensure both transparency and engagement in the process, each applicant will receive a copy of the scoring system. The presentation of the system has now been improved and simplified so that the reader needs to make far fewer cross-references to other scheme literature.

**Justification for using Farm Enterprises as part of Scoring System**

12. Preliminary analysis of the potential impact of using enterprise type as part of the scoring system is possible using application forms submitted as part of the current round. These hold data on both the number and type of livestock present on the farm. In addition, the presence of arable crops can be deduced according to whether the applicant has chosen any of the arable options – for the purposes of this exercise it is assumed that willingness to carry out an option corresponds to the existence of a cereal, forage or horticultural crop.

13. Examination of 115 third round applications from West, South and North East Wales suggests that farms with several enterprises are rather larger on average. Similarly larger farms tend to have proportionally more enterprises:

No Enterprises/farm	Number of farms	Average size of farm (ha)
0	20	12.5
1	35	49.0
2	35	93.0
3	17	86
4	8	107
5	1	101
6		

14. It is worth noting that the large average size of the farms with 2 enterprises each is a consequence of one very large farm of over 1000ha in Snowdonia. Removing this farm from the calculations would reduce the average size of such farms to 68 ha.

15. This sample of 115 third round applications was selected at random. Family farms (50-200ha) make up 33% of the sample as compared to 39% of the successful applications from the first two years. Small farms comprise 35% of the sample as compared to 25% of the previously successful applications. It is likely that proportionally fewer family farms have applied so far as they will

have been more affected by foot and mouth disease.

Farm Size (ha)	Number of farms	Enterprises/ farm
0- 4.99	6	0.83
5- 5.99	13	0.46
10- 19.99	21	1.24
20- 29.99	15	1.53
30- 49.99	13	1.54
50 – 99.99	22	2.40
100 – 199.99	16	2.50
> 200	9	2.00

16. The evidence available to date suggests that family sized farms (50 – 199.99 ha) tend to have most enterprises. This is very much expected since smallholdings will tend to feature sheep, horses and poultry (only one of which is scored in this system), whilst medium sized farms will have cattle, sheep and possibly some arable. Very large farms will often be sheep dominated. The proposed system will not assist family sized sheep farms – but depending on the points allocated it will undoubtedly improve the position of the typical sheep and beef unit, as well as those dairy units with at least some forage crops. It will also improve the relative position of lowland mixed stock and cropping units.

17. Since very few farms will feature more than five enterprises (areas like Gower and Pembrokeshire may have a few units with beef, sheep, cereals, roots and horticultural crops) a suitable score would be 5 points per enterprise. The maximum score in this section would then be 25 points – the same score as awarded to organic farms. Awarding the same score to a mixed farm with 5 enterprises is entirely justified on environmental grounds – and will significantly assist the position of many family farms in Wales in a way which is both positive and easy to justify.

18. Applying a score of five points per enterprise means that family farms (50-200ha) will score at least an extra 12 points on average. Small farms (<20ha) will score between three and seven points, whilst very large farms (>200ha) will score about ten points. As result, family farms will tend to have a 5-9 point advantage over small farms – equivalent to 250 metres of streamside corridor on a 100ha farm.

19. The scoring of existing enterprises will be less advantageous for the medium sized sheep units which predominate in parts of mid Wales. However, the combination of an enterprise score and an increased weighting for the arable options will ensure that these types of farms are also catered for (many SDA sheep farms will be able to grow at least one field of roots). In overall terms, the combination of both modifications to the scoring system should ensure that family farms have an advantage over their current position of between 8 and 15 points.

**ii. Reducing the Number of Prescriptions**

20. A reduction in the number of annual payment and capital works categories will simplify the scheme literature, preparation of plans and the management of the database. This will go some way to addressing the concerns about the complexity of both the scheme and the application process.

21. Currently there are 109 codes for annual payments and 77 codes for capital works, giving a grand total of 186 separate database codes. The proposed simplifications involve creating a small number of new codes to reduce costs (new codes for upland marshy grassland and for tiering payments on upland heathland) and to assist with scheme reporting (separate classifications for types of special project). Nevertheless, the net effect of the proposed simplifications is to reduce the number of annual codes by from 109 to 97 (11%) and the number of capital codes from 77 to 62 (15%).

22. The proposed changes to the capital works are generally simpler to implement in that they involve combining existing projects

with the same payment rates and requirements (various projects involving hard standings) or they involve the withdrawal of separate payment rates for softwood and hardwood (and their replacement by a simple bonus of 20% for using oak). The only difficulty is that existing agreement holders may object to the imposition of new payment rates so soon after they signed their agreements – it is considered that retaining the old system and running a new system in parallel is not a viable option.

23. Simplification of the annual payments system is more complex in that it will involve amending the Rural Development Plan. However, most of the proposals involve withdrawal of existing options rather than re-assessment of existing payment rates. It is debatable whether these changes can or should be enforced on existing agreement holders, (withdrawal of an option is qualitatively different to a change in payment rates) but a failure to do so will involve running two systems in parallel for at least five years until the mid term review date on existing agreements.

24. In addition to the simplification of the payment categories, a number of changes to the wording of the prescriptions have been suggested. In particular, the establishment dates for arable crops have been revised to ensure that farmers in the uplands will find these options more attractive.

### **iii. Simplification of the Plan Preparation Process**

25. A fundamental review of the wording of the prescriptions has resulted in a completely new template for the production of management plans. Most annual prescriptions have specific requirements in common such as "Do not plough". All of these frequently used requirements have been extracted from the individual prescriptions, revised to ensure a common wording ("Do not carry out any of the following activities unless you have prior approval") and placed at the front of the management plan document. This improvement has been tested on one of the more complicated plans drawn up in the first year of the scheme, and it is predicted that most plans could be reduced to approximately half their current length without any loss of integrity.

26. In addition to revising the text of the management plans, it is proposed that a summary of the plan is effectively converted into map format. This sort of approach is more appealing as it is much easier to understand. It is suggested that the existing habitats map is converted into a constraints map by including the list of prohibited activities (see above) as part of the legend. In addition, a new map could show the location of all positive activities such as grazing, haycropping and scrub clearance. These issues are still under consideration by the Cartographic Unit of the National Assembly.

27. Introducing these changes will again help address the concerns of respondents whilst at the same time making the process less cumbersome for CCW Project Officers.

### **iv. Reducing the Costs of Individual Plans**

28. A range of measures which could reduce the costs of individual plans and thereby provide the means to offer more agreements within a given budget have been identified from a 10% stratified random sample of the first 200 agreements to be signed. These results need to be treated with a degree of caution as the stratified nature of the sample resulted in a larger proportion of small agreements than was actually the case amongst the successful first year applicants.

29. The suggested measures are as follows:

#### ***i Restrict traditional field boundary works to years 2-9 of agreement***

This proposal affects 80% of the sample, but bears down most heavily on farms less than 30ha and those greater than 200ha. Such a rule could have a significant effect, although the effect of the change could be nullified by farmers negotiating forcefully for more boundary works in years 2-9.

#### ***ii Ensure all fencing costs on traditional boundaries are paid for out of the £20K per annum capital allowance***

This proposal affects 17% of the sample.

**iii     *Reduce current limit 10m of field boundary work per ha.***

A minimum distance guarantee is required in order to avoid undue disadvantage to small and medium size farms. Of the two limits examined in detail only 50 metres + 3m per ha of farm would have any substantial effect on costs (since any effects of controlling field boundary expenditure are unlikely to be additive, it is probably best to proceed with (i) and (ii) above in advance of this particular measure.)

**iv     *Reduce current maximum limit of £3500 per annum on field boundaries***

This would affect only 8% of agreements, all of which are located in the North West. A new limit of £2700 per annum (100 linear metres of stone wall with an average height of 1.5m) could be introduced.

**v     *Replace capital works limit of £20K per farm with a tiered limit based on farm size***

New limits of £5K (<20ha); 10K (< 50ha but >20 ha) and £20K (>50ha) would affect some 17% of farms.

**vi     *Revise limits on traditional buildings***

Some 25% of sample plans include traditional buildings, but this reduces to 12.5% when all of the agreements signed to date are taken into account. The total amount so far committed to building repair is £279K – an average of just over £5K each. The substantial difference between the sample and the signed agreements reflects the effect of changing the Project Officer Guidance.

A revised limit of £5k per plan would affect 12% of the sample farms and perhaps only 6% of agreements signed henceforth so the measure would have limited practical effect.

**vii     *Introduce limits on numbers of wooden gates per plan***

New limits of 10gates (<20ha); 15gates ( <100ha but >20ha) and 20 gates (> 100ha) would affect 25% of the sample.

**viii     *Introduce new limits on numbers of ponds per plan***

A new limit of £750 per plan would affect only 8% of the sample, but it would allow the withdrawal of two database categories.

**ix     *Limit use of certain capital works prescriptions***

Use of post and rail fencing (£9/metre) could be limited to wetlands, parklands and orchards. Use of ditch casting (£2/metre) could be limited to wetlands. The effects, however, are unlikely to be substantial.

Based on the above analysis, the most suitable options are numbers (i), (ii), (v), (vi), (vii) and (viii).

**v. Minimum Farm Size**

30. There has been criticism that by having a very low minimum size of farm for entry into Tir Gofal the scheme is favouring part-time at the expense of full-time farmers.

31. As illustrated below, the probability of an application being accepted tends to vary with farm size

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32. In the above table the Upper Line (Series 2) represents year 2 applications, the Lower Line (Series 1) represents year 1 applications. The higher probability of entry in the year 1 is probably a quirk of the application pattern in that year. The evidence appears to be that the graph is now flattening out.

33. Currently the minimum requirement for entry into Tir Gofal is 3ha. By contrast, the minimum size for entry into the other major scheme delivered under the RDP (Tir Mynydd) is 6ha. It is predicted from the results of the first two application rounds that increasing the minimum qualification for Tir Gofal to 6ha would result in the loss of some 39 successful applications per annum (6 % of the annual total). The resources devoted to these applications could be redirected to some 4 to 5 applications from family farms.

34. Very small applications are costly in resource terms – both in project officer time per application and time/payments per hectare. Such applications are often rich in environmental features, but they can involve complex restoration programmes particularly on buildings.

35. Excluding very small applications would free up resources for redistribution but it could have a damaging effect on the opportunities offered to young farmers and organic farmers. For this reason it is not proposed to change the minimum size of farm eligible for entry into Tir Gofal.

36. The above Table also indicates that the probability of entry into the scheme is high for the larger farms. Whilst this may be the case, this type of farm often tends to offer high environmental benefits as well as tending to employ more people. For these reasons, it is not proposed that there should be a maximum size of farm which is allowed into the scheme.

## **vi. Supporting Young Farmers**

37. The National Assembly has already given considerable thought to this issue and has resolved not to create a young farmers

scheme as part of the Rural Development Plan. Nevertheless, there is a willingness to consider other means by which existing young farmers could be assisted to develop their businesses.

38. Within Tir Gofal, the scoring system could be modified to assist young farmers in qualifying for the scheme. An allocation of 10 points to people under the age of 40 would be equivalent to a farmer offering a permissive access route coupled with the creation of 200 metres of streamside corridor. In addition, the retention of the 3 hectare minimum farm size will continue to allow young people to build up a farm whilst having the benefits of the Tir Gofal scheme.

39. Assisting young farmers to enter into Tir Gofal has wider implications in that they would receive free environmental training. In addition, those farmers with woodland could receive Native Woodland Management Planning Grant. Finally, since young farmers are often keen to improve the productivity of their land, their entry into Tir Gofal would ensure that any such improvements took place in harmony with the environment.

## **vii. Group Applications**

40. The advantages of Group applications are that they allow the simultaneous entry of contiguous blocks of land. This could have particular environmental advantages when managing for wetland species or those such as chough, black grouse and lapwing which require habitat management at a landscape scale. In addition group applications will assist farmers who are looking to carry out extensive woodland plantings or field boundary management, in that work can be programmed with local contractors – or extra labour may be employed on a shared basis purely to deal with environmental works. A group application for Tir Gofal could also provide the necessary guarantees to secure further investment in other measures funded under the RDP/Objective1 such as wood processing or joint marketing initiatives.

41. In order to prevent the development of a ‘market’ in Tir Gofal points, it would be necessary for each member of a group application to score over the scheme threshold in his or her own right. In addition, there would have to be a maximum number of applications (perhaps 6?) within each group so as to ensure that no group could take up all the project officer resources for that particular area in that year.

42. To ensure that group applications deliver maximum environmental benefit (and to justify accepting them at all) there will need to be some definition of a group in geographical terms. Possibly, all members should be drawn from the same water catchment area. Alternatively each member should be within at least 1km of another member (this avoids the problems caused by non-participating neighbours that would occur if all members had to be contiguous).

43. In order to avoid abuse of the group application procedure, all members would apply at the same time, and each member would have to agree to sign up at the same time. If any member wished to delay signing then they would have to withdraw their component of the application and apply again in their own right.

44. Finally, group applicants could agree to be bound by a variation to the management agreement in which participating farms agreed to take enforcement action against non-compliance by other members of the group. This latter point, however, requires further legal advice.

## **Improvements in the Application Process**

45. One of the drivers behind the Stocktake was to identify whether the perceived complexity of the scheme deterred applications and led to high levels of withdrawal of applications. Evidence from CCW’s Project Officers and some of the respondents to the consultation exercise suggested that this was the case. The main reason for withdrawals drop out was the time it took to reach agreement – a year not being uncommon. More specific reasons for withdrawals included the farm changing hands, the death of the proprietor or a change in farming practice. The changes in the application process discussed below, together with the scheme changes proposed in the preceding paragraphs, should address many of these issues.

## **Report of the Process Improvement Group**

46. The overall aim of "Process Improvement" (PI) methodology is to analyse a stated process in its current form and generate

radical ideas for change so as to develop a re-designed process which results in efficiency gains. The methodology can be taken further to plan implementation and manage the transition from the current process to the new process.

47. The Team agreed that the "Process" to be investigated should **start** with applications being submitted by farmers, and **end** with CCW signing an agreement. Problems associated with the current Process were identified at the outset as:

- Cycle time is too long
- Process is resource intensive
- The Scheme is complex
- Average payments are too high
- Workload is not evenly distributed throughout the year
- There has been a high turnover of staff delivering the Scheme

48. Targets that should be achieved by the new Process were agreed as follows:

- 600 agreements to be signed per annum
- Annual payments of £5.5m to be made to each year's intake
- Delivery costs not to exceed £2.0m per annum by CCW (which should also allow for some other activities outwith the Process, e.g. Scheme promotion, compliance monitoring, servicing, making payments)
- Delivery costs not to exceed c£0.6m per annum by NAWAD Cartographic Unit
- The cycle time should extend from the end of an application window (mid May) to the opening of the next window
- The Scheme should achieve environmental benefits (in terms of BAP compliance)

49. A comparison between evaluation of the current Process ("As Is" model) and the re-designed Process ("To Be" model) is as follows:

	As Is model	To Be model
Number of main activities	22	16
Number of groups of staff (CCW and non-CCW)	9	9
Total staff days	9,542	6,420
Total staff cost (£)	1,209,900	789,600
Cycle time	Highest Ranking Application 244 days	Quickest possible time- 104 days

50. The "To Be" model was developed by outlining the main activities involved in the current Process and identifying areas where staff undertaking an activity feel dissatisfied because of work that has been undertaken in earlier activities. Also, areas of the Process that required a high level of resource, but which had little benefit in terms of adding value to an application were identified as follows:

- The application process
- The consultation process
- Resolving IACS queries
- Amendments to checkplots and final maps
- Amendments to the database
- Re-negotiations
- Introducing realistic radical changes

51. The following outlines the main changes that were incorporated into the "To Be" model:



Element	As Is Process	To Be Process
<b>Pre application advice</b>	Not available	Required
<b>Application window</b>	Used in Process	Will be discontinued
<b>Application</b>	Farmer submits formal application	Farmer registers interest
<b>Scoring and ranking</b>	Applications are scored and ranked  Applications processed according to rank order  Agreements must reach a minimum threshold	Ranking of applications is discontinued  Registrations of interest processed on "first come, first served" basis  Agreements must reach a minimum threshold
<b>Consultation</b>	Varies according to organisation	Will be streamlined
<b>First Project Officer (PO) visit</b>	Occurs mid-way through Process	Earlier in Process
<b>Background information</b>	Site specific details supplied by farmer and CCW records – compiled by CCW Admin	Site specific details compiled by PO during first visit (requires investment in lap-top computers)
<b>Multiple farm visits for mapping and negotiation</b>	Farm is visited more than once	Only one visit required
<b>Amendments to maps and schedules</b>	Conveyed to Cartographic Unit on paper	All done electronically
<b>First PO visit to signing</b>	Lengthy – allows too much time for farmer to change mind	Shortened
<b>IACS</b>	PO's investigate anomalies between application and IACS	No investigation of anomalies by PO's

52. Savings of resource can be put to effective use in delivering aspects of Tir Gofal outwith the Process (e.g. servicing of agreements, promotion, compliance monitoring).

53. Areas for further change were identified but have not been incorporated into the new Process model due to their more radical nature. If required, these could be further considered and evaluated by the PI Team.

## Recommendations

54. A number of "Quick Wins" were identified and can be implemented immediately.

55. In its entirety, the new model is not at present sufficiently developed for immediate implementation, and any cost savings identified are dependent on two processes that must be undertaken:

- the detailed requirements of the main activities must be rigorously investigated to confirm that the new Process can work in practice (significant work is required on areas such as decomplexing the Scheme, streamlining consultation procedures etc)
- implementation of the new Process, and the transition from the old to the new must be carefully planned (this includes dealing with aspects such as the backlog of applications that has built up because of Foot and Mouth Disease)

56. Subject to this, the new model should replace the current process from May 2002 (i.e. the date when the 2002 application window would close). Process Improvement methodology will be used to take the "To Be" model to a stage where it is fully operational. Areas for further radical change should be considered for inclusion in the "To Be" Process model.

## Action for the Committee

57. The paper puts forward a number of possible changes which need further discussion and consideration. However, their introduction should address many of the issues that the stocktake sought to address. Overall, the application process should be easier for farmers to undertake and efficiency savings should accrue to CCW. In addition there should be a better spread of successful applications in terms of farm size and geography.

58. The Committee is invited to comment on the developing thinking contained in this paper.

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## Annex A

### Tir Gofal Stocktake - Terms of Reference

#### Aim

Tir Gofal is the National Assembly for Wales’ flagship agri-environment scheme. The aim of the stocktake is to ensure that the scheme delivers high quality agri-environmental outputs across a range of farms and farm types in Wales whilst providing value for money both in terms of environmental and public benefits, and administration.

In particular, the stocktake will consider:

- i. Whether the perceived complexity of the scheme is deterring applications and leading to high levels of drop out during the negotiation process; and whether it can be simplified without compromising environmental gain;**
- ii. How the administration of Tir Gofal can be improved particularly in relation to:**
  - the time it takes to produce an agreement
  - the complexity of the cartographic work.
  - running costs, whilst ensuring that all accounting, audit and EC requirements are met.
- iii. whether options can be identified to enable a greater number of farmers to benefit from the scheme, for a given budget, while maintaining the whole farm approach and delivering environmental outputs effectively;**
- iv. whether the pattern of take-up under the scheme should be adjusted, taking account of deadweight and policy priorities.**
- v. the range of farms being accepted into the scheme, by size and geography.**

#### Methodology

The stocktake will be led by Alan Starkey of the Food and Farming Development Division with support from the Countryside Council for Wales together with colleagues within the Agriculture Department, FRCA and the other scheme partners. He will

report to the Director of Agriculture. The process improvement aspects of the work will be led by Dewi Jones.

### **Timescale**

The stocktake will commence in February 2001 and will be completed by the end of May. The results will be put to the Minister for Rural Affairs in June and the Agriculture and Rural Development Committee later that month. Subject to the agreement of the Assembly, any changes which require changes in Secondary Legislation and/or clearance from the European Commission will be completed in time for the fourth application round which will commence in 2002.