



Eich cyf/Your ref
Ein cyf/Our ref

The Rt. Hon Lord Dafydd Elis-
Thomas AM
Chair, Environment and
Sustainability Committee
National Assembly for Wales
Cardiff Bay
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12 November 2013

NRF Budget Scrutiny on 16 October

Annwyl Cadeirydd

Further to your letter of 25 October to the Chair of the Finance Committee where you outlined a number of the Committee's concerns around the financial management and planning within my portfolio, I thought it would be helpful to provide clarification and assurance on a number of the points raised. There were also a number of areas where the Committee appears to have misunderstood the evidence provided, I therefore wish to provide further clarification on these and outline how they are being managed.

I would like to assure the Committee that I take seriously the Committee's role in scrutiny and have at all times sought to ensure that it has access to all information that it requires to undertake its role. I regret the late tabling of my evidence and as a result have reviewed our internal procedures to ensure that the Committee will in future receive all papers in advance of deadlines.

In order to support the Committee's scrutiny, I have attached a detailed brief on the specific issues raised. I hope that this helps address the Committee's concerns.

I would also like to offer the following by way of further clarification:

- Single Farm Payments -When I appeared before the Committee, whilst I acknowledged that this was an administrative oversight, I provided absolute reassurance to the Committee that this would not have an impact on any payments to farmers. I released over £22m in early payments to farmers on the day that the Committee was discussing this matter. I would like to confirm that this will not have a negative impact on the wider Welsh Government budget. The detailed briefing attached provides further information around the overall ambit and control total issue.

- Rural Development Plan - the Committee raised a number of points concerning the 'headroom' within this budget line and expressed concern about the perceived 'accumulation' of this headroom. In relation to latter, I can again assure the Committee that there has been no accumulation of this budget as the MEG has been fully utilised in past years. Members may be aware that accounting rules do not allow for MEG accumulation. My priority is to ensure that we use this budget effectively within the sector to meet my Programme for Government Commitments.

Finally, it may be helpful if my officials provide you and your Members with a detailed briefing around the business planning and financial management processes within the Department which I have reviewed with the Finance Minister. In relation to the specific concerns raised in sections 1.4 to 1.7 of your letter, I hope the detailed paper attached will provide further clarity on these points.

Finally, I trust that given the information that has been previously provided and the additional information contained in this correspondence, the points raised in your 25 October letter have been clarified and addressed.

I am copying this letter to the Chair of the Finance Committee.

Cofion

A handwritten signature in black ink, appearing to read 'Alun Davies', with a horizontal line underneath.

Alun Davies AC / AM

Y Gweinidog Cyfoeth Naturiol a Bwyd
Minister for Natural Resources and Food

NRF Budget Scrutiny

In response to the letter from the Chair of the Environment and Sustainability Committee, I would like to offer the following further information.

In terms of the Committee's comments on the overall budget narrative, the Committee refers to matters where there has been some policy changes and that the narrative does not reflect this development. The narrative was written before these issues – True Taste and the AWB – had been addressed in policy terms. I have since made amendments to the narrative to reflect the progress made with policy development. However I would also remind the Committee that the Agricultural Advisory Panel and the abolition of the AWB structures in Wales await the outcome the Supreme Court decision.

1.2 In Year Issues

With reference to the Single Farm Payments and the omission of this within the Income Ambit during the June Supplementary process, I have already informed the Committee that I have ensured that my officials have appropriate controls in place to ensure that this does not occur in the future. However, I will again repeat the commitment that I gave in oral evidence that there is absolutely no operational impact whatsoever from this matter.

I would also like to clarify that there will be no operational impact on any other areas of the Government's budget. Central Finance officials within Welsh Government have confirmed that the appropriate time to rectify this publication error will be during the second supplementary process in early 2014, indeed amending the Income Ambit during this window to reflect updated income forecast across ministerial portfolios is normal practice. Any changes to the ambit income total in this second supplementary budget process can properly be deemed to apply retrospectively for the whole of the relevant financial year. This point was made in written evidence to the Committee and repeated in my oral evidence. I can also confirm that there is no contradiction at all between the evidence that the Committee received.

1.3 Financial Planning – Rural Development Plan Budget

The RDP programme is performing and spending well (as evidenced in the management data provided to the Committee), and we monitor the associated budgets very closely– as we are obliged to do to meet European Commission requirements. We of course provided detailed information about the operation of the RDP budget to the Committee in the summer. I informed the Committee whilst giving oral evidence that there is no 'accumulated headroom' as we have to manage the budget on a year to year basis and as all Ministers have to do, I have to manage my demands and priorities within the budgetary envelope of any particular financial year. This fact appeared to

have been accepted by the Committee at the time. I also gave very clear evidence to the Committee that we require the “headroom” to ensure that we maximise the use of EU funding and we do not “lose” any additional EU funding. The transcript of the evidence is very clear on both these matters.

The Programme is on course to spend all its EU money and domestic co-financing, as agreed with the European Commission, by the end of 2015-16. The in-year balance between the various sources of EU income and domestic spending within the Programme is, however, not something that can be set in stone in advance, and domestic budget provision was specifically designed to allow our large, demand-led, multi-annual agri-environment schemes to be managed effectively across the lifetime of the RDP. This inevitably gives rise to some in-year “underspends” within the domestic programme money allotted to the RDP. I advised the Committee at our budget session last year that we should view the RDP as a multi-year programme and that we need to be very careful about reading too much into the spending patterns of any one year in isolation. With the level of revenue savings across my domestic budgets required for future years along with the proposed projects and developments which I am currently reviewing, I intend to ensure that appropriate budgetary provisions are allocated to these in due course which will mean that the current levels of headroom the Committee refer to will not happen in the future.

Discussion with the Finance Minister about the management of this “headroom” would not be appropriate. It may be that the Committee has misunderstood the evidence, with reference to the in-year management of the programme and the potential to maximise the value of any potential annual “underspend” to the wider Welsh Government budget. If helpful, I am happy to provide further clarification.

1.3.1 Financial Planning – State of Nature and Biodiversity

The £6m environment fund I announced in the summer is now being consulted upon as to precise content, profile of expenditure, etc. and as I indicated in the scrutiny session, I will make a Written Statement on this shortly. The funding for the activity, which will be of an agri-environmental nature (ecosystems services) will appropriately come out of rural development domestic programme provision, indeed, the policy objectives are the same. It is not correct to assert, as the Committee does in its correspondence, that the RDP BEL is “unrelated”. In fact it is this funding and this budget that has sustained most of our sustainable land management programmes over the past decade.

1.3.2 Financial Planning – Proposed Projects

Additional information on proposed projects was specifically provided in order to help the Committee with its scrutiny, but final decisions have not yet been taken on these projects (they are correctly described as propositions in the paper), so of course they were not included in the Draft Budget. I will consider these proposals in due course and will ensure that appropriate funding will be allocated as and when they are approved. In

my oral and written evidence I attempted to be entirely open with the Committee, providing the Committee with a comprehensive explanation of these future pressures to help the Committee to understand the finance pressures that I will be facing over the coming year. Until we have taken decisions on these proposals, however, it is not possible to include them in any budget.

1.3.3 Financial Planning – Prioritisation

Marine Policy and Fisheries

We are of course seeking to develop the strategy/Plan before identifying in full the potential budgetary impacts. I correctly confirmed there is currently no provision in the budget for additional spending; indeed there was no legacy budget for marine expenditure from any of NRF's antecedent Departments. I fully expect (as previously agreed) to be putting more resource into this area of activity overall, and these discussions will form part of the wider consideration of Natural Resources and Food priorities, challenges and opportunities in the forthcoming Business Planning Round. My answer in oral evidence clarified that there would not be any additional resources available from outside my portfolio. As stated above, and as is clear in the Committee's transcript, I will prioritise funding within the portfolio when we have the opportunity to review the Strategy Action Plan following publication and consultation.

Flood Prevention

The Welsh Government supports a substantial programme for capital investment to reduce the risk of flood and coastal erosion. This funding is allocated to Natural Resources Wales through Grant in Aid, and a separate budget is retained to fund Local Authority Schemes. The prioritisation of schemes according to risk already occurs and is well understood. The National Programme of Investment will act to streamline existing business planning processes.

Both Natural Resources Wales and Local Authority schemes are prioritised according to risk. Currently, however, the prioritisation of schemes occurs in two places; namely Natural Resources Wales, who are responsible for the prioritisation of their own budget, whereas Welsh Government prioritises the individual applications made by Local Authorities. In both cases, all applications are supported by project appraisal reports in accordance with national guidance. In this way there is a clear determination to strengthen coordination and streamline management.

Ynni'r Fro

The evaluation is actually a mid period review of the scheme, which we have carried out as part of our undertaking with the European funding programme managers. The report was carried out by an independent body, Brook Lyndhurst, which has a strong track record of evaluating major schemes such as Nesta's Big Green Challenge, and Scotland's Climate Change Fund.

I have had sight of the draft report, and I am pleased to report that the reviewers consider that the support it offers to community groups makes a fundamental difference to outcomes. In fact, a number of communities considered that they would have abandoned their project without the all round support of the Technical Development Officers (TDOs), who are community energy developers themselves.

1.3.3 Recommendations

I am confident that our budget processes within NRF are robust. We work hard to ensure that the Committee has as much information as we can reasonably provide to undertake its scrutiny work effectively. We have already done much to resolve the budget information associated with the new Department following the machinery mergers in the late spring (tidying up of lines, re-naming BELs etc.). I have already informed the Committee that there is a clear programme of work to deliver this, allied to our new NRF corporate planning processes. I was open with the Committee last week about the challenges the Department faces in dealing with reduced overall budget provision (in an era of marked austerity), and we were also open in highlighting the new areas of activity that have had to be addressed since NRF was created seven months ago. Ultimately, these are matters of prioritisation, which all Welsh Government Departments must undertake and I have sought to ensure that the Committee is informed of all these matters as early as possible.

My officials and I will continue to improve the quality and detail of information provided. We are also considering how we improve the presentation of that information. The information we provide will take account of the practical realities of managing a large, multi-faceted organisation within an operating environment that develops on a more-or-less daily basis. The world is not static and I need to be able to manage my budgets effectively to meet the range of priorities (and new work) across my portfolio, reporting back appropriately to the Committee.

1.4 Natural Resources Wales

I am a little surprised that the Committee felt disappointed that I provided the Gross benefits in the evidence paper rather than the Net benefits. The Net Cash Releasing Savings over 10 years still show that there will be no significant change to the 10 year profile of total expected savings. I made this point in oral evidence and the transcript shows that this was not something where there appeared to be any significant concern from Committee members.

Regarding the service areas of NRW which would need to be reduced; the Committee correctly notes that we are at the point of beginning discussions on the next remit letter. NRW have a clear strategic framework for their work and it is both premature and would be micro-management of a WGSB to expect WG to have detailed proposals for their work at present. In fact it is not my view that the Welsh Government should exercise such complete control over the budget of any body such as NRW and I made this clear in my oral evidence to the Committee. It is a matter for the NRW board to determine

their priorities on the basis of their statutory responsibilities and the remit letter that is provided to them. I have no plans to change the nature of this relationship.

1.5 Animal Welfare

I am confident that we will deliver my priorities on Animal Welfare within the financial resources I have available to me. We are also exploring ways of sharing the cost of some elements of the programme with others, for example, the recently launched badger vaccination grant (£1.25m over 5 years). I acknowledge that “partner organisations” also face financial pressures and we will work closely with them to ensure that delivery of wider objectives will not be compromised.

There is no intention to reduce the effort towards TB eradication as a result, and key elements of the comprehensive programme e.g. annual testing of all herds of cattle, emphasis on biosecurity, the epidemiology project and Cymorth TB will be maintained and even developed further. We are also obliged to deliver our EU-approved TB Eradication Plan.

1.6 National Parks

These are portfolio responsibilities of the Minister for Culture and Sport. Colleagues in that Department have worked to hard to minimise budget reductions as far as possible, and it is worth noting that the reductions faced by Welsh National Parks will be significantly less than those currently affecting their English counterparts. It is also the case that those bodies are responsible for taking decisions on how they manage their budgets.

1.7 Legislation Pressures

The Committee understandably asked about the impact of Bills and other pieces of legislation on our budget provision. As indicated, the principal impacts are on staff time, and any future impacts on NRF’s programme budgets, which are likely to be relatively minor, will be addressed from existing lines, and factored into our corporate planning. Associated work, once agreed, will feature more clearly in our future budget information.