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Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair
Finance Committee

08 December 2022

Dear Peredur

Thank you for the opportunity to discuss the Agriculture (Wales) Bill at the Committee session on 9th November 2022.

I committed to providing Committee Members with further information as set out below:

Exceptional market conditions.

A question was raised concerning the cost of past use of powers to declare exceptional market conditions, when examples of previous interventions were provided such as Foot and Mouth and BSE. To clarify, farmers were compensated under the Animal Health Act 1981 for these incidents, rather than powers for exceptional market conditions.

In the period 2011-2021, two crisis intervention schemes were launched, both in support of the dairy sector. One came in the form of support across the EU in 2016, which was in response to hardship caused by the end of milk quotas, a Russian ban on EU food imports and low oil prices.

It should be noted this scheme may not directly reflect the sort of scheme possible under the proposed powers for exceptional market conditions in the Agriculture (Wales) Bill, as it was proposed as a wider set of EU support to the dairy sector. Under the 2016 scheme, €30,195,996 was allocated to the UK under this crisis intervention measure. At the time, officials estimated the support to Wales would be approximately £3.2 million. Adjusted for inflation, in 2022 this would be worth £4 million.

In 2020, a scheme was launched to support the dairy sector when the Covid-19 pandemic forced the closure of hospitality establishments. While this scheme used powers under the Government of Wales Act 2006, they were used in a similar way to how the proposed powers could be used. Under this scheme, £1,018,500 was paid to Welsh dairy farmers, which when adjusted for inflation, is equivalent to £1,182,000 in 2022 prices.

Schemes and their financial impact.

I committed to providing additional information on the monitoring and reporting requirements within the Bill, in relation to the schemes that may operate under the power to provide support and their financial impact. The Bill provides for three types of reporting, each of which is further outlined below. Firstly, sustainable land management (SLM) reports, including the setting of targets and indicators, secondly the Annual Report, and thirdly the Impact Report, the latter two reports falling under the power to provide support provisions. The Regulatory Impact Assessment sets out indicative costs of a future scheme operating under the power to provide support which contributes to the achievement of SLM and wider Welsh Government targets.

SLM monitoring and reporting

The SLM monitoring and reporting provisions (sections 4 to 7) seek to ensure effective implementation and appropriate accountability and engagement with the Senedd and stakeholders. They provide the ability to assess policy effectiveness and will form an important and developing evidence base for ongoing policy development.

The Bill requires the Welsh Ministers to prepare a statement setting out SLM indicators to measure progress towards achieving the SLM objectives, and targets in relation to those indicators (section 4). These will be a key part in the monitoring and reporting of the SLM provisions and will help guide future policy decisions as to what is working for the sector and what needs changing.

Indicators and targets can provide specific and measurable ways of recording progress against the SLM objectives. Setting targets provide a means to improve accountability, for example, by improving transparency. Before setting indicators and targets, the Welsh Ministers must consult, including the Future Generations Commissioner, and are required to have regard to certain matters, including the most recent Impact Report (if any) published under section 13 of the Bill (section 5).

The first statement of indicators and targets must be published and laid before the Senedd no later than 31 December 2025. This date has been chosen to ensure sufficient time for due consideration and preparation of the indicators and targets, including consultation.

The Welsh Ministers are also required to report periodically on the progress made against the SLM objectives, through the exercise of the functions to which the SLM duty applies (section 6).

The SLM reports must set out the Welsh Ministers' assessment of the cumulative progress made, since the SLM duty came into force, towards achieving the SLM objectives and the progress made, during the reporting period, towards achieving those objectives.

The first SLM reporting period ends on 31 December 2025, and subsequent reporting periods are for successive periods of five years. This is to align the reporting with the proposed contract length for the Sustainable Farming Scheme. Provision is also made provide for the Welsh Ministers to change the reporting period by regulations. SLM reports must be published and laid before the Senedd no later than 12 months after the end of each reporting period.

The Welsh Ministers are required to have regard to certain matters in preparing SLM reports, including the most recent Impact report (if any) published under section 13 of the Bill (section 7). This means the Welsh Ministers will have regard to the Impact Report (if any), and other relevant matters, to assess and report on the progress made against the SLM objectives.

Annual Report.

With a view to providing good governance, accountability and transparency of public funds, the Welsh Ministers are required to prepare an Annual Report in relation to each reporting period. The initial Annual Report will cover the period up until 31 March 2025, after which the Annual Report will cover the financial year. The Annual Report will include the financial spend of all support provided during the period covered by the report. Where non-financial support has been provided, details of this will also be included.

The Annual Report must include the following key areas:

- a) The total amount of financial support provided during the financial year.
- b) Details of all non-financial support provided during the year.
- c) Details of all financial and non-financial support provided under each support scheme set-up pursuant to the power to provide support (section 8).

In addition, the Annual Report may also provide any other information which the Welsh Ministers consider appropriate. This may include, for example, details on any support which has been withdrawn, or whether any financial support which has been paid, is being recouped and the reason for this.

It may also highlight any one-off payments in support of any capital expenditure projects. Welsh Ministers may also provide information on the number of beneficiaries of support, under each support scheme or any support provided.

The Annual Report is not intended to include any assessment in respect of the power to provide support purposes, or the Sustainable Land Management objectives.

Impact Report

An Impact Report must be prepared in relation to each reporting period – the first period ending with 31 December 2029, and successive periods of five years after that date. The Impact Report is intended to provide an essential mechanism to evaluate the impact and effectiveness of all support, provided by any schemes operating under the power to provide support.

The Impact Report is intended to demonstrate whether certain actions are, or continue to be fit for purpose. Furthermore, this report provides a process of accountability, transparency, as well as a means of measurement against the purposes for which support is given, and an assessment of the supports contribution towards achieving the SLM objectives.

This will form an important and ongoing evidence base for future policy development. The Impact Reports are one of a number of documents which will inform the SLM Report.

Regulatory Impact Assessment.

In the Regulatory Impact Assessment (RIA) we set out indicative costs of a future scheme which meets the requirements of SLM and targets committed to by the Welsh Government.

With regard to the future SFS scheme, the Regulatory Impact Assessment estimates the costs in 6 different areas:

- administrative costs to the Welsh Government;
- the compliance costs;
- the estimated costs of annual payments to farmers;
- estimated costs of Farming Connect and the Farm Liaison Service
- estimated costs to NRW;
- and the estimated costs to the agriculture sector of entering the proposed scheme.

This is a comprehensive account of the likely costs.

With regard to the estimated costs of annual payments to farmers, we are not yet in a position to set out the anticipated annual expenditure on payments to farmers under the future scheme.

In July 2022, I published outline SFS proposals in advance of the RWS to engage with farmers in the process of co-design. The proposals also clearly demonstrate the types of scheme I intend to bring forward under the power of support provisions in the Bill.

I will consult on the final scheme next year. This will include a range of evidence concerning an assessment of the Scheme and the outcomes we are expecting to deliver.

The Agriculture (Wales) Bill does not define the delivery mechanism for future support. The proposed SFS is still being designed (currently in co-design with stakeholders) and, therefore, a quantitative assessment of the benefits is not possible at this stage.

The Welsh Government has committed to undertaking an economic analysis of the proposed SFS which will quantify the benefits of the future support scheme once the design of the scheme has been finalised.

Yours sincerely,

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

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