

Environment and Sustainability Committee

E&S(4)-06-11 paper 1

Draft Budget Allocations for 2012-13 to 2014-15 – Paper from the Deputy Minister for Agriculture, Food, Fisheries and European Programmes

Rural Affairs Budget

Introduction

1. This paper provides background financial information to the Committee regarding the Rural Affairs' spending plans as outlined within the draft budget which is scheduled for publication on 4 October 2011.
2. Annex A gives a breakdown of the Draft Budget, by Action, and by Budget Expenditure Line (BEL) within each Action. The Rural Affairs budget now forms part of the wider Business, Enterprise, Technology and Science (BETS) Major Expenditure Group (MEG). Previously it was a MEG in its own right and included the budget to match the responsibilities of the Office of the Chief Veterinary Officer (OCVO) and that of Forestry Commission Wales (FCW). OCVO and FCW now fall within the portfolio of the Minister for Environment and Sustainable Development.

Background and Summary

3. The draft budget proposals have been made against the continuing background of tight financial constraint. Table one summarises the draft budget. The reductions between 2011-12 and 2012-13 shown in the table are consistent with the indicative budgets presented as part of last years' budget agreement process. Consequently, the spending plans for 2012-2013 to 2014-2015 do not set out any further reductions to that presented last year.

Table one: Rural Affairs' Draft Budget

	Baseline 2011-12 £'000	Draft Budget 2012-13 £'000	Indicative Plans 2013-14 £'000	Indicative Plans 2014-15 £'000
Revenue	79,320	78,246	79,316	79,316
Capital	13,001	12,569	11,723	11,723
Total	92,321	90,815	91,039	91,039

4. The total draft budget for 2012-13 amounts to £90.8 million, compared to £92.3 million in 2010-11. Revenue funding has reduced from £79.3 million to £78.2 million (-1.35%). Capital funding has reduced from £13 million to

£12.6m (-3.32%). These reductions result from the impact of UK fiscal decisions.

5. This Draft Budget will enable all key activity within Rural Affairs to proceed, including the delivery of the Rural Development Plan, the effective administration of the Single Payment Scheme and the Young Entrants' Support Scheme.

Budget Overview

6. Maintaining spending for the Wales Rural Development Plan to the end of 2013 meets the commitment set out in the Programme for Government, together with supporting actions to improve the competitiveness of farming and forestry, deliver added-value on food products, enhance the use of natural resources and to improve the quality of life in rural areas. .

Rural Development Plan

7. A key priority is to deliver the Rural Development Plan (RDP) 2007-2013, which is part of the Common Agricultural Policy. The Plan is worth £790m over the 7 year period, of which WAG must contribute £595m. From 2012, the four existing agri-environment schemes contained within the Plan will be replaced by a new sustainable land management scheme, *Glastir*, to deliver on climate change, carbon/water/soil/habitat management and bio-diversity. It has 2 elements – the All-Wales element, and a Targeted element. The All-Wales element provides an entry level land management scheme which will allow far larger numbers of farmers and far greater areas of farmland to be brought under land management. The Targeted element focuses on 3 main elements: soils and soil carbon management, water management and the management of biodiversity.
8. The Rural Development Plan makes the majority of the budget reductions across both revenue and capital. The indicated reductions are manageable across the lifetime of the Plan without posing any difficulty in maximising the EU funding element.

Single Payment Scheme

9. Another key priority is to administer the Single Payment Scheme effectively. The payments are 100 per cent funded by EU, totalling some £260 million in 2011-12. If we do not meet the stringent requirements set by the European Commission for the effective management of the EU funds, there is the risk of disallowance i.e. the Welsh Government is effectively penalised. Compared to other administrations in the UK, Wales has a good track record on re-assuring the Commission on how we deploy EU resources.
10. Disallowance does remain a live risk and, as such I am protecting the budget for investment in IT systems, which is contained within the SP Administration Revenue BEL.

Young Entrants' Support Scheme

11. I am also protecting the budget line for the Young Entrants' Support Scheme, to attract new blood into the industry. The budget for this is £1.7m per annum. There has been a lot of interest in the Scheme, and the budget for the current year is fully committed. This is an important initiative which will help to address the issue of the aging farming population – where the average age of farmers is now some 60 years old.

Budget reductions

12. A summary of the main budget reductions between 2011-12 and 2012-13 is set out in table two

Table two: summary of budget reductions

Action	Budget 2011-12 (£ million)	Reduction (£million)	Draft Budget 2012-13 (£million)
Making payments in accordance with EU rules	7.360	(0.005)	7.355
Rural Development Plan (revenue)	62.512	(0.694)	61.818
Developing and marketing Welsh food and drink	5.275	(0.275)	5.000
Managing and enforcing Welsh Fisheries and aquaculture (revenue)	1.400	(0.100)	1.300
Other (Cost sharing, Rural Proofing and evidence Base development)	2.773	-	2.773
Total Revenue	79.320	(1.074)	78.246
Rural Development Plan (capital)	11,601	(0.232)	11,369
Managing and enforcing Welsh Fisheries and aquaculture (capital)	1.400	(0.200)	1,200
Total Capital	13.001	(0.432)	12.569
Total	92.321	(1.506)	90.815

13. Budget reductions have been necessary to certain lines:

Promoting Welsh Food

14. The budget for Promoting Welsh Food reduces from £5.3 million in 2011-12 to £5.0 million in 2012-13, as indicated in the budget agreed last year. There is a major initiative on local food procurement, food tourism and support for the marketing of Welsh food. The Food and Farming Sector Panel, announced by the Minister for Business, Enterprise, Technology and Science on 22 September, will have a key role in identify delivery actions to support the Food Strategy: 'Food *for* Wales, Food *from* Wales 2010-2020'.

Efficiencies

15. We have successfully bid for additional capital funding of £7.95 million across the three financial years 2011-12 to 2013-14 from the Centrally Retained Capital fund. This funding, which is in addition to the amounts shown above is to support an end-to-end electronic system for payments made under the EU Common Agriculture Policy, covering direct payments to farmers and payments made under the Wales Rural Development Plan. This will require significant up front investment to put in place the required IT systems and it will be necessary to re-align the current pattern of service delivery. It is intended that the new e-system would go live in 2014 in order to make payments for that year.

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