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Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref SF/CS/3185/14

Alun Ffred Jones AM
Chair
Environment and Sustainability Committee

21 November 2014

Dear Alun Ffred

Further to our appearance before the Committee on 23 October for its financial scrutiny session, you wrote to the Finance Committee on 7 November setting out a range of issues on which you required further information. These are set out in full at **Annex 1** below.

We also note a number of other issues on which we agreed to provide further information during the scrutiny session. These are set out at **Annex 2**.

We trust that this has addressed the Committee's queries in full and look forward to continuing to work closely with you in the future.

Yours sincerely

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Y Gweinidog Cyfoeth Naturiol
Minister for Natural Resources

Rebecca Evans AC / AM
Y Dirprwy Weinidog Ffermio a Bwyd
Deputy Minister for Farming & Food

Issues raised in your letter of 7 November 2014

1.1 Clarification on whether the £5 million revenue reduction to the 2014-2020 RDP BEL will be returned to delivery of the Programme

The £5 million reduction is a baseline reduction to the MEG as a whole, and it is clear to me that due to the nature of the RDP and the spend profile of a multi year demand led programme, I will need to review the domestic budgetary requirements on an annual basis. My priority is clear. I will ensure that the RDP domestic budget in each financial year will be sufficient to support the commitments within the programme. The RDP programme demands flexibility and, with a flat line domestic RDP budget, I have to use as many tools and flexibilities as I can within my remit which will inevitably mean that I will need to redirect resources where the need is greatest in line with my priorities.

1.2 When is approval *{of the RDP}* likely?

I intend to update the Committee as soon as formal approval has been received from the European Commission.

1.3 How the Environment Bill supports new funding mechanisms

The Environment (Wales) Bill will put in place modern statutory processes to help plan and manage our natural resources in a more joined up way and will provide NRW with new powers to enable them to lead this work. It is proposed that the Bill will extend NRW's existing powers to undertake experimental schemes. This could include the ability to trial Payments for Ecosystem Services (PES) mechanisms. PES will enable us to understand and recognise the value of the services provided by the natural resources on which our economic growth relies, so that we can protect them and improve the social and economic well-being of Wales.

2.1 Tables of domestic spend alongside European allocations for 2015-16

As soon as formal approval has been received from the European Commission I will be in a position to review the programme for 2015/16 and the corresponding domestic and European allocations. Once I have a profile of expected spend, I will update the Committee as soon as possible.

4.2 Local Authority costs of implementing new and forthcoming animal welfare duties

Local authorities in Wales already have the duty to enforce the Animal Welfare Act 2006, including licencing duties. The Animal Welfare (Breeding of Dogs) (Wales) Regulations 2014 contain the power for local authorities to set their licencing regime to recoup reasonable costs associated with issuing a licence. They will also be able to appoint appropriate inspectors to enforce on their behalf.

Whilst we have developed Regulations on dog breeding and intend to bring forward legislation on microchipping, we recognise the connection between that and the Anti-social Behaviour Crime and Policing Act 2014 (ASBCP). We expect local authorities to fully utilise the opportunity to enforce the legislation with flexibility in mind. The Welsh Government officials will work with local authorities and other key stakeholders to develop enforcement guidance.

The Anti-social Behaviour Crime and Policing Act 2014 is a piece of UK legislation that was taken forward on the basis of reducing complexity and the burden caused to local authorities and the police by the number of Anti-social Behaviour Orders. In carrying out their assessment the UK Government Home Office made it clear that, whilst there may be costs for local authorities under the new proposals, these would be offset by the removal in the Act of other responsibilities for which funding is already in place. Moreover, the Home Office anticipated there should be cost savings under the new proposals although they were not able to fully quantify these.

Local authorities are being given the power to seek a reasonable recovery of costs associated with issuing a licence under the proposed new secondary legislation Dog Breeding Regulations in Wales which is similar in approach to that contained in existing Breeding legislation under the Breeding of Dogs Act 1973 (as amended). I have met with local authority and Welsh Local Government Association representatives and our discussions centred around affordability and willingness to keep this in sight. Our officials are working with local authorities to help facilitate the development of the processes, such as templates, and the monitoring required during the first year of implementation.

As regards microchipping, the Welsh Government has to undertake a Resource Impact Assessment and that will be developed alongside the final drafting of the Regulations.

5.2 The cost of replanting the forestry estates and where these are covered in the NRW draft budget

Natural Resources Wales estimates that the costs of replanting on the forest estate in 2015/16 as a consequence of Phytophthora Ramorum will be £1.7 million. In the first instance I would expect the NRW board to identify how they might look to cover these costs within their total operating budget of £180 million.

7.1 The processes, timetable and plan for monitoring implementation of WAO recommendations on Glastir

I am not able to release the information you have requested on the Auditor General's report on Glastir until after the Public Accounts Committee have received the Welsh Government response to the report. This information will be presented to PAC during an evidence session arranged for 2 December. Following this session I will provide the Committee with a copy.

8.2 Approved Nature Fund projects

The Nature Fund will be funding the activity outlined against 2014-15 in the successful project proposals.

The 'How to apply' was clear that we are allocating resources from the Nature Fund in this financial year 2014/15. As operational activity began in November, following a protracted funding allocation process, we have extended the timetable to allow a limited number of activities, where applicable, to be profiled for delivery in quarter 1 of 2015/16. This will optimise the public benefit derived from the project outcomes. The Nature Fund budget as defined below will be accurately profiled following the receipt of all the individual project financial profiles. The resultant 2014/15 and 15/16 profile will be managed within the [divisional/departmental] budget.

We know that some proposals will include activities, defraying expenditure following the Nature Fund operational period that may run over into future years. We asked projects to clearly indicate where additional financial support will be necessary to deliver the proposal, and how the project benefits would be sustained in the future.

The 'How to Apply' document also stated that, where a proposal is based over a number of years, we will work with successful proposals to help identify relevant funding and advice for the duration of the proposal. It also stated that, although long term funding routes would vary, the intention is that most of the funding for successful proposals in future years will be met from the Rural Development Programme, where eligible.

The information provided on the deliverability of projects in 2014-15 and sustainability of the benefits was appraised as part of the Nature Fund appraisal process.

Project	Lead	Amount	Description
Coed Cymru and Rivers Trust	Coed Cymru	£658,500	This project is led by Coed Cymru collaborating with River Trusts and local landowners and delivers action directly in several of the Nature Action Zones. The project will focus primarily on the farmed landscape within the river catchments. The project proposes to work with 300 farmers in 10 river catchments. Activity includes woodland creation for riparian areas, woodland management, hedgerow restoration.
Natural Buzz	Keep Wales Tidy	£130,000	The project led by Keep Wales Tidy aims to maximise multiple ecosystem services of currently undervalued green sterile spaces – mowed areas on industrial estates, school and hospital grounds, business parks and roadside verges and transform them into a blaze of wildflowers.
Elwy Valley Habitat Improvement	Conwy County Borough Council	£180,000	The project aims to work with landowners to deliver improvements such as carrying out soft engineering works on identified sections of river bank, comprising reprofiling, seeding and planting of native trees to a 7.5km stretch of the River Elwy between two villages (Llangernyw and Llanfairtalhaiarn) in the Conwy Valley Nature Action Zone. Currently this section

			of river currently has unstable banks for 80% of its length due to a lack of trees and free access by livestock which increase bank collapse and erosion.
Llyn Landscape Partnership	Gwynedd County Council	£200,000	This collaborative project led by Gwynedd County Council aims to build resilience through the integrated management of terrestrial coastal habitats in the Llyn Peninsula Nature Action Zone by striking a balance through agricultural use, conservation of key habitats and provision of access through the Coastal Path.
Unwanted Vegetation and the Restoration of Peatlands	Snowdonia National Park	£132,000	This collaborative project led by Snowdonia aims to restore areas of peatland, a priority habitat in three Nature Action Zones (Conwy Valley, Berwyn and Migneint & Llyn Peninsula) and the establishment of a strategy for the future restoration of peatland in North-West Wales.
Long Forest Phase 2	Keep Wales Tidy	£190,000	The Long Forest is a community engagement project aimed at encouraging local groups, landowners, schools and businesses to become more actively involved in the management of hedgerows, associated linear woodland features and ancient trees. Volunteers will gain training and knowledge in hedgerow management activity with wider benefits relating to water quality and flood alleviation
Peatland Push Cymru	Montgomerys hire Wildlife Trust	£59,000	The project led by Montgomery Wildlife Trusts aims to deliver sustainable land management on the ground through the creation and restoration of habitats on a 24ha smallholding, delivering water quality and quantity benefits while enabling habitat connectivity in the Cambrian Mountains Nature Action Zone. The project will pilot the establishment of a mechanism which will support landowners within the area to directly market the green growth opportunities generated from their holdings
North Wales Moors Futurescape	RSPB	£241,800	The project led by RSPB Cymru places the Berwyn and Migneint Nature Action Zone as the focus for conservation action

Programme			and sustainable land management at a landscape scale. Delivery will be through a broad partnership willing to take action to achieve a shared vision for a sustainable countryside.
Connectivity Work in the Duhonw Catchment	Robert Powell Blaenbwch	£128,000	This collaborative farmer led project takes practical action at landscape scale and seeks to build ecosystem resilience with the establishment of wildlife corridors which will deliver wider environmental benefits including improved water quality and storage within the catchment. Some 19,500m of corridors will be established to the Welsh Government agri-environment specification.
Managing Woodland Resources in Conwy	Golygfa Gwydyr	£125,000	This project will build the capacity of the community in Conwy manage public and private woodland resources and thus realise economic, social and environmental benefits for participating communities, making them more sustainable and less dependent on public funding. Community engagement will enable greater value for money contracting for large- and small-scale public commissioning whilst ensuring that community benefits are realised through direct action by the community, or contractual community benefit clauses where appropriate.
Pond Connections	Amphibian and Reptile Conservation (ARC) Trust	£63,000	This project led by ARC Trust bring partners together for pond creation and restoration and habitat restoration for over 30 sites in the south Wales Valleys Brecon Beacons and Pembrokeshire Coast Nature Action Zones. It includes an extensive volunteer programme and looks to use local resources and contractors.
Castlemartin Peninsula	The National Trust	£144,000	The partnership project is a combination of web mapping which will provide the evidence for the development of a toolkit for organisations and communities to address habitat and biodiversity loss. The project also sees activity to improve habitats in the catchment, land management works and volunteer and community engagement.
Future Fisheries	The Wildlife Trust of	£62,000	This partnership proposal is to provide information to help promote low impact

Living Seas	South and West Wales		fishing practices which will enable species and habitats to recover. This information is not readily available at present and using this will help to engage fishermen in taking forward a sustainable approach to fishing.
Ecosystem Enterprise Partnership (EEP) - Ecobank	Pembrokeshire Coastal Forum	£150,000	This project led by Pembrokeshire Coastal Forum aims to create a partnership framework between land managers, business, industry and commerce, government and third sector to reduce emissions to the Milford and Cleddau catchments with improved local environment use for public and biodiversity benefits.
Pollinators for life project	Torfaen County Borough Council	£282,100	This project led by Torfaen County Borough Council aims to undertake a range of initiatives to promote long term sustainable land management and to improve habitats and conditions for all pollinating species across the South Wales Valleys.
Elenydd Purple Moor Grass	Cambrian Mountains Initiative	£152,000	This project led by the Cambrian Mountains Initiative undertakes and evaluates different approaches to the management of Molinia and researches potential uses of Molinia. This has the potential to deliver multiple ecosystem benefits such as securing an economic return for farm businesses through harvested Molinia.
Black Mountain Heathland Restoration	Brecon Beacons National Parks	£201,500	This project led by Brecon Beacons National park focuses on the development of a land management partnership, development of a 10 year bracken control programme, and direct action to restore vegetative cover and heather management and Molinia.
Berwyn and Migneint, Black mountains and Radnor upland recovery	FWAG	£241,800	This project managed by FWAG aims to support landscape-scale species recovery and wider ecosystem service delivery. The project will focus on restoring and safe guarding peat bogs to deliver a suite of benefits such as carbon sequestration, water retention, flood risk alleviation and restoration of heather habitat.
Eastern	Torfaen CBC	£280,000	A large South Wales partnership project

Valleys Uplands Project			<p>taking place in South East Wales Valleys composed of 3 interrelated elements developing a regional natural resource management for the uplands; a number of capital projects around fencing, land management, reducing crime and creating fire breaks and contribution for outreach and crime prevention engaging with commoners and land use stakeholders to share best practice.</p>
Llynfi Valley Woodland Creation	NRW	£627,000	<p>The Welsh Government is also directly investing into a woodland creation project in the Llynfi valley. This project is led by NRW, directly involving the local authority Health Trust, schools and communities to implement 30ha of native woodland planting and integrated community focused infrastructure.</p>

Issues discussed at scrutiny session where further information was requested

Information on the sale of forestry by Natural Resources Wales and clarification around the definition of non-essential public estate

Natural Resources Wales is intending to sell 277ha of Welsh Government owned farm land. This represents only 0.2% of the land it manages on behalf of the Welsh Government, which is a total 126,000ha. Much of the farm land which is being sold (235ha or 85%) is occupied by farmers with secure tenancies. This means that Natural Resources Wales is unable to use the land and therefore selling it gives the tenants the opportunity to purchase the freehold outright.

It is estimated that the total land intended for sale will generate approximately £1.2 million. This will be reinvested to manage the Welsh Government woodland estate in order to maximise the benefit for the people, economy and environment in Wales.

Natural Resources Wales has also sold three old depots inherited from predecessor bodies which were not in active use.

Details of identified Natural Resources Wales ICT spend for next year

The total ICT set up expenditure for 2013-14 was £8.1m and is projected to be £13.3m in 2014-15. In the future the projected costs for the move into ICT transformation are £8.1m in 2015-16 and £3.9m in 2016-17. Therefore, the total projected expenditure on ICT by Natural Resources Wales between 2013/2014 and 2016/2017 is £33.4m.

Information on the possible impact in Wales of the UK Government's changes to the Energy Company Obligation

Recent changes to the Energy Company Obligation (ECO) by the UK Government have resulted in significant reductions in the amount of ECO that can be leveraged for schemes in Wales. Developments in the achievements of ECO targets by energy companies are impacting on the price that energy companies are prepared to pay for every tonne of carbon saving delivered. The price per carbon tonne has reduced from around £150 per tonne to as little as £25 per tonne.

Despite the changes we will continue to develop a range of actions and will leverage investment in partnership with internal colleagues and external partners.

As a result we will continue to deliver energy efficiency improvement through area based schemes across Wales.

Clarification regarding £35m capital budget for Fuel Poverty Programme (BEL 1270)

A query was raised on the notes accompanying the BEL table which was submitted to the Committee as part of the evidence. The comments were that the 2015/16 budget includes £35m awarded in the final budget of 2014/15. This comment was potentially interpreted that £35m from 2014/15 was underspent and carried forward. Indeed, the comment was to

inform the committee that in 2014/15 the Finance Minister awarded £35m to Fuel Poverty in both financial years 2014/15 and 2015/16, and that the draft budget for 2015/16 includes this £35m announced in 2014/15. I can also confirm that the £35m in 2014/15 remains fully committed.

The figures for the number of Ynni'r Fro schemes and their spread across Wales as well as an assessment of the value for money they provide

Outlined below are the Ynni'r Fro Schemes in place across Wales.

Convergence	
Anglesey	5
Bridgend	4
Caerphilly	1
Carmarthenshire	11
Ceredigion	15
Denbighshire	1
Gwynedd	14
Merthyr Tydfil	2
Neath Port Talbot	3
Pembrokeshire	8
Rhondda Cynon Taff	9
Swansea	3
Torfaen	1
Blaenau Gwent	4
Conwy	4
Vale of Glam	1
	86
Competitiveness	
Monmouthshire	2
Powys	10
Wrexham	1
Flintshire	2
Cardiff	1
Total	16

An internal economist was commissioned to undertake a cost benefit analysis of the programme in 2013. This work established that the 20 projects identified in the research, (which were those sufficiently well advanced to provide robust data), will generate £11.8 million in net benefits over the lifetime of the installations, with benefits of £1.36 generated for every £1 invested from the programme.

There are 6 projects currently in the planning process awaiting determination. There are also a further 6 projects that have received pre-planning advice from the relevant Local Planning Authority, but have not yet submitted a formal planning application. 4 of these projects are located in south Wales, 1 in mid Wales, 3 in north Wales and 4 in west Wales.

The predicted cost of the badger vaccination programme in the intensive action area for the next financial year 2015/16 and clarification of why it is predicted to cost more than in the first two years of the scheme

The original predicted cost for year one of the project was £1.1m. An annual mark-up of £0.1m has been added to cover the increase in incremental staff salary costs as well as to cover general increases in equipment, accommodation and facilities costs.

The variation between the predicted cost for 2015/16 and the actual cost reported for the first two years is mainly due to:

- Costs published in the Annual IAA Badger Vaccination Report only reflect the actual costs incurred during the field operational phase of the project between April and November. The costs were presented on this basis for year one as the report was published on completion of the first year's operational phase and before the end of the financial year.
- Further costs were incurred after producing the report, during the non operational phase of that financial year. There is also an overlap of expenditure incurred at the end of a financial year that are to support the operational phase within the IAA of the following year.

The costs for year 2 were published on the same basis to provide a year on year comparison. This was stated in paragraph 45 of the report:-

"The costs cover the delivery of the field operational phase between April and November 2013, and also include expenditure that was incurred prior to this, during the preparation stage such as the purchase of various items of equipment and consumables".

Information on the financial implications of the Control of Horses (Wales) Act 2014

The first six months of the Control of Horses (Wales) Act saw the new powers being used to good effect by at least 9 local authorities who reportedly used it on at least 30 separate occasions.

Many of the local authorities have not as yet used the powers, this is believed to be due to the impact that the legislation has had i.e. it has raised the profile of the problem, made it less acceptable to fly graze and as a result brought about a change of behaviour by those owners who have previously been inclined to fly graze their animals.

Local authorities are currently unable to provide detailed figures in respect of the actual costs accrued under the Control of Horses (Wales) Act 2014. A number of authorities who have used the powers believe that on average it is costing approximately £150 per horse for seizure. Costs for keeping horses for the 7 day period vary from £10 - £12 per day with a further £200 for identification and transport in cases where the horse is rehomed or £200 for euthanasia and disposal costs where the only option is to humanely destroy the horse. These figures do vary depending on the numbers involved and in most cases do not include local authority officer time.

Prior to the Act coming into force local authorities reported that the average cost to seize, impounding and disposal of a horse could amount to as much as £500 per horse per day. During the period November 2011 to December 2012 it was estimated that around £1.2 million was spent in dealing with the issue in South Wales alone.

A commitment has been given to fully evaluate the Act within 3 years of it coming into effect.

Provision for the cost of implementing the Agricultural Sector (Wales) Act

I have allocated £183k to support the implementation of the Agriculture Sector (Wales) Act as can be seen in the BEL table supplied to the committee as part of the evidence. The Budget has not yet been assigned a BEL number, but it is provisionally entitled "AWB" and is under the Action "Develop and deliver overarching policy and programmes on Agriculture, Food and Marine".

The Agricultural Sector (Wales) Act 2014 provides provisions for the Welsh Ministers to make an interim wages order before the proposed Agricultural Advisory Panel is established.

Due to the abolition of the Agriculture Wages Board in 2013 and the UK Government's decision to refer the Agricultural Sector (Wales) Bill to the Supreme Court for consideration, no new rates of Agricultural Minimum Wage have been set since 2012. An interim wages order made under the 2014 Act will allow us to bring wages in line with current economic and employment conditions in the agricultural sector in Wales.

An interim wages order is expected to come into force in 2015 and any proposed increase to the pay levels of agricultural workers will be subject to statutory public consultation.

Information on the co-ordination of Government spending on food promotion events

My Department is currently working on developing a Food Tourism Action Plan in collaboration with Visit Wales and in consultation with a range of public, private and voluntary stakeholders with the aim of encouraging greater co-operation and collaboration across the Food and Tourism sectors in Wales.