



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Yr Is-bwyllgor Datblygu Gwledig
The Rural Development Sub-committee**

**Dydd Llun, 20 Hydref 2008
Monday, 20 October 2008**

Cynnwys
Contents

- 3 Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions
- 4 Ystyried Cynigion Cyllidebol 2008-09
The Consideration of Budgetary Proposals 2008-09

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mick Bates	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Alun Davies	Llafur (Cadeirydd yr Is-bwyllgor) Labour (Sub-committee Chair)
Rhodri Glyn Thomas	Plaid Cymru The Party of Wales
Brynle Williams	Ceidwadwyr Cymreig Welsh Conservatives

Eraill yn bresennol
Others in attendance

Huw Brodie	Cyfarwyddwr, yr Adran Materion Gwledig, Llywodraeth Cynulliad Cymru Director, the Department for Rural Affairs, Welsh Assembly Government
Huw Davies	Pennaeth Uned Fusnes, yr Adran Materion Gwledig, Llywodraeth Cynulliad Cymru Head of Business Unit, the Department for Rural Affairs, Welsh Assembly Government
Elin Jones	Aelod Cynulliad, Plaid Cymru (y Gweinidog dros Faterion Gwledig) Assembly Member, The Party of Wales (the Minister for Rural Affairs)
Rory O'Sullivan	Pennaeth Is-adran Polisi Cefn Gwlad, Llywodraeth Cynulliad Cymru Head of Countryside Policy Division, Welsh Assembly Government

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

Claire Morris	Clerc Clerk
Meriel Singleton	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 4.31 p.m.
The meeting began at 4.31 p.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Alun Davies:** Galwaf y cyfarfod hwn o'r Is-bwyllgor Datblygu Gwledig i drefn. Pwrpas y cyfarfod hwn yw trafod ei chyllideb gyda'r Gweinidog dros Faterion Gwledig. **Alun Davies:** I call this meeting of the Rural Development Sub-committee to order. The purpose of this meeting is to discuss her budget with the Minister for Rural Affairs.

[2] Yr ydym yn falch eich bod yn gallu bod gyda ni heddiw, Weinidog. Gobeithiaf eich bod yn teimlo'n well ar ôl yr wythnos **We are pleased that you are able to be with us today, Minister. I hope that you are feeling better after your illness of last week. We are**

diwethaf. Yr ydym yn hynod ddiolchgar am yr amser yr ydych yn ei dreulio gyda ni y prynhawn yma. Ni wnaf y datganiadau arferol, gan fy mod eisiau symud yn syth at y sesiwn graffu.

extremely grateful for the time that you are to spend with us this afternoon. I will not go through the usual announcements, as I would like to move immediately to the scrutiny session.

4.32 p.m.

Ystyried Cynigion Cyllidebol 2008-09 The Consideration of Budgetary Proposals 2008-09

[3] **Alun Davies:** A allwch gyflwyno eich hun a'ch swyddogion ar gyfer y Cofnod, Weinidog? A allwch chi wedyn sôn am y rhannau o'r gyllideb y credwch bod angen inni ganolbwyntio arnynt? Symudwn at gwestiynau gan Aelodau wedyn.

Alun Davies: Will you introduce yourself and your officials for the Record, Minister, before going through the parts of the budget on which you believe we need to concentrate? We will then progress to Members' questions.

[4] **Y Gweinidog dros Faterion Gwledig (Elin Jones):** Diolch, Gadeirydd. Ymddiheuraf am yr anghyfleustra i'r pwyllgor fy mod wedi methu â mynychu cyfarfod dydd Llun diwethaf.

The Minister for Rural Affairs (Elin Jones): Thank you, Chair. I apologise for the inconvenience caused to the committee as I was unable to attend last Monday's meeting.

[5] Diolch am y cyfle i gyflwyno'r gyllideb am y flwyddyn nesaf, sydd o'ch blaenau. Fel y gwelwch, nid yw'n gyllideb sydd wedi newid yn sylweddol o'r hyn yr oeddwn wedi ei ragamcan y llynedd. Mae'r gyllideb ar gyfer fy mhortffolio i yn un tair neu bedair blynedd. Yr oedd yr ymrwymadau ar gyfer 'Cymru'n Un', felly, wedi cael eu hariannu o fewn yr amcanion tair blynedd o'r llynedd, ac felly nid oes llawer o newid yng nghyllideb eleni. Y newid penodol—sy'n newid cyfrifyddol yn fwy na dim—yw yr ychwanegiad o £2 filiwn ar gyfer y Comisiwn Coedwigaeth.

Thank you for the opportunity to present next year's budget, which is before you. As you see, it is not a budget that has changed significantly from what I had predicted last year. The budget for my portfolio is a three or four year budget. Therefore, the commitments made in 'One Wales' had been funded within the three-year objectives from last year, so there are not many changes in this year's budget. The specific change—which is an accounting change more than anything—is the addition of £2 million for the Forestry Commission.

[6] Efallai mai'r newid mwyaf sylweddol yw'r newid o ran sut mae'r gyllideb wedi ei chyflwyno. Mae'n weddol gymhleth, felly efallai y byddwch eisiau i Huw Davies egluro hynny. Gyda llaw, gyda mi heddiw mae Huw Davies, pennaeth yr uned fusnes yn fy adran i, a Huw Brodie, Cyfarwyddwr yr Adran Materion Gwledig.

Perhaps the most significant change is the change in how the budget has been presented. It is quite complex, so you may want Huw Davies to explain that. By the way, with me today are Huw Davies, the head of the business unit in my department, and Huw Brodie, the Director of the Department for Rural Affairs.

[7] Mae'r gyllideb wedi'i diwygio o ran ei chyflwyniad—nid er mwyn cymhlethu aelodau'r pwyllgor, na minnau fel Gweinidog. Fodd bynnag, yr wyf yn ymwybodol bod y gyllideb yn y gorffennol wedi bod yn eithaf cymhleth o ran ei

The budget has been amended in relation to its presentation—not to confuse committee members, or me as Minister. However, I am aware that the budget in the past has been quite complex in its presentation; it is made even more complex as the rural development

chyflwyniad; mae'n cael ei chymhlethu yn fwy na dim oherwydd nad yw'r cynllun datblygu gwledig yn cael ei gyfrif fel eitem cyfan gwbl ar wahân. Dyna un o'r prif resymau, felly, dros osod categorïau newydd, a gosod y cynllun datblygu gwledig ar wahân. Fodd bynnag, o fod wedi newid hyn, mae nifer o newidiadau trefniadol i'r gyllideb hon.

[8] Hoffwn wneud dau bwynt ar y gyllideb, sydd hefyd yn cynnwys cyfeiriad at gyllideb eleni, sef y ddau bwysau penodol ar fy nghyllideb eleni, ac ymlaen i'r flwyddyn nesaf. Ni fydd y cyntaf yn sioc i chi, sef iawndal ar gyfer TB. Byddwch yn ymwybodol fod y gwariant ar hynny yn £16 miliwn y llynedd. Nid ydym yn rhagweld unrhyw leihad ar gyfer eleni. Mae cyllideb o £12 miliwn. Bydd yn rhaid i mi drafod gyda'r Gweinidog dros Gyllid a Chyflenwi Gwasanaethau Cyhoeddus ynglŷn â sut y gallwn ariannu'r gwahaniaeth yn y flwyddyn ariannol hon a'r flwyddyn ariannol nesaf.

[9] Er y bydd rhai ohonoch yn ymwybodol o hyn yn barod, hoffwn hefyd dynnu eich sylw at y ffaith bod y cynllun organig wedi bod yn hynod o lwyddiannus mewn un ffordd eleni; cafwyd nifer sylweddol yn fwy o geisiadau ar gyfer troi'n organig—llawer yn fwy na'r gyllideb sydd gennym ar gyfer y cynllun hwnnw. Felly, bydd yn rhaid i mi ddiwygio'r gyllideb ar gyfer echel 2, cynlluniau megis Tir Cynnal a Tir Gofal, i gwrdd â'r gofyn ar gyfer cyllid ychwanegol ar gyfer y cynllun organig. Un o anfanteision llwyddiant yw bod yn rhaid ichi ei ariannu. Yr oeddwn wedi gobeithio y byddwn mewn sefyllfa i wneud cyhoeddiad i'r pwyllgor, ond, oherwydd fy salwch dros y pythefnos diwethaf, ni chefais gyfle nes y bore yma i gwrdd â swyddogion i drafod hynny yn fanylach. Gobeithiaf wneud datganiad ar hynny fore Mercher. Efallai y bydd yn bosibl i Aelodau graffu ar y penderfyniad hwnnw yn ystod fy sesiwn cwestiynau brynhawn Mercher. Mae'n effeithio nid yn unig ar gyllideb eleni ond y gyllideb ar gyfer y flwyddyn nesaf hefyd.

[10] **Alun Davies:** Diolch yn fawr. Mae'r gyllideb wedi newid ac yr ydym wedi cael rhywfaint o anhawster yn deall beth sydd wedi digwydd o flwyddyn i flwyddyn. Wedi

plan is not included as an entirely separate item. That is one of the main reasons, therefore, for these new categorisations, and for placing the rural development plan in a separate section. However, having made this change, there are several procedural changes to this budget.

I would like to make two points on the budget, which also includes reference to this year's budget, namely the two specific pressures on my budget for this year, which will also have an impact next year. The first will be of no surprise to you, namely TB compensation. You will be aware that £16 million was spent on that last year. We do not foresee any reduction this year. The budget is £12 million. Therefore, I will have to speak to the Minister for Finance and Public Service Delivery with regard to how we can fund the difference in this financial year and the next.

Although some of you will already be aware of this, I would also like to draw your attention to the fact that the organic scheme has been extremely successful in one way this year; there has been a considerable increase in the number of applications for organic conversion—considerably more than the budget that we have for that scheme. Therefore, I will need to revise the budget for axis 2, schemes such as Tir Cynnal and Tir Gofal, to meet the demand for additional finance for the organic scheme. One of the downsides of success is that you have to fund it. I had hoped that I would be in a position to make an announcement to the committee, but, due to my illness over the last fortnight, I did not have an opportunity until this morning to meet officials to discuss this in more depth. I hope to make an announcement on this on Wednesday morning. Perhaps it will be possible for Members to scrutinise that decision during my question session on Wednesday afternoon. It affects not only this year's budget but also the budget for next year.

Alun Davies: Thank you. The budget has changed and we have had some difficulty in understanding what has happened from year to year. Having said that, the budget for this

dweud hynny, mae'r gyllideb ar gyfer eleni yn glir ac yn ddealladwy, ac yr ydym yn hynod ddiolchgar am hynny. Beth yw eich amcanion polisi ar gyfer y flwyddyn nesaf?

[11] **Elin Jones:** Mae'r amcanion polisi o fewn cyd-destun blaenoriaethau Llywodraeth Cymru'n Un—y blaenoriaethau hynny sydd yn ymwneud â fy adran i. Mae cyfeiriad penodol at waredu TB; mae cynllun sylweddol iawn gan y Llywodraeth. Fel y gwelwch o'r gyllideb sydd o'ch blaenau, mae cyllid sylweddol dros y tair blynedd—cyfanswm o £27.7 miliwn—wedi ei glustnodi ar gyfer gwaredu TB.

[12] Y blaenoriaethau eraill yw edrych ar weithredu'r cynllun datblygu gwledig yn ei gyfanrwydd. Oherwydd penderfyniad ar lefel Comisiwn Ewrop, nid oedd y cynllun hwnnw yn llwyr weithredol nes yn gynnar yn y flwyddyn galendr hon. Felly, mae rhywfaint o waith i'w wneud i ddal i fyny, a bydd hwn felly yn flaenoriaeth o ran polisi ac o ran gwario arian. O fewn y cyd-destun hwnnw, mae'r adolygiad o echel 2 a'r cynlluniau amaeth-amgylcheddol yn mynd rhagddo ar hyn o bryd, wrth gwrs.

[13] Yn olaf, mae'r cynllun i roi hwb i bobl ifanc i gael mynediad i'r diwydiant amaethyddol, er nad oes cyllideb benodol ar gyfer hynny i'r flwyddyn nesaf; bydd y gyllideb honno yn dod i rym yn 2010. Bydd y gwaith paratoadol o weithio gyda phobl ifanc, datblygu cynllun busnes, hyfforddiant, ac yn y blaen, yn gallu gweithio o dan yr ymbarél Cyswllt Ffermio, gan baratoi ar gyfer y buddsoddiad yn 2010. Felly, yn gryno, cwrdd ag anghenion ac addewidion 'Cymru'n Un' a gweithredu ar hynny yw'r flaenoriaeth.

[14] **Brynle Williams:** Yr wyf yn falch o'ch gweld yn ôl, Weinidog.

[15] Why have the new budget expenditure lines for the companion animal welfare scheme and the cost-sharing responsibility not been retained with animal disease control and welfare of the SPA?

4.40 p.m.

[16] **Mr Brodie:** There is no particular significance; it has just been split out for greater clarity over where those elements of funding are, because they are not directly related to disease control.

year is clear and understandable, and we are extremely grateful for that. What are your policy objectives for the next year?

Elin Jones: The policy objectives are in the context of the priorities of the One Wales Government—the priorities that relate to my department. There is a specific reference to eradicating TB; the Government has proposed a considerable scheme. As you will see from the budget before you, considerable funding over three years—a total of £27.7 million—has been earmarked for the purpose of eradicating TB.

The other priorities are to look at putting into effect the rural development plan in its entirety. As a result of a decision at the European Commission level, that scheme was not entirely operational until early in this calendar year. Therefore, there is some catch-up work to be done, and that will be a policy and spending priority. Within that context, the revision of axis 2 and the agri-environment schemes is also happening at the moment, of course.

Finally, there is the scheme to encourage young entrants to the agriculture industry, although there is no specific budget for that for the next year; the budget for that does not kick in until 2010. The preparatory work, which involves working with young people, developing a business plan, training, and so on, can work under the umbrella of Farming Connect, in preparation for the investment in 2010. Therefore, in summary, the priority is fulfilling the needs and promises of 'One Wales' and acting upon those.

Brynle Williams: I am pleased to see you back, Minister.

[17] **Brynle Williams:** I am curious about the fact that £1 million has appeared in the budget. There is no breakdown of where it has come from or how it will be used. There is just the reference to £1 million for companion animals.

[18] **Mr Brodie:** There is no change in the sum of money allocated for companion animals this year from the budget that was set last year. It is simply the arrangement that was put in place last year for providing funding, particularly to local authorities to enable them to recognise their extra responsibilities under the new legislation.

[19] **Brynle Williams:** Thank you. My other question is on TB.

[20] **Alun Davies:** I will stop you there, Brynle, because Mick wants to come in before you move on to TB.

[21] **Mick Bates:** Given that you just mentioned the word ‘legislation’, are there any financial implications to your desire to have this legislation under the Welsh red meat industry LCO?

[22] **Elin Jones:** No, not that I recall.

[23] **Mick Bates:** So, there are no financial implications at all.

[24] **Elin Jones:** Not to the Welsh red meat industry LCO. It is primarily an administrative legislative change in the light of having Hybu Cig Cymru as an organisation that is not directly within the Assembly Government.

[25] **Mick Bates:** I just wanted to clarify that before we went on to TB.

[26] **Brynle Williams:** On TB, could you outline your expenditure on the eradication scheme during the current financial year?

[27] **Elin Jones:** The TB eradication budget for this financial year is £6 million. The bulk of that funding is to be used on TB health checks, which we know started in October 2008—that is the extra testing of cattle in areas where they would not have been tested within one calendar year. So, the majority of the funding is to meet the TB health check and the related compensation payments from the TB health check. The compensation payments that relate to non-foreseen testing come from the TB eradication programme. The other compensation arising from the testing that would have happened even without a TB eradication programme and the health check is met from the other budget line, on TB slaughter payments.

[28] **Alun Davies:** Pa fath o effaith a gaiff y costau ychwanegol hyn ar y rhaglen yn ei gyfanrwydd?
Alun Davies: What impact will these additional costs have on the programme in its entirety?

[29] **Elin Jones:** Y costau ychwanegol mewn taliadau iawndal?
Elin Jones: The additional costs in compensation payments?

[30] **Alun Davies:** Ie.
Alun Davies: Yes.

[31] **Elin Jones:** Fel y llynedd, bydd y Gweinidog dros gyllid yn disgwyl i mi ddod o hyd i'r arian hwnnw o fewn fy nghyllideb i ddechrau, felly rhaid i mi edrych ar danwariant o fewn fy nghyllideb. Os yw'r
Elin Jones: As was the case last year, the Minister for finance will expect me to find that additional funding within my own budget initially, therefore I will have to look at underspend within my budget. If the

iawndal yn fwy na'r hyn y gallaf ei fforddio o fewn fy nghyllideb, rhaid i mi gael trafodaeth hyd yn oed mwy dyrys gyda'r Gweinidog dros gyllid ar sut y mae darganfod yr arian hwnnw o'r tu allan i fy nghyllideb.

[32] **Alun Davies:** Beth yw'r sefyllfa ar hyn o bryd? A oes modd i chi ariannu'r costau ychwanegol o'ch cyllideb?

[33] **Elin Jones:** Fel y dywedais yn gynharach, mae dau o bwysau penodol ar y gyllideb eleni. Iawndal ar gyfer TB yw un ohonynt, sydd yn debygol o fod tua £16 miliwn neu fwy. Felly, bydd yn sylweddol yn fwy na'r arian a osodwyd yn y gyllideb ar ei gyfer. Hefyd, mae gennyf bwysau ychwanegol ynghylch y galw sylweddol am y cynllun organig.

[34] Os caf egluro, mae rheolaeth y cynllun organig, fel y cynllun iawndal TB, i bob pwrpas y tu allan i'n rheolaeth ariannol gan fod y ddau gynllun yn cael eu harwain gan alw. Er nad yw'r cynllun iawndal TB yn 'gynllun' yng ngwir ystyr y gair, mae'n gyfrifoldeb cyfreithiol ar y Llywodraeth i dalu am unrhyw anifail sy'n cael ei gymryd o dan orfodaeth oherwydd TB. O dan y cynllun organig fel y mae wedi'i strwythuro ar hyn o bryd, os yw rhywun yn trosi'n organig ac yn gwneud datganiad ei fod wedi gwneud hynny ar ei ffurflen cais sengl flynyddol ym mis Mai, mae'n gyfrifoldeb cyfreithiol arnom i'w ariannu ar gyfer y trosi hwnnw.

[35] **Rhodri Glyn Thomas:** Ynghylch nid yn unig yr iawndal, ond yr holl gostau sy'n gysylltiedig â'r diciâu, a ydyw'r arian hwnnw i gyd yn dod o gyllideb y Gweinidog yn y Cynulliad neu a oes rhywfaint o arian DEFRA yn cael ei ychwanegu at y swm hwnnw? A oes modd i unrhyw un esbonio pwy sy'n talu beth, fel ein bod yn glir?

[36] **Elin Jones:** Dechreuaf i ac wedyn gall rhywun arall fy helpu. Mae llawer o'r gwaith o brofi ar gyfer TB yn cael ei wneud gan Iechyd Anifeiliaid—yr hen Wasanaeth Milfeddygol Gwladol—sy'n cael ei ariannu gan DEFRA. Nid yw hynny wedi'i ddatganoli. Felly, mae'r gwaith profi arferol sy'n digwydd ar ffermydd yn sgil polisïau Iechyd Anifeiliaid yn cael ei ariannu gan DEFRA, i bob pwrpas. Mae'r gwaith hwnnw

compensation exceeds what I can afford from within my budget, then I will have to have an even more intense discussion with the Minister for finance on where we will find that money outside of my budget.

Alun Davies: What is the current situation? Can you fund the additional costs from your budget?

Elin Jones: As I mentioned earlier, I have two particular pressures on this year's budget. One is compensation for TB, which is likely to be around £16 million or more. Therefore, it will be significantly more than the funding allocated for it in the budget. I also have the additional pressure of the significant demand for the organic scheme.

If I may explain, the management of the organic scheme and the TB compensation scheme is, to all extents and purposes, outwith our financial control because both schemes are demand led. Although the TB compensation scheme is not a 'scheme' in the true sense of the word, the Government has a legal responsibility to pay for any animal forcibly removed as a result of TB. Under the organic scheme as it is structured at the moment, if anyone converts to organic farming and declares that that has been done on the annual single application form in May, we have a legal responsibility to fund that conversion.

Rhodri Glyn Thomas: With regards to not only the compensation, but all of the costs related to TB, does all of that money come from the budget of the Minister in the Assembly or is some DEFRA money added to that sum? Could someone explain who pays for what, so that we are clear?

Elin Jones: I will begin and then someone else can help me. Much of the TB testing is done by Animal Health—the former State Veterinary Service—which is funded by DEFRA. That has not been devolved. Therefore, the regular testing work that takes place on farms as a result of Animal Health's policies is funded by DEFRA to all extents and purposes. That work is separate to the additional work that we are doing under our

ar wahân i'r gwaith ychwanegol yr ydym yn ei wneud o dan ein rhaglen gwaredu TB. Mae'n rhaid i ni sicrhau bod cydweithio, wrth gwrs, ond mae'r gwaith ychwanegol newydd yn cael ei ariannu gennym. Os wyf yn cofio'n iawn, mae rhyw fath o frasamcan mai tua £10 miliwn yw gwerth gwaith Iechyd Anifeiliaid ar TB yng Nghymru.

[37] **Brynle Williams:** Yn fyr iawn, Weinidog, yr ydym i gyd yn sylweddoli pa mor bwysig ydyw i fynd i'r afael â diciâu. A ydych yn meddwl bod digon o ragwelediad yn y gyllideb? Os ydym yn bwriadu profi pob buches yng Nghymru, byddwn yn sicr yn dod o hyd i fwy o achosion yn y flwyddyn gyntaf. A ydych yn hapus? Yr wyf wedi clywed yr hyn yr ydych wedi'i ddweud ac yr wyf yn ceisio bod yn gefnogol, ond yr ydym wedi cymryd cam mawr ac yr wyf am wneud yn siŵr bod yr arian yno er mwyn i ni barhau.

[38] **Elin Jones:** Yr wyf wedi dweud bod yn rhaid i bawb baratoi eu hunain ar gyfer mwy o wartheg yn profi'n bositif ar gyfer TB yn y tymor byr, yn ystod y flwyddyn gyntaf pan fyddwn yn gwneud yr archwiliad iechyd TB. Bydd goblygiadau ariannol inni yn sgîl hynny, a dyna pam fydd yr arian i dalu iawndal yn dod o'r gyllideb ar gyfer gwaredu TB, a'r arian ar gyfer y gwaith arferol o brofi ac o dalu iawndal yn dod allan o'r gyllideb arall o £12 miliwn sydd o'ch blaen. Ni fedraf ddweud beth fydd y canlyniad a dyna sy'n rhwystredig. Nid wyf yn cofio'r ffigur ar gyfer y nifer o wartheg neu fuchesi ychwanegol a fydd yn cael eu profi a ni fedraf ddweud, wrth gwrs, faint o'r rheini fydd yn profi'n bositif ar gyfer TB, felly mae'n rhaid i ni wneud amcangyfrifon ar hyn.

[39] **Mick Bates:** I am mindful of the answer that you have just given to Brynle, Minister; however, in the comparable quarter last year, there was a 59 per cent increase in compensation payments and the £11.7 million that you have in the budget is flatlined through for the three years, so it does not appear that there is a lot of flexibility. If, as Brynle has just intimated, testing throughout Wales will throw up more animals with TB and therefore more compensation will be required, that leads to massive pressures. The removal of reactors from the farms alone is a massive pressure that is not currently being addressed. Do you have any contingency funding to meet those costs? Let us say that in the next year—the first year for which testing is carried out—there will be an increase in compensation. Is there any contingency to meet that demand not just for the compensation payments, but all the other actions that go with it? I know that some areas are DEFRA responsibilities, such as providing enough veterinarians. However, I am deeply concerned about the apparent lack of flexibility in the budget.

TB eradication programme. We must ensure that there is co-operation, of course, but the new additional work is being funded by us. If I remember rightly, there is some sort of estimate that Animal Health's work on TB in Wales is worth about £10 million.

Brynle Williams: Very briefly, Minister, we all realise how important it is to get to grips with TB. Do you think that there is enough of a forecast in the budget? If we intend to test every herd in Wales, we will certainly find more cases in the first year. Are you content? I have heard what you have said and I am trying to be supportive, but we have taken a big step and I want to ensure that the money is there for us to continue.

Elin Jones: I have said that everyone will have to prepare themselves for more cows testing positive for TB in the short term, during the first year in which we will undertake the TB health check. That will have financial implications and that is why the money to pay for compensation will come from the budget for the eradication of TB, and the money for the regular testing work and compensation payments will come from the other budget of £12 million that is before you. I cannot say what the outcome will be and that is frustrating. I do not remember the figure for the number of additional cows or herds that will be tested and, of course, I cannot say how many of them will test positive for TB, so we have to make estimates on this.

4.50 p.m.

[40] **Elin Jones:** As you say, there are all kinds of costs associated with increasing testing and possibly removing infected animals. For example, haulage costs have increased quite considerably over the last year to 18 months because of the increase in petrol and diesel prices. The department is currently looking at how to make savings on haulage by changing the way that it is organised.

[41] On your more general point, I reiterate that the cost of compensation resulting from the TB health check will primarily be met by the TB eradication programme budget for new testing. On the budget line for TB slaughter payments, last year, the budget was £12 million, and we ended up paying £16 million, so there were discussions with the Minister for Finance and Public Service Delivery as to how that was funded. There has not been an uplift of the budget, but we have an understanding with the Minister for finance that there is a particular pressure on this budget, given that it is quite small and inflexible—especially when you leave aside the money for the rural development plan, which cannot be touched.

[42] So, I have little flexibility to find an additional £4 million or £8 million—or whatever it turns out to be. I therefore have that understanding that I can discuss TB compensation with the Minister for finance. That is not to prejudge the outcome of that discussion, but it is a pressure that is recognised in this budget, and it is outside the control of any budgetary process, because it is demand-led.

[43] **Mick Bates:** I am partly reassured by your response and that of the Minister for finance last week in the Chamber when I asked the same question. As you have just confirmed, he said that he would revisit the budget if there was a problem with compensation payments.

[44] Moving on to another aspect of the budget, gamma interferon testing is not currently widespread, and I believe that the funding for that test comes from DEFRA. Again, there is this question of flexibility and contingency, because experience has shown, in some parts of the country where extensive testing for TB takes place, that farmers demand the use of the gamma interferon test. There is currently limited flexibility, but what is the budget for gamma interferon testing, and do you have any plans to ask for more funding for it? It seems to me that more farmers will want to use it, because it is much quicker, as you know.

[45] **Elin Jones:** The TB health check testing is a skin test rather than a gamma interferon test. In relation to the Animal Health testing by DEFRA—that is, the routine testing—Animal Health follows its own policy on whether a skin test or gamma interferon testing is appropriate. Decisions on that are taken in line with Animal Health policy on testing, and it is not an issue of budgetary control.

[46] **Mick Bates:** Could I just confirm that DEFRA pays for the gamma interferon testing that takes place in Wales?

[47] **Elin Jones:** I would not want to state that that is the case categorically. However, I am 90 per cent certain that all the testing undertaken by Animal Health in the yearly, two-yearly or four-yearly checks is paid for by DEFRA.

[48] **Mick Bates:** Yes, but that is the skin test.

[49] **Mr Brodie:** We have the option, through our own dedicated TB eradication budget, to increase use of the gamma interferon test. We could use that budget to help to fund that.

[50] **Elin Jones:** Yes, but that would have to be in line with the decision making on appropriate testing. It is not about which budget pays, or which budget is available, but about the appropriate test to use in particular circumstances.

[51] **Alun Davies:** Trown yn awr at y pwnc nesaf, sef y cynllun datblygu gwledig. **Alun Davies:** We now turn to the next subject, which is the rural development plan.

[52] **Rhodri Glyn Thomas:** Mae'r gyllideb yn hawdd ei dilyn yn yr adran arbennig hon, yn wahanol i lawer o adrannau eraill, ond un elfen ohoni nad yw'n glir ar hyn o bryd yw'r cynllun datblygu gwledig, a hynny am nifer o resymau. Fel y dywedodd y Gweinidog, yr oedd llawer o gynlluniau yn hwyr iawn yn dechrau oherwydd yr oedi yng Nghomisiwn Ewrop. Mae'r Gweinidog eisoes wedi dweud nad yw'n gallu nodi ei blaenoriaethau yn benodol ar hyn o bryd am ei bod yn gorfod edrych ar y cynllun organig a goblygiadau hwnnw i gynlluniau eraill. **Rhodri Glyn Thomas:** The budget is easy to follow in this particular section, unlike many other sections, but one element of it that is not clear at the moment is that which deals with the rural development plan, and that is for several reasons. As the Minister said, many of the schemes were late commencing because of the delay at the European Commission. The Minister has already said that she is unable to set her specific priorities currently as she needs to look at the organic scheme and at its implications for other schemes.

[53] Hoffwn ofyn ambell gwestiwn cyffredinol am y gronfa hon. Yn gyntaf, beth yw'r sefyllfa o ran llinell wariant yn y gyllideb ar gyfer Ewrop ac ar gyfer y Deyrnas Unedig? Mewn blynyddoedd blaenorol, buom yn sôn am y ffaith bod ffermwyr ar eu colled oherwydd y gyfradd gyfnewid o'r ewro i'r bunt, a dyna oedd un o'r dadleuon cryfaf o blaid mynd i mewn i'r system ariannol Ewropeaidd unedol. Erbyn hyn, ni allwn ddweud hynny, gan fod y bunt yn wan o'i chymharu â'r ewro. Beth yw goblygiadau'r sefyllfa bresennol? A ydym yn sôn am arian ychwanegol sylweddol yn y gronfa oherwydd hynny? I want to ask a couple of general questions about this funding. First, what is the situation with regard to the budget expenditure line for Europe and for the UK? In previous years, we have touched on the fact that farmers are losing out because of the exchange rate from the euro to sterling, which was one of the strongest arguments in favour of entering into European monetary union. Times have changed and we could not say the same now, because the pound is weak against the euro. What are the implications of the current situation? Are we talking about significant sums of additional money in the fund as a consequence?

[54] **Elin Jones:** Dechreuaf ateb y cwestiwn hwnnw, a chaiff Rory wedyn fanylu ar sefyllfa'r gyfradd gyfnewid ac fel mae'n effeithio ar daliadau i ffermwyr a thaliadau i'r cynllun datblygu gwledig, sy'n gymhlethach byth. **Elin Jones:** I will start to answer that question, and Rory can then explain in more detail the situation with the exchange rate and how it affects payments to farmers and payments to the rural development plan, which is even more complicated.

[55] Gwyddom fod y gyfradd gyfnewid ar gyfer taliadau sengl wedi ei phennu ychydig wythnosau yn ôl, ac mae'n golygu y bydd y taliadau sengl i ffermwyr Cymru tua 10 y cant yn fwy na'r hyn y byddent fel arall. Dyna'n hamcangyfrif ar sail y gyfradd gyfnewid. We know that the exchange rate for single payments was set several weeks ago, and that it means that single payments to Wales's farmers will be about 10 per cent more than they would otherwise have been. That is our estimate, based on the exchange rate.

[56] O ran y cynllun datblygu gwledig, nid yw mor rhwydd oherwydd sut mae'n gweithio. Nid yw'n digwydd ar un pwynt With regard to the rural development plan, It is not so easy because of how it works. It is not set at a specific point within the financial

mewn blwyddyn ariannol; mae'r gwario yn y cynllun yn digwydd dros gyfnod o hyd at dair blynedd, ac N+2, ac felly, mae'r gyfradd gyfnewid o ddiddordeb pan fydd yr arian yn cael ei dynnu i lawr. Mae'r cynllun datblygu gwledig wedi'i gynllunio ar lefel yr ewro, ac felly ar y lefel honno y mae modiwlleiddio, er enghraifft yn gweithredu hefyd.

year; expenditure under the plan takes place over a period of up to three years, and N+2, which means that the exchange rate is only of real interest at the point at which the money is drawn down. The rural development plan has been drawn up on the level of the euro, and so it is at that level that modulation, for instance, occurs.

[57] Gwn nad wyf wedi egluro hynny'n glir iawn, felly gofynnaf i Rory O'Sullivan geisio egluro'n well.

I know that I have not explained that very clearly, so I will ask Rory O'Sullivan to have a go at doing a better job.

[58] **Rhodri Glyn Thomas:** **Rhodri Glyn Thomas:** [*Inaudible.*]
[*Anghlywadwy.*]

[59] **Elin Jones:** Bydd sawl agwedd ar y sefyllfa ariannol bresennol o fudd i ffermwyr. Mae'r taliadau sengl yn enghraifft amlwg gyda'r gyfradd gyfnewid, ac mae'r cyfle i allforio hefyd yn gyfle positif, yn enwedig i ffermwyr mynydd sydd ag ŵyn bach i'w gwerthu.

Elin Jones: Many aspects of the current financial situation will benefit some farmers. Single farm payments are an obvious example given the exchange rate, and exporting is also a positive prospect for upland farmers who have light lambs to sell.

[60] **Rory O'Sullivan:** All of the planning, financial management and profiling for the rural development plan is done in euros. At one level, the fluctuation in the exchange rate between the euro and sterling is irrelevant, because all the planning is at European Commission level. We are also operating over a seven-year period. The allocation of EU funding from the commission is set in euros for those seven years, and we have to set out the cumulative spend, the annual spend and the individual scheme spend in euros in such a way as to would draw down the full amount of European funding.

5.00 p.m.

[61] You are right that, for 2008, we have an exchange rate of €0.79 to £1. We are monitoring the situation, but, given that we have a seven-year period in which to operate, we need to see whether that exchange rate will continue for next year and whether we then need to make any adjustment. Under the previous RDP, the exchange rate went the other way and we had to adjust in exactly the same way. We would make that adjustment through a modification, to move moneys around to ensure that we maximise the draw-down of European funding over the seven-year period of the plan.

[62] **Elin Jones:** It is also important to remember that the sterling equivalent of the RDP is around £795 million. Around £600 million of that is Assembly Government money, so the European component is only £195 million.

[63] **Mr O'Sullivan:** We are also operating under complex N+2 rules. So, if we have a profile spend in year 1, we must ensure that we draw down the equivalent European amount by the end of year 3. If we are talking about 2008 and the fact that, at the moment, the value of the euro against the pound has gone up, we have until the end of 2011 to maximise the draw-down. It is very complex and technical, and it is associated with the way in which we have to co-finance within the RDP. An important point to bear in mind is that the planning is all done in euros and not in sterling.

[64] **Rhodri Glyn Thomas:** I was going to ask you when N+2 stops and when N+4 comes

in, but I do not think that I will, actually. *[Laughter.]*

[65] **Mr O'Sullivan:** N+4 related to the old voluntary modulation regime. The £17.6 million that has been taken forward to the new plan will all be spent by April 2009, which will be well within the N+4 timeline.

[66] **Rhodri Glyn Thomas:** Gan anghofio am N+2 ac N+4 am funud, y cwestiwn sy'n dilyn fy nghwestiwn agoriadol yw hyn. O dderbyn y bydd y swm o arian yn lleihau, a oes gan y Gweinidog ryddid llawn i benderfynu sut i wario'r arian hwn, a hynny yn benodol o ran y cynlluniau amaeth-amgylcheddol? Yr ydych eisoes wedi sôn, Weinidog, am y pwysau a ddaw o'r cynllun organig ac am effaith y cynllun hwnnw, ond a yw eich dwylo chi'n rhydd, neu a yw'r arian eisoes wedi ei glustnodi? A fydd adolygiad echel 2 yn effeithio ar hyn hefyd?

Rhodri Glyn Thomas: Forgetting about N+2 and N+4 for a minute, the question that follows my opening question is this. Given that the amount of money is decreasing, does the Minister have complete freedom to decide how that money is to be spent, particularly in relation to agri-environment schemes? You have already mentioned, Minister, the pressures resulting from the organic scheme and the impact that it will have, but are your hands tied in this matter? Has the funding already been ring-fenced? Will the axis 2 review also have an impact on this?

[67] **Elin Jones:** Gadewch i mi wneud un peth yn glir. Nid yw'r arian yn lleihau ar gyfer y cynllun datblygu gwledig, ac nid wyf yn siŵr pam oeddech chi'n meddwl hynny am na wnaethoch esbonio. Nid oes lleihad yn y gyllideb. Cytunwyd proffil gwariant penodol y cynllun datblygu gwledig gyda Chomisiwn Ewrop, ac mae'n manylu echel 1, echel 2, echel 3 ac echel 4. Echel 2 sy'n ymwneud â'r cynlluniau amaeth-amgylcheddol, ac felly cytunwyd ar y proffil gwariant hwnnw. Bydd rhai Aelodau yn cofio y cawsom drafodaeth hir am gynnwys echel 2 yn yr ail Gynulliad.

Elin Jones: Let me make one thing clear. The funding for the rural development plan is not decreasing, and I am not sure why you thought that, as you did not explain it. There is no reduction in the budget. The particular expenditure profile for the rural development plan was agreed with the European Commission, and it details axis 1, axis 2, axis 3 and axis 4. Axis 2 relates to agri-environment schemes, and so that particular expenditure profile has been agreed. Some Members will recall that we had a lengthy discussion on the content of axis 2 in the second Assembly.

[68] Felly, am fod y cynllun organig mor llwyddiannus a deniadol i ffermwyr yng Nghymru, rhaid i mi ailbroffilio'r gwariant o fewn echel 2 i gwrdd â'r cynnydd a welwyd yn y galw am y cynllun organig, ac i weld sut y gallaf ariannu hynny o gyllidebau eraill, megis Tir Cynnal a Tir Gofal.

Therefore, given that the organic scheme has been so successful and so attractive to Welsh farmers, I will have to re-profile the axis 2 expenditure to meet the increased demand for the organic scheme, and see whether I can find that from other budgets, such as Tir Cynnal and perhaps Tir Gofal.

[69] **Rhodri Glyn Thomas:** Mae hwn yn faes hynod ddiddorol a chymhleth. Gorffennaf gyda'r cwestiwn hwn a chaiff Brynle siarad wedyn.

Rhodri Glyn Thomas: This is an extremely interesting and complex area. I will finish with this question and then Brynle can speak.

[70] Ni wneuthum y pwynt bod y gronfa ei hun yn lleihau, ond bydd y gwariant ar y cynllun organig yn cael effaith ar wariant adrannau eraill. Yr hyn yr wyf yn pryderu ychydig yn ei gylch yw hyn. Yn y gorffennol, rhoddwyd premiwm ychwanegol ar y cynllun organig, ac ar gynnyrch organig yn

I did not make the point that the fund itself was to be reduced, but that expenditure on the organic scheme will have an impact on the expenditure of other departments. However, what I am slightly concerned about is this. In the past, the additional premium for the organic scheme, and on organic produce

gyffredinol, am ei bod yn farchnad arbenigol i raddau helaeth. Mae wedi tyfu, ond mae'n dal i fod yn farchnad arbenigol a dyna pam mae premiwm. Codais y mater hwn gyda'r Gweinidog eisoes mewn sesiwn gwestiynau. Mae gennyf bryder mawr yn y cyd-destun ariannol sydd ohoni. Dros y ddwy neu dair blynedd nesaf, wrth i'r wasgfa effeithio ar bawb, bydd pobl yn chwilio am opsiynau rhatach wrth brynu cynnyrch. Dyna sy'n naturiol i bobl ei wneud. Os yw ffermwyr yn dewis ymuno â'r cynllun organig, mae'n rhaid i'r Gweinidog eu talu. Yn y tymor byr, hwyrach bod mantais fawr i bobl drosglwyddo.

[71] Mae gennyf ofid hefyd am y goblygiadau hirdymor o weld mwy a mwy o ffermwyr yng Nghymru yn troi at y cynllun organig. Derbyniaf nad oes modd i chi reoli hynny drwy'r gyllideb, Weinidog, ond a yw'n peri consŷrn i chi?

[72] **Elin Jones:** O ran y cynllun organig, yr oedd y cynnydd mewn diddordeb a welwyd eleni ymhell y tu hwnt i'r hyn a amcanwyd ar ei gyfer, ac ymhell y tu hwnt i'r hyn a welwyd dros y pum neu chwe blynedd diwethaf. Yn ôl Canolfan Organig Cymru a ffermwyr yn uniongyrchol, un o'r prif gymelliadau eleni yw'r ffaith y gall ffermwyr ystyried ffermio organig er mwyn lleihau eu costau, ac nid y premiwm ar bris y farchnad yn y pen draw. Mae costau gwrtaith ac agweddau eraill ar ffermio wedi cynyddu'n sylweddol, ac felly maent yn ystyried ffermio'n organig er mwyn lleihau eu costau. Nid ydynt yn edrych ar gynyddu'r agwedd honno yn unig oherwydd y premiwm yn y farchnad.

[73] Nid oes tystiolaeth amlwg i ddangos bod lleihad penodol mewn pryniant organig. Bùm yn cyfarfod ag ychydig gwmnïau organig yn ddiweddar, ac nid ydynt wedi gweld newid sylweddol yn y farchnad ar hyn o bryd. Er hynny, derbyniaf eich pwynt cyffredinol. O ystyried y cynnydd sylweddol yn nifer y bobl sy'n gwneud cais am ffermio'n organig, deallaf eich pryder am ymrwymiad hirdymor y ffermwyr hynny i fod yn ffermwyr organig yn y dyfodol, er y byddem wedi rhoi arian cyhoeddus, efallai, ar gyfer y trosi yn y tymor byr.

in general, has been because it is a niche market to an extent. It has been growing, but it remains a niche market, which is why a premium is paid. I have raised this matter with the Minister previously during questions. I have very grave concerns about the prevailing financial context. Over the next two or three years, as the credit crunch affects everyone, people will start looking for cheaper options. That is natural. If farmers choose to sign up to the organic scheme, the Minister has no option but to pay them. In the short term, there may be great benefits for farmers who choose to convert.

I am also concerned about the long-term implications of seeing more and more farmers converting to organic farming. I accept that you cannot control that through the budget, Minister, but does it cause you concern?

Elin Jones: On the organic scheme, the increase in interest this year went way beyond anything that we had planned for and way beyond anything seen over the past five or six years. According to Organic Centre Wales and farmers directly, one of the main drivers for that significant increase this year is not the ultimate premium on market costs but the fact that farmers can consider organic farming to reduce their costs. The costs of fertiliser and other aspects of agriculture have increased significantly, and so they are considering organic farming to bring their own costs down. They are not just looking at increasing that aspect because of the market premium.

There is no clear evidence to show a significant reduction in the purchase of organic goods. I have recently met a few organic companies that have not seen a significant change in the market at present. However, I accept your general point. Given that we are seeing a significant increase in the number of people applying to convert to organic farming, I understand your concern about the long-term commitment of those farmers to organic farming for the future, although we might give public funding for that conversion in the short term.

- [74] **Rhodri Glyn Thomas:** Yr ydym yn ôl yn y sefyllfa pan oedd pobl yn trosglwyddo o laeth i fagu gwartheg ac yna'n dychwelyd i laeth. **Rhodri Glyn Thomas:** We are back to the situation where people converted from the dairy sector to rearing cattle and then went back to dairy.
- [75] **Elin Jones:** Mae pobl yn dilyn y cymhorthdal, fel petai. **Elin Jones:** People follow the subsidy, as it were.
- [76] **Mr Brodie:** Hoffwn ychwanegu dau bwynt. Credaf ei bod yn rhy gynnar i ragweld effaith yr hinsawdd economaidd ar breimiwm organig yn y farchnad. Er enghraifft, pe bai pobl yn teimlo ychydig yn dlotach, efallai y byddent yn dewis aros gartref i fwyta yn amlach yn hytrach na mynd allan. Wrth aros gartref, byddant yn dewis yn ofalus y math o gig y byddant am ei brynu a'i fwyta yn y cartref. Cawn weld beth fydd yn digwydd. **Mr Brodie:** I would like to add two points. It is too early to predict the impact of the economic climate on the organic premium in the marketplace. For example, if people are feeling the pinch, perhaps they will choose to eat at home more often, rather than eating out. If they choose to stay at home, they might choose more carefully the kind of meat that they want to purchase and prepare at home. We will have to see what happens.
- [77] Yr ydym oll yn derbyn bod ffermwyr yn dechrau ffermio'n organig am sawl rheswm, ond y dystiolaeth hyd yma yw nad oes llawer ohonynt yn cwmpo allan o'r statws organig ar ôl iddynt drosi. Eto i gyd, gall hynny newid yn y dyfodol. Hyd yma, nid oes dystiolaeth o hynny. **We all accept that farmers enter into the organic system for a variety of reasons, but the evidence to date suggests that not many turn their backs on that organic status once they have converted. However, that could change in the future, but there is no evidence of that at present.**
- [78] **Alun Davies:** Diolch yn fawr. **Alun Davies:** Thank you.
- [79] **Mick Bates:** To return to the modulation, how much of the modulated funds are unspent at present?
- [80] **Mr O'Sullivan:** At this stage, on the basis of the existing Tir Gofal agreements, all of the accumulated receipts will be spent by April 2009. I cannot give you an exact position statement as of today, but, against the projections, we are very confident that we will have it all out of the door by April 2009.
- [81] **Mick Bates:** But you do not know how much you have.
- [82] **Mr O'Sullivan:** As of today, the answer is 'no' because we do not quite work in that way. We can try to find out that information for you.
- 5.10 p.m.
- [83] **Mr Davies:** I am aware that, as of August, there was about £7 million left.
- [84] **Mick Bates:** Was there £7 million unspent from modulated funds?
- [85] **Mr Davies:** Yes.
- [86] **Mick Bates:** Will none of that be returned due to the impact of N+4?
- [87] **Mr O'Sullivan:** None of it. It will all be spent well within N+4, so nothing will go back to the commission.

[88] **Mick Bates:** Is any of that modulated money part of the late payment that we, as Members, often have our attention drawn to? I am thinking particularly of the organic scheme—we have had late payments there.

[89] **Mr O'Sullivan:** The accumulated voluntary modulation is only used to support the funding for Tir Gofal.

[90] **Mick Bates:** How much is held up in late payments?

[91] **Elin Jones:** There is no relationship between late payments and the budget for axis 2 voluntary modulation receipts. If you are talking about late payments for Tir Gofal, or perceived late payments, then the reason that some farmers believe that they have late payments is because of the new regulation, post-2007, whereby there has to be a cross-check validation between the Tir Gofal agreement and the single application form. That checking takes time, and it is because of that checking that some farmers will perceive that they have a late payment.

[92] **Mick Bates:** However, there are no budgetary implications for late payments—just to clear that up.

[93] How will the axis 2 review impact upon the axis 2 budget?

[94] **Elin Jones:** The axis 2 review, and any successor schemes, or any decisions taken, will have to work within the axis 2 budget. There is no link other than to say that, whatever is decided about work priorities for axis 2, it will have to exist within the budget as it currently stands.

[95] **Mick Bates:** You mentioned young entrants. That is an RDP function, so will money for the young entrants come from the new axis scheme?

[96] **Elin Jones:** The young entrants scheme, when it is finally agreed—we have, of course, just finished the consultation—will be required to become part of the RDP, and will be a modification of the RDP. The domestic funding for that is £2 million, and will come in from 2010.

[97] **Mick Bates:** Just to clarify, will any RDP money be used for the young entrants scheme?

[98] **Mr O'Sullivan:** The £2 million of Assembly domestic funding will need to be co-financed from European funds.

[99] **Mick Bates:** Which European funds?

[100] **Mr O'Sullivan:** It will have to be found from within the totality of European funding.

[101] **Mick Bates:** I am sorry, but 'the totality' could mean many things—is it the RDP, or another convergence fund?

[102] **Mr O'Sullivan:** It will have to be found from within the allocation made to us by the European Commission. We continually monitor the spend on the RDP, we re-profile, and, as a matter of course, we will put in financial modifications to the commission as the period of the RDP unfolds. In order to ensure that we make full use of that European money, it may be moved around, depending on the progress of individual schemes.

[103] **Elin Jones:** I would not be able to tell you now what the co-financing rate would be, or the precise match between European and domestic funding. However, the majority of it will be the domestic funding, so the European element, which will have to be found within the totality of the European funding for the RDP, will be quite small.

[104] **Mr O'Sullivan:** This is for 2010-11, which is a few years away.

[105] **Mick Bates:** Would a biofuels policy impact upon the new RDP?

[106] **Elin Jones:** If you mean energy crops, then yes, there is an energy crops scheme, and that would come within axis 2. The young farmers scheme is not within the axis 1 review or the axis 2 schemes. I would need to refer to someone else or possibly just take it away and come back to you to confirm whether the young entrants scheme is in axis 1 or in axis 2.

[107] **Mr O'Sullivan:** The young entrants scheme would be in axis 1 and subject to the decisions that the Minister will be making in the light of the consultation process that has just ended. We would then need to negotiate that with the commission as part of a formal modification.

[108] **Rhodri Glyn Thomas:** Have they changed the pillars in axis 1 and axis 2? Are they the same as they used to be?

[109] **Elin Jones:** No, they are different.

[110] **Mick Bates:** To clarify, on energy crops, will there be an amount of money from axis 2?

[111] **Mr O'Sullivan:** Depending on what you would support under a broader energy-crop scheme. Some activity would be funded under axis 2 and some could be under axis 1 or axis 3.

[112] **Mick Bates:** Why not axis 4?

[113] **Mr O'Sullivan:** Axis 4 is funding for the local partnerships. The activities are under axis 3.

[114] **Elin Jones:** Axis 3 could not be an all-Wales scheme.

[115] **Mick Bates:** The old LEADER programmes are now part of axis 4.

[116] **Elin Jones:** And axis 3.

[117] **Mick Bates:** So, with regard to community work, if a community company wanted to undertake energy crop production, could you fund that through axis 2 and axis 3?

[118] **Elin Jones:** You could look to make applications under axis 3. We made our announcement on the axis 3 and axis 4 projects, with £15 million worth of rural development plan spend, earlier this year, and we are not looking to open a new round of axis 3 and axis 4 until 2011.

[119] **Alun Davies:** We are going to look at this in our next inquiry, before Christmas, so, if there are questions that are not directly related to the budget, perhaps we could allow them to rest until the Minister comes before us again next month.

[120] **Mick Bates:** How did you arrive at the £2 million for the young entrants scheme?

[121] **Elin Jones:** That decision was taken last year, so it has been in the budget for over a year. It was considered in the context of what funding was available and what funding could be put in to the beginning of an investment programme for new farmers. I will not try to kid you into thinking that the decision was made on the basis of a detailed look at the financial needs of young entrants in Wales, but I do not agree that it was picked out of the air. It is a combination of what seemed to be appropriate and what could be made available.

[122] **Rhodri Glyn Thomas:** So, we have Axes 1, 2, 3 and 4 within pillar 1 and pillar 2, based on a timeline of N+2 and N+4.

[123] **Alun Davies:** We will be investigating that next month, Rhodri.

[124] **Mick Bates:** We are going to review it as well.

[125] **Elin Jones:** For the record, axes 1, 2, 3 and 4 are all within pillar 2, and there is also N+0.

[126] **Alun Davies:** That is now all clear. Brynle, I am sure that you want to follow up on that.

[127] **Brynle Williams:** It is only a Monday afternoon, Chair. [*Laughter.*]

[128] The 'One Wales' agreement contains a commitment to developing an initiative on local food procurement. Have you taken that into account?

[129] **Elin Jones:** Yes, and there is a budget in front of you on the promotion of Welsh food. Some of this work will be undertaken under that budget and also under the supply-chain-efficiency part of the rural development plan. That work is on developing the action plan for local sourcing and procurement of food and I hope to be in a position later this calendar year, before Christmas, to make an announcement on the content of that action plan.

[130] **Alun Davies:** Weinidog, o'r hyn a ddeallaf, mae gostyngiad yn y gyllideb y flwyddyn nesaf cyn ei bod yn tyfu eto'r flwyddyn ganlynol. A fydd hynny'n effeithio ar eich gwaith o hybu bwydydd o Gymru?

Alun Davies: Minister, as I understand it, there is a reduction in the budget for next year before it increases again the following year. Will that impact on your work in promoting foods from Wales?

5.20 p.m.

[131] **Elin Jones:** Pa gyllideb yr ydym yn sôn amdani?

Elin Jones: Which budget are you talking about?

[132] **Alun Davies:** Y gostyngiad o £2.4 miliwn yn y gyllideb 'Food Fisheries Environment SPA'.

Alun Davies: The reduction of £2.4 million in the 'Food Fisheries Environment SPA'.

[133] **Mr Davies:** Ar y drydedd dudalen, mae'r gyllideb ar gyfer 'Promoting Welsh Food' yn £5.6 miliwn dros gyfnod y gyllideb. A oeddech yn cyfeirio at ostyngiad?

Mr Davies: On the third page, the budget for 'Promoting Welsh Food' is £5.6 million over the period of the budget. Were you referring to a reduction?

[134] **Alun Davies:** Yr oeddwn yn cyfeirio at y gostyngiad o £2.4 miliwn yn y 'Food Fisheries Environment SPA' yn 2009-10.

Alun Davies: I was referring to the reduction of £2.4 million in the 'Food Fisheries Environment SPA' in 2009-10.

[135] **Mr Davies:** Yr wyf yn gweld £9.1 miliwn yn y gyllideb honno ar gyfer 2009-10 yn cynyddu i £11.2 miliwn yn 2010-11.

Mr Davies: I can see £9.1 million in that budget for 2009-10 increasing to £11.2 million in 2010-11.

[136] **Alun Davies:** Mae cynnydd yn y flwyddyn ganlynol, felly a ydych yn dweud mai un o'ch blaenoriaethau fel Gweinidog yw dechrau gwaith yn y maes hwn yn 2010 neu 2009?

Alun Davies: There is an increase in the following year, so are you saying that your priority as Minister is to begin work in this area in 2010 or 2009?

[137] **Elin Jones:** Yr wyf yn meddwl mai'r cynnydd penodol yn y gyllideb honno yw'r £2 filiwn ar gyfer y cynllun newydd-ddyfodiad—dyna pam bod £2 filiwn o wahaniaeth. Mae hynny yn cael ei gyflwyno yn 2010, felly mae'r cyllidebau eraill sydd o fewn yr adran honno yn dangos cynnydd bach neu maent yn aros yr un fath.

Elin Jones: I think that the specific increase in that budget is the £2 million for the young entrants scheme—that is why there is a difference of £2 million. That scheme is being introduced in 2010, so the other budgets within that section show a small increase or remain flat.

[138] **Mr Brodie:** Mae rhai gweithgareddau yn digwydd yn barod er mwyn hybu'r cyflenwad bwyd lleol, ond yr hyn nad ydym wedi sôn amdano yw cryfhau hynny drwy dargedu beth yr ydym yn ei wneud yn well. Mae ystod o weithgareddau bwyd yn digwydd ar hyn o bryd, ac mae angen inni sicrhau ein bod yn cael y gwerth am arian gorau ohonynt. Nid yw'r cyllid o £5 miliwn ar hyn o bryd yn cael ei dargedu ar gyfer bwyd lleol mewn unrhyw ffordd, felly mae cyfle inni ailystyried y blaenoriaethu o fewn y cyllid hwnnw er mwyn blaenoriaethu'r amcan y bu ichi sôn amdano. Yn ogystal, fel y soniodd y Gweinidog, mae'n rhaid bachu ar y cyfle i ddefnyddio arian drwy'r cynllun datblygu gwledig, yn enwedig yr effeithlonrwydd cadwyn fwyd.

Mr Brodie: Some activities are already being undertaken to promote the supply of local food, but we have not mentioned the intention to strengthen that by way of the better targeting of our activities. A range of activities on food are currently being undertaken, and we need to ensure that we get the maximum value for money from them. The budget of £5 million is not currently targeted at local food in any way, so there is an opportunity for us to reconsider the priorities within that budget to prioritise the objective that you mentioned. As the Minister mentioned, we must also take advantage of the opportunity to use the funding through the rural development plan, especially with regard to the efficiency of the food supply chain.

[139] **Rhodri Glyn Thomas:** Felly, Huw, ai'r SPA yw'r 'planned adjustment'? Ai dyna a gynlluniwyd fel newid, a dyna sydd wedi newid; hynny yw, nid arian oedd yn y gyllideb yn benodol ond yr oedd bwriad i ychwanegu'r £2.4 miliwn hynny ar gyfer 2009-10, ac mae hynny bellach wedi mynd allan?

Rhodri Glyn Thomas: Therefore, Huw, is the SPA the planned adjustment? Is that what was planned as change, and that that has changed; that is, it was not money in the budget specifically but the intention was to add that £2.4 million for 2009-10, which has gone out by now?

[140] **Mr Davies:** Nid wyf yn siŵr pa ffigur yr ydych yn cyfeirio ato yn benodol o ran y £2.4 miliwn ar gyfer 2009-10.

Mr Davies: I am not certain to which you figure you refer regarding the £2.4 million for 2009-10.

[141] **Rhodri Glyn Thomas:** Yn ôl y ffigurau sydd gennym, mae £2.4 miliwn o leihad yn yr SPA ar gyfer bwyd, pysgodfeydd

Rhodri Glyn Thomas: According to the figures that we have, there is a £2.4 million reduction for food, fisheries and the

a'r amgylchedd ar gyfer 2009-10, ac mae cynnydd o £2.1 miliwn yn 2010-11. Yr ydym wedi cael esboniad mai ar gyfer y cynllun newydd-ddyfodiaid i'r diwydiant mae hynny. Yr hyn nad ydym yn ei ddeall yw'r gostyngiad o £2.4 miliwn yn y SPA.

[142] **Mr Brodie:** Lle yn union mae'r gostyngiad?

[143] **Alun Davies:** Mae yn atodiad D—'Rural Affairs Table SPA and BEL tables'. Mae gennym 'Food Fisheries Environment DEL' sef gostyngiad o £13.1 miliwn i £10.7 miliwn, ac mae gostyngiad yn y 'spending plans in real terms' o £10.6 miliwn i £8.9 miliwn. Felly, mae gostyngiad yn y ddwy gyllideb.

[144] **Mr Davies:** Felly, mae £13.1 miliwn ar gyfer 2008-09—

[145] **Alun Davies:** A £10.7 miliwn ar gyfer y flwyddyn ganlynol. Mae hynny yn y llinell gwariant adrannol.

[146] **Mr Davies:** Gwelaf o lle daw'r £13.1 miliwn, ond ni welaf o lle daw'r £10.7 miliwn ar gyfer 2009-10.

[147] **Alun Davies:** Yn y 'spending plans in real terms' mae 'rural affairs revenue spending plans in real terms for food, fisheries and the environment' yn gostwng o £10.6 miliwn i £8.8 miliwn.

[148] **Mr Brodie:** Credaf ein bod yn edrych ar ddogfennau gwahanol.

[149] **Rhodri Glyn Thomas:**
[*Anghlywadwy.*]

[150] **Mr Brodie:** Yr ydym yn edrych ar y gyllideb ddrafft.

[151] I believe that there is another document in which things have been analysed in a slightly different way.

[152] Yn gyffredinol, mae'n wir i ddweud nad ydym yn disgwyl i'r ffigurau ostwng yn y gyllideb hon. Bu llawer o symud rhwng gwahanol gategorïau, ond, yn gyffredinol, nid wyf yn ymwybodol bod llinellau yn gostwng.

[153] **Alun Davies:** Felly, nid ydych yn

environment for 2009-10, and an increase of £2.1 million in 2010-11. It has been explained that that is for the new entrants' scheme to the industry. What we do not understand is the reduction of £2.4 million in the SPA.

Mr Brodie: Where exactly is the reduction?

Alun Davies: It is in annex D—'Rural Affairs Table SPA and BEL tables'. We have the 'Food Fisheries Environment DEL', which includes a reduction of £13.1 million to £10.7 million, and there is a reduction in the spending plans in real terms of £10.6 million to £8.9 million. So, there is a reduction in both budgets.

Mr Davies: So, there is £13.1 million for 2008-09—

Alun Davies: And £10.7 million for the following year. That is in the departmental expenditure line.

Mr Davies: I can see where the £13.1 million comes from, but I cannot see where the £10.7 million for 2009-10 comes from.

Alun Davies: In the spending plans in real terms the rural affairs revenue spending plans in real terms for food, fisheries and the environment reduces from £10.6 million to £8.8 million.

Mr Brodie: I believe that we are looking at different documents.

Rhodri Glyn Thomas: [*Inaudible.*]

Mr Brodie: We are looking at the draft budget.

In general, it is true to say that we do not expect the figures to reduce in this budget. There has been a lot of movement between different categories, but, in general, I am not aware of any lines having reduced.

Alun Davies: Therefore, you do not foresee

rhagweld unrhyw ostyngiad yn y gyllideb i any reduction in the budget to promote
hybu bwydydd gwahanol. different foods.

[154] **Elin Jones:** Nac ydwyf.

Elin Jones: No, I do not.

[155] **Mr Davies:** Yr unig beth yr wyf yn ei weld yw'r hyn sydd o dan ffigur 13.1. O fewn hwnnw, mae £2 filiwn ar gyfer cynorthwyo cymunedau gwledig a hen gynlluniau'r cynllun datblygu gwledig. Felly, dim ond cwblhau hen gynllun yw hynny. Yn y dyfodol, bydd hynny i gyd o fewn y cynllun datblygu gwledig.

Mr Davies: The only thing that I can see is what is under figure 13.1. Within that, there is £2 million to support rural communities and the old schemes under the rural development plan. Therefore, it is just about completing the old scheme. In future, that will all be under the rural development plan.

[156] **Mick Bates:** I am assuming that you have finished with that issue, Chair.

[157] **Alun Davies:** I think that it has finished with us.

[158] **Rhodri Glyn Thomas:** It has been clarified.

[159] **Mick Bates:** It has.

[160] Why has the Forestry Commission's budget increased by £2 million in capital expenditure next year?

[161] **Elin Jones:** It is an accountancy issue more than anything.

[162] **Mr Brodie:** It is a depreciation allowance that we need to put in, which does not have a practical effect. It is not actual cash.

[163] **Mr Davies:** It is the cost of capital as opposed to capital expenditure. It is a reflection of the fact that the Forestry Commission's estate has increased in value. As a consequence, the depreciation charges increase, as does the cost of money tied up in the estate. If you had to loan the money to create an estate of that size, there would be an interest charge. So, the £2 million is to do with the depreciation and the interest charged on the increased value of the estate.

[164] **Mr Brodie:** However, it is not cash.

[165] **Mr Davies:** No, it is not cash.

[166] **Mick Bates:** On the Forestry Commission, there has seemingly been quite a good price for timber. Is that reflected anywhere in any of your receipts?

[167] **Mr Davies:** We fund the Forestry Commission on a net basis, which is for its expenditure less its receipts from timber. Timber receipts vary over time, and the Forestry Commission is required to manage that within that net budget line.

[168] **Mr Brodie:** There has been a mixed picture. So, it has not all been upside by any means.

[169] **Mick Bates:** Is there a subsidy to the Forestry Commission from the Government? What is the total amount of that?

[170] **Mr Brodie:** Its revenue receipts are £12.896 million.

[171] **Mick Bates:** However, the total that the Government gives it is £33 million?

[172] **Mr Davies:** Yes, although that includes the cost of capital of £10.4 million, which is not cash.

[173] **Mick Bates:** So, it is roughly £23 million.

[174] **Mr Davies:** Yes.

[175] **Elin Jones:** In cash.

[176] **Mr Davies:** If it is £33 million going forward then, yes, it is £23 million in cash.

[177] **Alun Davies:** If Members have no further questions, I would like to finish, Minister, with the Marine Bill. Do you have any estimates or any costings of any anticipated changes to your budget as a result of the Marine Bill?

[178] **Elin Jones:** We are not absolutely clear whether the Marine Bill will come into operation in 2010 or 2011. The most obvious impact on my budget, or on my department, will be the decision taken on the fisheries enforcement and the decision to bring that work primarily in-house within the Government. It is not anticipated that that will have a major impact on the budget because we will examine the current contribution made by local authorities in Wales to funding the sea fisheries committees and look to reassign it to the Assembly Government from the funding in the revenue support grant that is given to local authorities.

5.30 p.m.

[179] **Alun Davies:** Diolch yn fawr. Gwelaf nad oes unrhyw gwestiynau eraill gan Aelodau. Diolch yn fawr, Weinidog, am yr amser yr ydych wedi ei dreulio gyda ni y prynhawn yma. Yr ydym yn gwerthfawrogi hynny'n fawr iawn. Byddwn fel pwyllgor yn adrodd ar y gyllideb i'r Pwyllgor Cyllid erbyn dydd Iau, felly mae amser yn weddol brin. Diolch am eich amser y prynhawn yma. Cynhelir cyfarfod nesaf yr is-bwyllgor ar 6 Tachwedd.

Alun Davies: Thank you. I see that there are no further questions from Members. Thank you, Minister, for joining us this afternoon. We appreciate your attendance. We, as a committee, will report on the budget to the Finance Committee by Thursday, so time is quite short. Thank you for your time this afternoon. The sub-committee's next meeting will be held on 6 November.

Daeth y cyfarfod i ben am 5.30 p.m.

The meeting ended at 5.30 p.m.