

Environment and Sustainability Committee

Date: 23 October

Time: 12:45 – 14:45

Title: Evidence paper – Draft Budget 2015-16
Minister for Natural Resources;
Deputy Minister for Farming and Food

Introduction

1. This paper provides background financial information to the Committee as the Minister of Natural Resources and Deputy Minister for Farming and Food, regarding spending plans in respect of the budgets within my portfolio as outlined within the draft budget, published on 30 September 2014.
2. Annex A gives a breakdown of the Draft Budget, by Action, and by BEL.
3. In developing our budget proposals for the Natural Resources MEG, we have ensured that our budgets are aligned to support delivery of the priorities as set out in the Programme for Government. In setting this Draft Budget, our key priority has been on protecting our investments to combat poverty through support for growth and jobs as well as ensuring our budgets are affordable, reflects our priorities and offer value for money within the context of reducing revenue budgets. That is why we have protected our flood and coastal management budgets and largely protected funding for our energy efficiency programmes.
4. The investments we are making to support our natural resources now and in the longer term are key in terms of preventative spend. This is particularly true in terms of flood prevention, where investment to reduce risk is necessary to protect any further investment in Welsh housing. Additionally, investing in flood defences makes an area more attractive to investors through the reduction of environmental risk.
5. Following the revenue baseline reductions, detailed reviews were conducted across the portfolio to deliver savings whilst minimising the impact on services and programme delivery. In addition, the recent machinery of Government changes has increased the Natural Resources Portfolio by £16.408m with the addition of the “Planning” and the “Landscape and Outdoor Recreation” Actions.

Background and Summary

6. The draft budget figures may be summarised as follows:

Spending Programme Area	Supp. Budget 2014-15 £m	Indicative Plans 2015-16 £m	Changes 2015-16 £m	Draft Budget 2015-16 £m
Revenue:				
Climate Change & Sustainability	118.795	117.795	-4.628	113.167
Environment	82.501	80.000	-4.519	75.481
Evidence Base	1.136	1.136	-0.200	0.936
Landscape & Outdoor Recreation	11.057	10.607	-620	9.987
Planning	6.806	6.806	-0.385	6.421
Protecting & Improving Animal Health and Welfare	38.041	38.041	-7.385	30.656
Agriculture, Food & Marine	62.373	55.915	-3.838	52.077
TOTAL REVENUE	320.709	310.300	-21.575	288.725
Revenue % reduction		3.24		9.97
Capital:				
Climate Change & Sustainability	101.084	95.084	5.000	100.084
Environment	0.795	0.795		0.795
Evidence Base	0.038	0.038		0.038
Landscape & Outdoor Recreation	2.850	2.850	0.190	3.040
Agriculture, Food & Marine	11.723	11,723		11.723
TOTAL CAPITAL	116.490	110.490	5.190	115.680
TOTAL DEL BUDGET	437.199	420.790	-16.385	404.405
Annually Managed Expenditure (Pension provisions)	2.900	2.900	0	2.900
TOTAL BUDGET	440.099	423.690	-16.385	407.305

Revenue Allocations

7. In the Draft Budget 2015-16, the Natural Resources DEL reduces by £21.575m compared to the previous indicative 2015/16 allocations and by £31.984m compared to 2014-15. Of this £21.095m is in respect of revenue reductions being returned to reserves. The changes to the budget are detailed below::

- Develop & implement climate change, emission prevention and fuel poverty policy, communications, legislation & regulation: Decreased by £0.386m in respect of agreed budget reductions;

- Develop & implement flood and coastal risk, water & sewage policy and legislation: Decreased by £2m in exchange for £2m capital from Waste;
- Facilitate clean and secure energy and industry investment: Decreased by £0.2m in respect of agreed budget reductions;
- Manage & implement the Waste Strategy & waste procurement: decreased by £1m as part of a planned budget reduction to the Sustainable Waste management grant plus a further £2.042m in respect of agreed budget reductions;
- Deliver nature conservation and forestry policies: Increased by £0.513m relates to a budget realignment of £0.894m and a £0.381m agreed budget reduction;
- Manage & implement environmental improvement: decreased by £0.5m in respect of agreed budget reductions;
- Sponsor & manage delivery bodies: decreased by £2.501m in relation to the repayment of Invest to Save funding; £1.344m budget realignment plus £3.188m agreed budget reductions;
- Develop an appropriate evidence base to support the work of the Department: Decreased by £0.2m in respect of agreed budget reductions;
- Promote & support protected landscapes, wider access to green space: Decreased by £0.46m planned budget reduction and a further £0.160m in respect of agreed budget reductions;
- Planning & Regulation: Decreased by £0.385m in respect of agreed budget reductions;
- Management & delivery of TB eradication & other Endemic diseases: Decreased by £1.585m budget realignment and £5.8m agreed budget reductions;
- Develop & deliver overarching policy and programmes on Agriculture, Food & Marine: increased by £3.403m budget realignment;
- CAP Administration & making payments according to EU and WG rules: Increased by £0.26m budget realignment plus decrease of £0.3m agreed budget reduction;
- Delivering the programmes within the Rural Development Plan: Decreased by £6.458m in respect of previous planned budget reductions and a further £5.093 in respect of recent agreed budget reductions;

- Evidence based development for Rural Affairs: Decreased by £0.2m in respect of budget realignments;
- Developing and managing Welsh marine, fisheries and aquaculture including the enforcement of Welsh Fisheries: Increased by £0.397 budget realignment to co-finance the European & Maritime Fisheries Fund;
- Meeting the needs of rural communities & rural proofing WAG actions: Decreased by £2.305m as a result of budget realignments.

Capital Allocations

8. In the draft budget 2015-16, the Natural Resources indicative DEL reduces by £6m compared to 2014-15 but increases by £5.095, comprising the following:

- Develop and implement climate change, emission prevention and fuel poverty policy, communications, legislation and regulation has received £5m funding from central reserves in respect of Green Growth;
- Promote & support protected landscapes, wider access to green spaces has increased by £0.190m: During the budget preparations under the previous Natural Resources, Culture & Sport MEG capital pressures were identified for National Parks and a further £0.190m was reallocated from within the MEG.

9. In the Final Budget for 2014-15, the 2015-16 Natural Resources capital budget was increased by £42.5m, comprising the following allocations to support priorities in the Wales Infrastructure Investment Plan:

- Flood Risk Management and Water: There was an increase of £7.5m in 2014-15 and £12.5m in 2015-16 to reduce flood and coastal erosion risk for an estimated 2,000 homes, businesses and vital infrastructure and improve community resilience to flooding;
- Fuel Poverty programme: Investing in tackling fuel poverty in housing is one of our investment priorities as set out in the Welsh Infrastructure Investment Plan and to support this delivery an additional £35m Capital was allocated in 2014-15 with a further £35m in 2015-16. This funding will be used on Arbed ECO programmes to improve the energy efficiency of 70,000 existing homes in Wales to bring them up to an acceptable energy efficiency standard (at least a D energy rating) by March 2016.

Preventative Spend

10. Many of our programmes across the Natural Resources portfolio are preventative in nature, for example, our investment in Flood and Coastal Erosion Risk Management is vital to alleviate risks and reduce the likelihood of major economic losses following flooding. We are investing over £50m during 2015-16 in essential flood protection programmes. Investment activity in flood prevention has demonstrable links to job creation and protection. Recent research shows that an investment of £100m reduces risk for 7,000 homes and business, protects over 14,000 jobs and creates over 1,000 jobs. Flood investment also provides potential additional benefits to transport, infrastructure, tourism, recreation and regeneration.
11. Another example would be in respect of The Tidy Towns grant scheme (now incorporating the Tranquil Greener Cleaner Places grant) that encourages applications for projects covering preventative spend by dealing with issues such as littering, dog fouling and air quality improvement measures.

Programme for Government

12. All of our budgets are aligned to Programme for Government commitments and are deliverable from within the available budget. It is a question of being able to prioritise the work from within the overall budgets. This will clearly be the challenge and I will be ensuring that we and our delivery partners are focussed on delivering against these commitments. In addition, I have ensured that I have in place a robust system of monitoring and evaluation in particular to demonstrate value for money across all of our expenditure programmes. Annex A will detail by BEL all of our budgets which are aligned to programme for government commitments and further evidence is provided below in the budget priorities.

Legislation

13. My officials have worked with counterparts in Communities & Tackling Poverty and Housing & Regeneration Departments to ensure alignment of the Environment Bill provisions with those of the Well-being of Future Generations and Planning Bills. Particular attention has been paid to achievement of the shared aim for these Bills: to simplify and clarify current regulatory processes and to put in place an effective and joined-up legislative architecture for sustainable development.
14. The Environment Bill will establish a framework for the sustainable management of our natural resources, embedding sustainable development as a guiding principle to help deliver environmental well-being. This approach will inform the better decision making and long-term thinking which is at the heart of the Well-being of Future Generations Bills, and help to optimise the environmental, social and economic outcomes for Wales. The budget for the Environment Bill is contained within the

“Develop and implement climate change, emission prevention and fuel poverty policy, communications, legislation and regulation” Action and it is estimated that the programme related costs will be £68k in 2015/16 and the staff resources are to be managed within the departmental resource budgets.

15. We have worked closely to ensure alignment between the Environment and Planning Bill. The Environment Bill’s area-based approach aims to provide a higher quality evidence base on opportunities and risks in an area to provide a clear and consistent evidence base that can inform the preparation of Local Development Plans. This will support the objectives of the Planning Bill to improve local planning service delivery. The costs of the planning bill will be contained within the “Planning and Regulation” Action and staff resource costs will be managed within the departmental resource budgets.
16. The duties contained in the Well-being of Future Generations Bill will not be implemented until financial year 2016-17. The costs of preparing for implementation that fall to the Natural Resources Department will be met from the “Develop and Deliver overarching policy and programmes on sustainable development and environment” Action, with a budget allocation of £0.776m and staff resources will be managed within the departmental resource budgets.
17. In respect of the Agricultural Sector (Wales) Act 2014: I have allocated a budget (£183k) which covers costs associated with the implementation of the Act such as the enforcement of the provisions of the Act and the establishment and operation of the Agricultural Advisory Panel for Wales. The allocated budget accounts for Secretariat support, panel members’ fees, costs of legal advice, and any other costs associated with the running of the panel. A 12 week consultation exercise was launched on 7th August 2014.
18. The portfolio has responsibility for the implementation of a number of subordinate legislation, including the Nitrate Pollution Prevention (Wales) Regulations 2013, the Environmental Impact Assessment (Agriculture) (Wales) Regulations 2007 and the Water Resources (Control of Pollution) (Silage, Soil and Agriculture Fuel Oil) (Wales) Regulations 2010. There is no separate allocated budget related to the implementation of secondary legislation.

Equality

19. Integrated impact assessments have been undertaken this year for the budget lines showing the most significant budget changes within the Natural Resources portfolio. After reviewing the key changes above, a number of key programmes were subject to Integrated Impact Assessments covering equality, Welsh language and Children’s Rights. Integrated impact assessments are mainstreamed into policy setting as well as budgetary decisions.

20. The results from the impact assessments show that there are no disproportionate impacts on the identified groups due to these budgetary decisions. For example, evidence suggests that the reduction in the waste budget can be managed by local authorities through improvement in efficiency / changes of practice and hence the impact on protected groups will be negligible.
21. Natural resources management led by Natural Resources Wales (NRW) contributes to Article 24 of the United Nations Convention on the Rights of the Child (UNCRC) as it promotes the maintenance of a sustainable natural environment which children can enjoy. NRW can help children and young people connect with, and understand the importance of, our natural resources and their relevance to day to day living. The budget reduction attributed to NRW will not impact on this activity.
22. Children in Wales (CIW) recently responded to the Equality Impact Assessment carried out on the proposed RDP 2014-20 Consultation. "Children in Wales" is the national umbrella organisation in Wales, bringing organisations and individuals from all disciplines and sectors together. Its role is to make the United Nations Convention on the Rights of the Child a reality in Wales. CiW welcomed that the EIA recognises that retaining young people is one of the greatest challenges facing rural Wales. Young people find it particularly difficult to find work, training opportunities, social activities, affordable housing, accessing services etc in rural areas. This is even a greater challenge for young people and families who wish to live through the medium of Welsh.

European funds and programmes

23. Green Growth is a path of economic growth that uses natural resources in a sustainable manner. We are developing options to support and encourage investment in energy and resource infrastructure in Wales. These options include *Green Growth Wales*, a potential fund that will be a central pillar of the Government's flagship Green Growth agenda. It will publicly demonstrate the Government's commitment to sustainable development, supporting green investment, reducing carbon emissions, and delivering more effective use of our natural resources. Growth Wales will create additional renewable capacity equivalent to at least 10% of Wales' electricity needs over 20 years, and benefit the Welsh economy and people by bringing in additional investment and creating/protecting employment through renewable energy projects and resource reduction.
24. We have been allocated an initial £5m during 2015/16 capital funding through the repayable financial transaction funding to further develop the Green Growth business case and options which include European Investment Bank (EIB) and/or Green Investment Bank (GIB) co-financing.

25. The “CAP Administration and making payments according to EU and WG rules” Action and the “Delivering the programmes within the Rural Development Plan” Actions are responsible for administering all aspects of the European Union's (EU's) Common Agricultural Policy (CAP) in Wales. This involves paying The European Agricultural Guarantee Fund (EAGF) Direct Aid to farmers – The Single Payment Scheme, and The European Agricultural Fund Rural Development (EAFRD) - Rural Development Plan support.
26. Administering the Single Payment Scheme effectively is a key priority. The payments are 100 per cent funded by EU, totalling some £300 million per annum. If we do not meet the stringent requirements set by the European Commission for the effective management of the EU funds, there is the risk of disallowance i.e. the Welsh Government is effectively penalised. Compared to other administrations in the UK, Wales has a good track record on re-assuring the Commission on how we deploy EU resources.
27. As part of the Common Agricultural Policy the delivery of the Rural Development Plan (RDP) 2007-2013 is a key priority. The Plan is worth £847m over the 7 year period, of which Welsh Government must contribute approximately £550m.
28. The total funding package for the new RDP 2014-20 will require some £400m of domestic co-financing. This brings the total investment for the new RDP, after including the transfer from Pillar 1 and the EU contribution, to over £950m. It is important that the domestic co-financing budget is able to fund the Welsh Governments commitments, not only in 2015/16, but sustainably over the programme period.
29. The current European Programme provides £50million grant for flood and coastal defence schemes at a grant rate of approximately 45%. The full grant is close to being allocated and provision has been made within the flood budget for match funding. The current six year programme concludes in 2015. Moving forward into the next round of European funding, there is no provision for a stand alone flood project as with this current funding. However, we will seek opportunities to work in partnership to embed flood risk management into other projects (e.g. regeneration schemes, tourism projects).
30. The current Arbed ERDF project is £45m over 3 years with £33m from ERDF. The remainder of the funding comes from Welsh Government. The overall investment objectives of the project are to: improve the energy efficiency of a minimum of 4,790 existing homes in Wales by the end of 2015 and to reduce greenhouse gas emissions by a minimum of 11.6 ktCO₂ by the end of 2015. Looking forward, Priority 3 of the 2014-2020 programme is focussed on Renewable Energy and Energy Efficiency. Approximately 30% of the funding available from this Priority is to be spent on energy efficiency with the remainder spent on Marine energy and on small scale renewable energy.

31. We continue to invest in Ynni'r Fro from within our energy efficiency budgets which support community groups to progress small to medium scale renewable energy projects, in order to generate community owned funding. In the main this funding is applied to projects to tackle poverty, address energy efficiency and develop more sustainable communities.

Fuel Poverty

32. We have continued to largely protect investment in energy efficiency schemes such as NEST and Arbed and will be investing over £56m during 2015-16, including additional capital funding of £35m. These schemes are targeted at improving the energy efficiency of communities and help to tackle fuel poverty, reduce energy costs, and reduce carbon emissions as well as providing significant community benefits and market development in energy efficiency. Alongside this funding we will look to increase investment by attracting the new energy company obligation, ECO into Wales to operate alongside our Nest and Arbed programmes and through joint partnership with local authorities, registered social landlords and energy companies.

33. Due to recent changes in ECO announced by the UK Government, various actions are being taken to leverage the ECO funding such as a parallel programme of Arbed ECO funded activity to be delivered alongside the Arbed 2 scheme and a grant scheme for local authorities to deliver area based energy efficiency programmes that draw in ECO.

Flooding and Coastal Protection:

34. I have protected the overall flood and coastal protection budget at £50m in 2015/16 as this is a key priority in terms of preventative spend, creating jobs and contributing to the poverty agenda. NRW carried out a review into coastal flooding, following the winter storms of December 2013 and January 2014. The first part of the review, published in February, identified that as a result of our continued investment in flood and coastal risk management, during the winter storms, less than 1% of the properties and agricultural land at potential risk experienced flooding. In addition to the baseline funding, we are preparing a proposal for innovative finance to support the coastal risk management programme. This will provide support to local authorities for coastal adaptation schemes in accordance with the Shoreline Management Plans for Wales.

Wales Data Hub

35. A key principle of the information Hub is to ensure the hub is developed in the most efficient and effective way to add value to the existing network. As such, development of the hub has built on existing systems, utilising existing 'in house' skills and resources. A first release of the Information Hub website 'Our Environment' is now live and actively seeks feedback. The next stage includes development of a strategic plan which will address

resource requirements for further user led development and long term maintenance of the Hub. Use and value of the website will be carefully monitored through usage statistics, from the feedback sought via the website and through direct discussion with stakeholders.

Nature Fund

36. The Nature Fund will be used to support activity in seven Nature Action Zones across Wales: Brecon Beacons, Cambrian Mountains, Conwy Valley, Pembrokeshire Coast, South Wales Valleys, Berwyn and Migneint and the Llyn Peninsula. Two projects have been approved and a further one is under consideration. One project approved is a collaborative landscape scale project led by Coed Cymru collaborating with River trusts and local landowners which directly affects four of the Nature Action zones.
37. In July we published a report 'Assessing the Potential for Payments for Ecosystems Market Mechanisms' (PES) in Wales. The report concluded that there are a number of considerations/barriers that we need to address as we develop policy around PES in Wales and makes a number of recommendations including the use of pilots to develop markets in Wales. A PES steering group has been formed to take forward the development of a PES Road Map. This Road Map will detail our next steps in the development of PES in Wales and will be published before the end of this year.

Marine and Fisheries

38. I am committing £1.9m revenue funding towards the Marine and Fisheries programmes which include the match funding for the European Maritime Fisheries Fund (EMFF) and the Marine Action Plan. Work on the Welsh National Plan began with the statement of Public Participation published earlier this year, in line with the Marine and Coastal Access Act 2009. The Welsh National Marine Plan (WNMP) is due to be published in 2015. A draft Strategic Scoping Exercise (SSE) which is a consideration of the evidence for the WNMP, an interactive Marine Planning Evidence Portal and the draft Vision for the Plan along with an outline of the contents of the Plan have been made available for comment on the Welsh Government's website.

Nature Recovery Strategy

39. The Nature Recovery Plan for Wales will fulfil our commitment, under the Convention on Biological Diversity (CBD), to have in place a national biodiversity strategy and action plan by 2015. The CBD goals and targets cover all sectors of society and make particular reference to agriculture, fisheries and forestry. Strategic Nature Recovery Plan actions focus on effective natural resource management, primarily through the Environment Bill, delivering a Welsh National Marine Plan, facilitating cross-sector policy integration, funding our partners; and identifying and using other financial

instruments; reviewing designated sites and species; monitoring and reviewing regulatory instruments; encouraging effective communication and engagement, and improving our evidence base.

Water Strategy

40. We have recently consulted on our Water Strategy for Wales. This set out the future direction of water policy in Wales and how we will ensure that water continues to meet the needs of communities, business and the environment. A summary of responses will be published this autumn and my consideration of these responses will inform the development of the final strategy. A £0.27m budget has been allocated within the flood risk management and water budget expenditure line (BEL), which supports the provision of technical expertise in relation to water matters, evidence and research in support of the Strategy's objectives and engagement with stakeholders and regulators.
41. In addition, £572m or 60% of the total budget of the Rural Development Plan 2014-20 is allocated to area based measures which include a mixed capital and revenue mechanism tailored around the delivery of the Water Framework and Habitats Directives. This funding will help to contribute to the delivery of many of the objectives set out in the Water Strategy. The Welsh Government is also responsible for the regulation of the water industry in Wales. This industry will be investing over £3 billion between 2015-20 on improving water services in line with the ambitions set out in the Water Strategy.

Forestry

42. The allocations regarding Forestry are contained within the "Deliver Nature Conservation and Forestry Policies" Action investing £0.238m, as well as investing through the Grant In Aid to Natural Resources Wales (NRW), the Nature Fund and within the RDP. We are working with NRW and the private forestry sector to develop a timber strategy for Wales to ensure we get the best economic outcomes from the harvest of timber from both public and private woodlands.
43. The announcement at the Royal Welsh Show of the award of support under the Nature Fund to NRW and Coed Cymru to promote woodland creation and management has been welcomed as demonstrating the Welsh Government's commitment to supporting forestry in Wales. The Welsh Government has set a target to create 100,000 hectares of new woodland over the next 20 years and measures in the RDP 2014-2020 proposals provide strong support for forestry and woodland creation in Wales. Subject to the confirmation of the RDP these measures should support a continued increase in woodland creation in the coming years.

Climate Change

44. Climate change is fundamentally linked to growth and jobs as it has an impact on our economic prosperity and crucially provides significant opportunities for the future and in particular around green growth. We have allocated over £2m in 2015-16 which supports work on understanding the economic evidence and significant opportunities around climate change action – mitigation and adaptation – with green growth. The work also looks at climate resilience – for the economy, for society and for the environment.

Energy Wales Delivery Plan

45. A budget of £0.5m has been allocated to support the delivery of the Energy Wales Delivery Plan commitments. This budget covers ‘enabling’ themes within the Energy Wales Programme including energy policy, evidence and research in support of delivering energy commitments, and supporting new policy proposals such as the Register of Community and Economic Benefits. The Energy Wales Delivery Plan is cross-cutting across the whole of the Welsh Government, with commitments, and consequently funding, coming under a number of other portfolio areas. It is an excellent example of joined up Government with departments working together to maximise the impact of Welsh Government spend.

Kevin Roberts Review

46. The independent review by Kevin Roberts into the ‘Resilience of Farming’ made 41 recommendations in total. In particular, he highlighted the need for a tiered and tailored approach to our business development services in Wales, which focus on enhancing farm technical performance in an environmentally sensitive manner.

47. All of these recommendations were accepted and proposals are currently being worked up so that the Rural Development Programme can underpin its delivery. The majority of these activities will be focused on supporting the industry and the wider supply chain to modernise and develop new markets and products. A key recommendation was for the need to implement a third party scrutiny process to track progress on the delivery of the agricultural strategy. This will have a future cost implication when its established.

RDP / CAP Communications

48. Welsh Government officials work closely with representatives of the farming industry, land owners and other interested parties to ensure farmers understand what the CAP Reform changes mean and how to qualify and claim for new payments. An explanatory booklet about the Basic Payment Scheme was issued in July 2014 to all existing customers and an explanatory guide to the Greening Scheme was issued in September 2014. An explanatory guide on National reserve will be

available later in the year and a full guide on the Basic Payment scheme and associated schemes will be included in the Single Application Form pack next year. The Welsh Government website contains all of this information and is regularly updated.

Bovine TB

49. The eradication of bovine TB in Wales is a long term objective. The single largest element of expenditure derived from the TB Eradication Programme BEL is for the implementation of the Intensive Action Area badger vaccination project. Other projects funded from this budget include the annual TB testing of all cattle herds in Wales, the Cymorth TB initiative, the Epidemiology Cluster project, advanced management of persistent herd breakdowns and the private vaccination of badgers through the Badger Vaccination Grant. This budget also meets costs for additional Animal Health and Veterinary Laboratories Agency (AHVLA) support to the Eradication Programme.
50. The portfolio budget in 2015-16 for TB Eradication is to reduce from £10m to £7.915m to fund other priorities such as the EID Cymru programme and County Parish Holdings (CPH) programme. I believe that the reduced TB Eradication portfolio budget (of £7.915m) is likely to meet the commitments contained within the TB Eradication Plan for 2015-16. However it is important we guard against anything that will compromise the approach for eradicating TB in Wales over the longer term.

TB slaughter payments and receipts

51. The Welsh Government has a statutory obligation to compensate farmers for animals slaughtered under the TB Eradication Programme. Inevitably, in the short to medium term, the impact of new or enhanced measures aimed at finding disease, are going to have knock-on impacts on the TB slaughter payments and receipts BEL. The scale of these impacts in each case is difficult to predict. The fact that this budget is demand led and expenditure is also dependent on the number and value of animals being slaughtered under the TB Eradication Programme means that it is very difficult to accurately forecast expenditure against this budget.
52. We are currently seeing reductions in the number of new TB herd incidents and the number of cattle slaughtered. This has resulted in reductions in expenditure against the TB slaughter payments and receipts BEL. The budget for TB slaughter payments and receipts for 2015-16 is to be revised to £9.86m but expenditure against this budget will be monitored closely, particularly given the unpredictable nature of costs associated with TB compensation.

Bovine TB - Cymorth TB

53. The Cymorth TB pilot officially came to an end in May 2014. Following a review undertaken by Cardiff University Social Scientists actions are now being rolled out to other areas, taking account of lessons learned from the pilot. Currently there are two elements of expenditure associated with Cymorth TB, principally the costs of the Official Veterinarian (OV) visits to farmers who wish to take advantage of the Cymorth TB facility and secondly the additional costs of AHVLA for the administration and facilitation of the arrangements for the visits. The costs of this project has been estimated to be in the region of £250k per annum. This is dependent on farmer take up of Cymorth TB.

Bovine TB – Intensive Action Area

54. The estimated cost for the delivery of badger vaccination in the Intensive Action Area in 2015-16 is £1.3m. Costs associated with the delivery of Intensive Action Area are outlined in the annual Intensive Action Area badger vaccination report.

Wales Animal Health and Welfare Framework

55. The management of the Framework is assisted by 6 independent publicly appointed members. There is funding to support the Group directly which is drawn from the Animal Health and Welfare BEL and covers the costs of the Group and expenditure for small scale initiatives such as compiling evidence on priorities to support recommendations to Ministers. This funding for this aspect is currently set at £150k and is accommodated within existing budget.

Local Authority Framework Funding

56. This budget was established by Defra in response to Foot and Mouth Disease 2001, to provide ring fenced funding to improve and standardise Animal Health and Welfare enforcement activities. The funding is additional to funding provided via the Revenue Support Grant (RSG). In October 2010, as part of the UK Government Comprehensive Spending Review, Defra announced they were reducing this budget but a proportion of this was identified as Welsh funding. This was then formally transferred to the Welsh Government. The devolved budget was subject to the same reducing profile set by Defra and its current level is £600k.

57. We are looking to review the LA agreement and associated financial support. There remains provision of £600k in the budget for 2015-16 to support on-going LA commitments relating to animal health and welfare and livestock identification. There is no new animal health and welfare legislation currently planned that has a specific budget implication for Local Authorities that has not been taken into account in the formulation of legislation.

Agricultural Strategy

58. Officials are currently developing an outline of an Agriculture Strategy Development Programme for Wales following early engagement across Welsh Government departments. The Strategy will require the creation of governance structures and the use of existing delivery mechanisms to ensure wherever possible the adoption of an expedient and efficient approach is adopted and maximises the use of resources. Detailed action plans will be developed to support and monitor the implementation of the strategy and these will focus on the cultural and behavioural as well as physical changes needed.
59. Formal/detailed Ministerial engagement and involvement of external stakeholders has not yet taken place beyond a Ministerial indication that the Strategy should be ready for launch in spring 2015.

Animal Health and Veterinary Laboratories Agency

60. The majority of surveillance budgets are centrally held by Defra on behalf of the GB Administrations. As a consequence of a significant reduction in the number of Post Mortem Examination (PME) submissions being made to the AHVLA's Veterinary Investigation Centre in Aberystwyth, AHVLA considered it was no longer viable to continue offering the PME service. As a consequence of implementing AHVLA's Surveillance 2014 Project, the site ceased providing a PME service in March 2013 and was used as a collection centre for carcasses. The collection centre service ceased on 1st September 2014.
61. Officials are working with AHVLA and interested parties to explore options for the reintroduction of veterinary investigation services to cover mid and North Wales. South Wales will continue to be served by the AHVLA's Veterinary Investigation Centre at Carmarthen. There is no commitment at the current time for the Welsh Government to support the development of the services for mid and North Wales and therefore there are no additional budget implications.

Developing agri-food sector, associated supply chains and promotion of food

62. The budget allocations regarding the food sector and associated supply chains can be seen in the BEL table in Annex A. The "Promoting Welsh Food" BEL 2970 has remained protected at £5m, whilst the budgets within the RDP Axis 1 regarding associated supply chains have increased over 2014/15 levels.
63. We continue to work with partners throughout the industry to build on its' strengths and to add value to Welsh food/drink at every point in the supply chain. Against the backdrop of economic growth and job creation (within the Council for Economic Renewal's Economic Framework, and endorsement of green growth as a new approach to economic

development); and as part of the Tackling Poverty plan and our aim to address food poverty; and in face of the food safety and food security agendas; the division works to support the food and drink industry in Wales. It also has statutory responsibilities for the industry in Wales as a devolved area.

64. I am committed to support, deliver, monitor and evaluate “*Towards Sustainable Growth*” – an action plan for the Food and Drink Industry 2014-2020 which outlines actions to achieve growth in the industry; to ensure industry and government work in partnership to promote growth; support an innovative industry with cutting edge products and processes, and a skilled workforce with employment prospects; to increase the market share of Welsh food and drink; and to help the food sector in Wales become more sustainable economically, socially and environmentally.

Carl Sergeant AM
Minister for Natural Resources

Rebecca Evans,
Deputy Minister for Farming
and Food

NATURAL RESOURCES MAIN EXPENDITURE GROUP (MEG)															
SPA	Actions	Budget Expenditure Line (BEL)	BEL	Division	2014-15 Supp Budget June 2014	2015-16 indicative Plans Final Budget Dec 2013	2015-16 Transfers within MEG	2015-16 MEG to MEG Transfer	2015-16 Allocations to/from Reserves	2015-16 UK Government Transfer	2015-16 AME Changes	2015-16 New Plans Draft Budget	Comments		
RESOURCE BUDGET - Departmental Expenditure Limit					£000's										
Climate Change and Sustainability	Develop and deliver overarching policy and programmes on sustainable development and environment	Environment Legislation and Governance	2812	Sponsorship	181	181						181			
		Sustainable Development	2810	CCNRM	776	776						776	Transfer in from LGC		
		Sub Total			957	957	0	0	0	0	0	957			
	Develop and implement climate change, emission prevention and fuel poverty policy, communications, legislation and regulation	Climate Action and Resilience	2815	CCNRM	660	660	-660						0	1. Re-alignment of budget £5k to Radioactivity and Pollution BEL 2817; 2. Realignment of Climate Change budgets.	
		Change name to: Climate Change & Natural Resource Management	2816		1,620	1,620	655		-186				2,089	1. Realignment of Climate Change budgets; 2. Budget reduction	
		Fuel Poverty Programme	1270	P&E	3,450	3,450						-100	3,350	1. Budget reduction	
		Energy Efficiency Programmes	3771		5,300	5,300						-100	5,200	1. Budget reduction	
		Sub Total			11,030	11,030	-5	0	-386	0	0	0	10,639		
	Develop and implement flood and coastal risk, water and sewage policy and legislation	Flood Risk Management & Water	2230	EWF	27,398	27,398						-2,000	25,398	1. Budget reduction, increased capital	
		Sub Total			27,398	27,398	0	0	-2,000	0	0	0	25,398		
	Facilitate clean and secure energy and industry investment	Radioactivity & pollution prevention	2817	P&E	480	480	5					-100	385	1. Re-alignment of budget £5k from Climate Change BEL 2815; 2. Budget reduction	
		Clean energy	3770	EWF	600	600						-100	500	1. Budget reduction	
		Sub Total			1,080	1,080	5	0	-200	0	0	0	885		
	Manage and implement the Waste Strategy and waste procurement	Manage and implement the Waste Strategy and waste procurement	2190	Waste & Resource Efficiency	78,030	77,030						-2,042	74,988	1. Budget reduction	
		Waste regulation	2194		300	300							300		
Sub Total			78,330		77,330	0	0	-2,042	0	0	0	0	75,288		
Total Climate Change and Sustainability					118,795	117,795	0	0	-4,628	0	0	113,167			
Environment	Deliver nature conservation and forestry policies	Environmental Mgt support funding	2824	LNFD	1,205	1,205						1,205			
		Natural Environment	2825		1,725	1,725	656		-381			2,000	1. JNCC - Clear Line of Sight, 2. £381k Budget reduction		
		Forestry	2827		0	0	238					238	Transfer from NRW - Forestry Programme		
		Sub Total			2,930	2,930	894	0	-381	0	0	0	3,443		
	Manage and implement environmental improvement	LEQ & Keep Wales Tidy	2191	P&E	4,900	4,900						-500	4,400	1. Budget reduction	
		Cynefin	2192		736	736							736		
		Sub Total			5,636	5,636	0	0	-500	0	0	0	5,136		
	Sponsor and manage delivery bodies	Natural Resources Wales	2451	Sponsorship	70,845	68,344	-894	-450	-3,188				63,812	1. Transfer to LNFD; 2. JNCC - Clear Line of Sight; 3. transfer to CS&A MEG - Forestry staff costs; 4. £3,188k Budget reduction	
		Natural Resources Wales - Non cash	2451		3,090	3,090							3,090		
		Sub Total			73,935	71,434	-894	-450	-3,188	0	0	0	0	66,902	
Total Environment					82,501	80,000	0	-450	-4,069	0	0	75,481			
Evidence Base	Developing an appropriate evidence base to support the work of the Department	Environment Management (Pwlpeiran)	2814	LNFD	8	8						8			
		Environmental Evidence & Support	2818		1,076	1,076						-200	876	1. Budget reduction	
		Sub Total			1,084	1,084	0	0	-200	0	0	0	884		
Protecting plant health and developing GM policies	Other Plant Health Services	2821	LNFD	52	52							52			
		Sub Total			1,136	1,136	0	0	-200	0	0	0	936		
Landscape & Outdoor Recreation	Promote & support protected landscapes, wider access to green space	National Parks	2490	ORL	10,417	9,967						-410	9,557		
		Access	2494		290	290						-160	130		
		Sustainable Development Grant	2823		350	350							-50	300	
		Sub Total			11,057	10,607	0	0	-620	0	0	0	0	9,987	
Total Landscape & Outdoor Recreation					11,057	10,607	0	0	-620	0	0	9,987			
Total Environment & Sustainable Development					213,489	209,538	0	-450	-9,517	0	0	199,571			
Planning	Planning & Regulation	Planning & Regulation expenditure	2250	Planning	6,806	6,806						-385	6,421		
Total Planning					6,806	6,806	0	0	-385	0	0	0	6,421		
Protecting and	Support & Delivery of the Animal Health & Welfare programme/strategy	Animal Health and Welfare	2270	OCVO	600	600						600			
		Sub Total		600	600	0	0	0	0	0	0	600			
		TB EU Income	2269									-3,000	-3,500		

NATURAL RESOURCES MAIN EXPENDITURE GROUP (MEG)														
SPA	Actions	Budget Expenditure Line (BEL)	BEL	Division	2014-15 Supp Budget June 2014	2015-16 indicative Plans Final Budget Dec 2013	2015-16 Transfers within MEG	2015-16 MEG to MEG Transfer	2015-16 Allocations to/from Reserves	2015-16 UK Government Transfer	2015-16 AME Changes	2015-16 New Plans Draft Budget	Comments	
Agriculture, Food & Marine	Delivering the programmes within the Rural Development Plan	RDP General	2841	RPW	0	0						0		
		RDP Axis 1 - PMG	2845	CAP Planning	3,016	542	621						1,163	
		RDP Axis 4 - Strategy	2847		146	0							0	
		RDP Axis 4 - Co-Operation	2848		303	0							0	
		RDP Axis 4 - Running Costs	2849		0	0							0	
		RDP Axis 2 - Tir Gofal	2921		77	0							0	
		RDP Axis 2 - Glastir Entry and Advanced	2871	RPW	3,458	5,333	-856						4,477	
		RDP Axis 2 - Glastir Common Land Element	2872		0	0							0	
		RDP Axis 2 - Glastir Acres	2873		1,350	855	-252						603	
		RDP Axis 2 - Glastir Woodland	2874		338	33	966						999	
		RDP Axis 1 - Catchment Sensitive Farming	2925		0	0							0	
		RDP Axis 3 - Diversification into Non Ag	2941	CAP Planning	188	0							0	
		RDP Axis 3 - Support for Business Creation	2942		357	0							0	
		RDP Axis 3 - Encouragement of Tourism Acc	2943		302	0							0	
		RDP Axis 3 - Basic Services for Economy	2944		235	0							0	
		RDP Axis 3 - Village Renewal & Development	2945		262	0							0	
		RDP Axis 3 - Conservation & Upgrading of	2946		192	0							0	
		RDP Axis 3 - Provision of Training & Inf	2947		361	0							0	
		RDP Axis 3 - Skills Acquisition	2948		0	0							0	
	RDP 2014-20	2949	138		3,960	-479						3,481		
	Sub Total						10,723	10,723	0	0	0	0	10,723	
	Developing, managing and enforcing Welsh marine, fisheries and aquaculture including the enforcement of Welsh Fisheries	Fisheries Schemes	2830	CAP Planning	0	0	110						110	
		Marine & Fisheries	2870	Marine & Fisheries	1,000	1,000	-1,000						0	
Sub Total					1,000	1,000	-890	0	0	0	0	110		
Total Department for Agriculture, Food & Marine					11,723	11,723	0	0	0	0	0	11,723		
Total Capital - Natural Resources					116,490	110,490	0	190	5,000	0	0	115,680		

Annually Managed Expenditure													
Environment	Sponsor and manage delivery bodies	Natural Resources Wales - Pensions	2452		2,900	2,900	0	0	0	0	0	2,900	
		Sub Total			2,900	2,900	0	0	0	0	0	2,900	
Total Annually Managed Expenditure- Natural Resources					2,900	2,900	0	0	0	0	2,900		

NATURAL RESOURCES MAIN EXPENDITURE GROUP SUMMARY													
		Resource			320,709	310,300	0	-480	-21,095	0	0	288,725	
		Capital			116,490	110,490	0	190	5,000	0	0	115,680	
		Total DEL			437,199	420,790	0	-290	-16,095	0	0	404,405	
		Annually Managed Expenditure			2,900	2,900	0	0	0	0	0	2,900	
Total - Natural Resources					440,099	423,690	0	-290	-16,095	0	0	407,305	