

Financial Implications of the Agriculture (Wales) Bill

January 2023



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January 2023



About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:
www.senedd.wales/SeneddFinance

Current Committee membership:



Committee Chair:
Peredur Owen Griffiths MS
Plaid Cymru



Peter Fox MS
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Mike Hedges MS
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Conclusions and Recommendations

Conclusion 1. The lack of information contained in the Regulatory Impact Assessment has consequently made it difficult for the Committee to assess the total costs of the Bill. We reiterate previous calls that Regulatory Impact Assessments must contain the best estimate possible for costs and benefits to enable us to fully scrutinise the overall financial implications of a Bill.

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Conclusion 2. The Committee is broadly content with the financial implications of the Bill as set out in the Regulatory Impact Assessment, subject to the comments and recommendations in this report. Should there be significant changes to the Regulatory Impact Assessment as a result of the recommendations made in this report, the Committee may consider those changes in more detail.Page 19

Recommendation 1. The Committee recommends that, in line with the issues raised in its letters to the First Minister on 16 November and 19 December 2022, that the Minister provides a written response to the recommendations set out in this report, prior to the Stage 1 debate.

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Recommendation 2. The Committee recommends that the Welsh Government provides a breakdown of the costs included in Option 3 of the Regulatory Impact Assessment relating to Rural Development Plan funding, and that this information is included in an updated Regulatory Impact Assessment following Stage 2 proceedings.Page 20

Recommendation 3. The Committee recommends that the Minister undertakes modelling work to estimate the annual cost of the Sustainable Land Management scheme dependent on the different levels of take-up in different farming types, and that this information is included in an updated Regulatory Impact Assessment following Stage 2 proceedings.Page 21

Recommendation 4. The Committee recommends that the Minister reassess the unquantified costs, and uses previous experience to provide a sensitivity analysis to show the potential range of costs, and that this information is included in an updated Regulatory Impact Assessment following Stage 2 proceedings.Page 22

Recommendation 5. The Committee recommends that the Welsh Government ensures the Senedd will have the opportunity to scrutinise the Economic Impact Assessment and present its views.Page 22

Recommendation 6. The Committee recommends that the Welsh Government undertakes further work to assess the cost to the private sector relating to forestry and provides a sensitivity analysis to show the potential range of costs, and that this information is included in an updated Regulatory Impact Assessment following Stage 2 proceedings..... Page 22

Recommendation 7. The Committee recommends that, as part of the post-implementation review, the Minister quantifies the benefits arising from the Bill..... Page 23

Recommendation 8. Where possible there should be synergy between the current and new IT system that will be developed to support online applications and contract management under the Bill. The Committee recommends that the Minister provides further details of the costs of the system once the options assessment has concluded, and that this information is included in an updated Regulatory Impact Assessment following Stage 2 proceedings Page 23

Recommendation 9. The Committee recommends that the Sustainable Land Management scheme’s application process for farmers or farm businesses is user-friendly and minimises the resources required to apply for the programme through concepts such as pre-populated information. Page 23

Recommendation 10. The Committee recommends that the Minister provides clarification in relation to the £2.8 million of additional costs that will be borne by Natural Resources Wales and whether additional funding will be made available by the Welsh Government or whether Natural Resources Wales will be expected to absorb these costs into its existing budget. Page 24

1. Introduction

- 1.** The Agriculture (Wales) Bill¹ (the Bill) and Explanatory Memorandum² (EM), including the Regulatory Impact Assessment (RIA), was introduced by Lesley Griffiths MS, the Minister for Rural Affairs and North Wales, and Trefnydd (the Minister) on 26 September 2022.
- 2.** On 27 September 2022, the Minister made an introductory statement on the Bill in Plenary³.
- 3.** The Bill seeks to:
 - allow for Welsh Ministers to continue making agricultural support payments to farmers during a transition period.⁴
 - amend the Agricultural Holdings Act 1986⁵ to provide tenants with a route to dispute resolution in certain circumstances.
 - replace the time limited powers taken for Welsh Ministers in the Agriculture Act (AA) 2020, Schedule 5⁶, which expire in December 2024.
 - alter the Forestry Act 1967⁷ to give Natural Resources Wales (NRW) the power to add conditions to amend, suspend or revoke felling licenses to prevent felling that would contradict other environmental legislation.
 - provide for the prohibition of Snares and Glue Traps.
- 4.** The Finance Committee (the Committee) took evidence on the financial implications of the Bill on 9 November 2022⁸, from:
 - Lesley Griffiths MS, Minister for Rural Affairs and North Wales, and Trefnydd
 - James Owen, Deputy Director, Land Management Reform Division, Welsh Government

¹ Welsh Government, [Agriculture \(Wales\) Bill](#)

² Welsh Government, [Explanatory Memorandum](#)

³ [Plenary Record of Proceedings \(RoP\), 26 September 2022](#)

⁴ Welsh Government, [Sustainable Farming Scheme, page 64](#)

⁵ [Agricultural Holdings Act 1986](#)

⁶ [Agricultural Holdings Act 1986, Schedule 5](#)

⁷ [Forestry Act 1967](#)

⁸ [Finance Committee, RoP, 9 November 2022](#)

- Simon Bilsborough, Land Management Reform Unit, Welsh Government

5. Policy scrutiny of the Bill was undertaken by the Economy, Trade, and Rural Affairs Committee (ETRA).⁹

6. The Legislation, Justice and Constitution Committee considered the Bill in accordance with matters which fall within its remit.¹⁰

⁹ Economy, Trade, and Rural Affairs Committee

¹⁰ Legislation, Justice and Constitution Committee

2. Purpose and need for the Bill

Background

7. Leaving the EU meant leaving the Common Agricultural Policy (CAP)¹¹. To allow continuation of payments to farmers after 2020, the Senedd gave consent¹² for the UK Agriculture Act 2020¹³ ('UK Agriculture Act') to maintain (and modify) the CAP system in Wales. This has largely preserved the status quo ahead of transition to future schemes¹⁴. The UK Agriculture Act does not include powers for new Welsh support schemes.

8. It also includes powers for Welsh Ministers to intervene in agricultural markets; on the collection and sharing of data; marketing standards and carcass classification; and data protection. These are transitional powers, included in Schedule 5¹⁵ of the UK Agriculture Act, subject to a sunset clause, and will expire on 31 December 2024.

9. The Bill establishes high-level, enabling powers for Welsh Ministers. It replaces Schedule 5 of the UK Agriculture Act and provides powers for a new agricultural support scheme, allowing transition from the CAP.¹⁶

10. The Bill makes provisions for Sustainable Land Management (SLM) and to support for, or in connection with, agriculture in Wales.¹⁷

Cost summary

11. The costs included in the Regulatory Impact Assessment (RIA) are assessed from 2022 to 2050. The RIA shows the total cost of the Bill over the appraisal period is approximately £9.1 billion.¹⁸

12. The most significant costs included in the RIA are related to Welsh Government's assumed annual payments to farmers of £278 million under the future SLM scheme. However, the RIA

¹¹ [European Commission: Common Agricultural Policy](#)

¹² [Fifth Senedd: Plenary, 29 September 2020](#)

¹³ [Agricultural Act 2020](#)

¹⁴ [Senedd Research: Agricultural Support. research briefing](#)

¹⁵ [Agricultural Act 2020. Schedule 5](#)

¹⁶ Explanatory Memorandum, page 6

¹⁷ Explanatory Memorandum, page 6

¹⁸ Explanatory Memorandum, page 100

highlights that Welsh Government is not yet in a position to set out the actual payments under this scheme as its design will not be finalised until 2023.¹⁹

13. Table 1. Costs associated with the Agriculture (Wales) Bill from 2022 to 2050

Cost description	Cost (£000s)
Administrative costs	
Transitional costs	36,258
Recurrent costs	891,877
Total costs	928,134
Compliance costs	
Recurrent costs	2,709
Other costs	
Recurrent costs	8,169,657
Total Bill costs	9,100,500

Source: Welsh Government, [Explanatory Memorandum](#), Agriculture (Wales) Bill, September 2022

14. The RIA notes the preferred option²⁰ is to introduce support consistent with SLM. It highlights that no quantification of the levels of funding or impact on the industry has yet been made but for the purpose of this analysis, the assumption is that an annual budget of £278 million²¹ is maintained in real terms over the appraisal period.

15. The Committee asked the Minister what consideration she had given to the Committee's ability to scrutinise the financial implications of this Bill considering the design of the future SLM scheme which represents the most significant costs in the Bill has not been finalised. The Minister said:

"So, what this RIA does is set out indicative costs of a future scheme that meets the requirements of sustainable land management and the targets that have been committed to by the Welsh Government. With regard to the future SLM scheme, the RIA estimates the costs in a variety of areas—there

¹⁹ Explanatory Memorandum, page 88

²⁰ Explanatory Memorandum, page 116

²¹ Explanatory Memorandum, page 104

*are about six areas where that is, and those are the administrative cost to the Welsh Government, the compliance costs, the estimated costs of annual payments to farmers, the estimated costs of Farming Connect and the farm liaison service, estimated costs to Natural Resources Wales, and the estimated cost to the agricultural sector for those that want to enter the proposed scheme. So, that's a comprehensive account of the likely costs."*²²

16. In regard to the estimated cost of annual payments to farmers, the Minister said she had made the assumption of £278 million based on “what we’ve got now for the basic payment scheme and Glastir” (not including the rural development plan (RDP) funding). The Minister’s official confirmed the £278 million baseline had been assumed for “all of the options” outlined in the RIA as part of the cost-benefit analysis.

17. However, the Economy, Trade, and Rural Affairs Committee heard the funding through CAP to Wales was approximately £370 million per annum, if the rural development plan pillar 2 budget and Welsh Government match funding was included. The Committee asked why the RDP figure (approx. £100 million) had not been included in the assumed annual budget. The Minister’s official stated:

*“So, what we've tried to do in the cost-benefit analysis is look at the support that is provided directly to farmers. So, the £100 million, for shorthand purposes, that is looking often beyond the farm gate. So, for example, that would pay for the Farming Connect service—so, that would be advisory support that would go through Farming Connect, which supports farmers to do various things, continuous professional development and so on and so forth, but wouldn't be a direct payment to farmers—.”*²³

18. The RIA notes the assumed annual budget of £278 million is dependent on future funding settlements from HM Treasury and the Welsh Government budget process. The Minister made a commitment she would “not be taking any money away from farmers”.²⁴ However, she noted:

*“the biggest risk to future funding of our agricultural sector in Wales is the UK Government's budget to the Welsh Government, and therefore, obviously, what we have here in the Welsh Government budget.”*²⁵

²² Finance Committee, RoP, 9 November 2022, paragraph 11

²³ Finance Committee, RoP, 9 November 2022, paragraph 143

²⁴ Finance Committee, RoP, 9 November 2022, paragraph 14

²⁵ Finance Committee, RoP, 9 November 2022, paragraph 35

19. The Minister said she has had “great difficulty engaging with HM Treasury” and that over the last six years, HM Treasury has been invited to attend the inter-ministerial group which includes the Department for Environment, Food and Rural Affairs (DEFRA), and Ministers from the devolved governments:

“...On no occasion has a Minister come, apart from once when we had a finance Minister dial into the meeting, and this was before people dialled into meetings—way, way before the COVID pandemic. So, it's been really, really difficult for me to engage with HM Treasury.”²⁶

20. However, she confirmed that an inter-ministerial group meeting had taken place on 7 November with the new Secretary of State for DEFRA, Thérèse Coffey MP. She added:

“...she wanted to meet as quickly as possible, which I think was a really good sign, because we hadn't met with the previous one, who'd been in post for, what, six or seven weeks, so there'd been no engagement at all. So, it was good that we had that meeting early. So, we didn't really focus on finance, but we'll be meeting again, hopefully before Christmas, when that will be on the agenda.”²⁷

21. The Minister acknowledged that the current funding is “ring-fenced until the end of the UK Government parliamentary term”, she said:

“And this is why we need to build a lot of evidence, for me to make the argument to continue to support farmers around the Cabinet table”²⁸

Future Sustainable Land Management Scheme

22. The Minister said the Sustainable Land Management (SLM) scheme, is currently in “co-design”²⁹. She explained the details of the scheme had been published in July 2022 so that engagement with the sector could take place over the summer,³⁰ and that it will be “going out to consultation on the final scheme next year”³¹. Her official confirmed:

“We've committed to publishing an economic analysis, alongside the final consultation on the scheme. So, that will be an analysis of the impact,

²⁶ Finance Committee, RoP, 9 November 2022, paragraph 21

²⁷ Finance Committee, RoP, 9 November 2022, paragraph 33

²⁸ Finance Committee, RoP, 9 November 2022, paragraph 23

²⁹ Finance Committee, RoP, 9 November 2022, paragraph 11

³⁰ Finance Committee, RoP, 9 November 2022, paragraph 12

³¹ Finance Committee, RoP, 9 November 2022, paragraph 26

essentially, on the sector of implementing an SLM scheme, as we've proposed, and consulting on that, essentially, at the same time as we consult on the final scheme. So, that will give us a robust base for the Minister, ultimately, to make a decision at some stage in 2024 about a future scheme."³²

23. The Minister's official said the last 'Agriculture in Wales' evidence pack 2019³³, identified "something like 24,000 farm businesses in Wales". He confirmed that currently "just under 16,000 farmers" receive a payment under the basic payment scheme, and around 1,800 farmers through one of the Welsh Government's Glastir agri-environment schemes. He said:

*"...often, farms are very small holdings or have very small amounts of land, or are people who keep a small amount of animals, so they wouldn't be eligible for the current scheme. We are working through, as I said, the eligibility criteria for future schemes."*³⁴

24. The Minister reiterated this point that the SLM scheme is being designed "so that every farmer will be eligible".³⁵

25. With regard to promoting the new scheme, the Minister's official said:

*"We try and do everything we can to connect with farmers from a Government perspective. So, we obviously use the agricultural shows as a key vehicle for that. We work closely with the farming unions and other stakeholders who obviously have their members and they inform them of what's happening there. And we use all the usual media channels to try and connect with farmers."*³⁶

26. The Minister said she had not "set a target" for how many of the 24,000 farm businesses she expects to take-up the new scheme. She added:

*"...we certainly wouldn't want to see less, and what we want to do is incentivise, and you're quite right: we are still in the stage of co-design."*³⁷

³² Finance Committee, RoP, 9 November 2022, paragraph 25

³³ [Welsh Government: Agriculture in Wales, 2019](#)

³⁴ Finance Committee, RoP, 9 November 2022, paragraph 153

³⁵ Finance Committee, RoP, 9 November 2022, paragraph 152

³⁶ Finance Committee, RoP, 9 November 2022, paragraph 155

³⁷ Finance Committee, RoP, 9 November 2022, paragraph 161

27. The Committee asked about the affordability of the scheme if there was take-up from the maximum 24,000 farm businesses and whether the £278 million would need to be divided by the number of farmers that apply. The Minister's official said the aim of the "new scheme is to reward farmers for the actions that they undertake, so that will be different for different-sized farms."³⁸

28. The Committee heard modelling work is being undertaken to:

"...look at the actions that are relevant to different categories of farm. We'll get a sense of what the take-up is in those different categories of farm, and the modelling then will also aggregate up the total costs. So, we'll get an estimated total annual cost to the farmers from the different levels of take-up in different farming types, and we can play around with the modelling according to the different packages of actions that come out of the co-design process."³⁹

Unquantified Costs

29. The RIA contains a number of unquantified costs including those relating to intervention in agricultural markets, agricultural tenancies, forestry, snares and glue traps.⁴⁰

30. The Minister said it had not been possible to quantify the expected costs associated with "some of the powers" in the Bill, because:

"...we've got the crisis element of it; we don't know when a crisis will occur, what that crisis will be or what scale it will be, so, obviously, we can't plan expected costs in relation to that."

31. The Minister's official added:

"...it's such a range of different things that we're trying to potentially assess there—the difference between a significant animal health disease outbreak, like foot and mouth, as opposed to almost direct economic support because of a lack of a trade deal for farmers, makes it very difficult, I think, to give a good assessment to the committee of what those costs could be."⁴¹

³⁸ Finance Committee, RoP, 9 November 2022, paragraph 178

³⁹ Finance Committee, RoP, 9 November 2022, paragraph 190

⁴⁰ Explanatory Memorandum, page 105

⁴¹ Finance Committee, RoP, 9 November 2022, paragraph 54

32. The Minister agreed to provide information about previous costs that have been incurred as a result of using those types of intervention powers.⁴² The Minister subsequently wrote to the Committee with this information.⁴³

33. The RIA notes the economic impact on the sector will be assessed as part of the design of any future scheme. The Committee asked how the assessment will be undertaken. The Minister said she anticipated the assessment would estimate the economic impact at “both a regional and a sectoral level”.⁴⁴ Her official added:

“...we have an excellent range of statistical sources concerning the performance and the viability of farms in Wales, so the work will be utilising data from the annual June agricultural survey, and also, the annual farm business survey. So, we have those data sources to support the analysis that's going to be carried out.”⁴⁵

34. The Minister confirmed that when the consultation is published next year on the scheme, the “final economic analysis” will be published alongside it, as well as “a range of other evidence” to support the proposals.⁴⁶

35. In relation to monitoring the costs associated with the legislation after implementation, the Minister said there is a “comprehensive monitoring and reporting requirement” in the Bill including “an annual financial reporting of schemes operating under the power to provide support” as well as “indicators and targets to measure progress as well against SLM.”⁴⁷

36. It is anticipated that provisions in the Bill would impact on agricultural tenancies by increasing the total number of disputes that would arise. The Minister’s official confirmed:

“...the costs are included under the administrative provisions of the Bill because it was assumed to be the administrative costs of disputes, and the costs are estimated at between £86,000 and £167,000. It's really difficult to estimate on whom those costs will fall, whether it will be the landlord or the tenant, or a mixture of both because it will vary in individual cases.”⁴⁸

⁴² Finance Committee, RoP, 9 November 2022, paragraph 58

⁴³ [Letter from the Minister for Rural Affairs and North Wales, and Trefnydd, 8 December 2022](#)

⁴⁴ Finance Committee, RoP, 9 November 2022, paragraph 64

⁴⁵ Finance Committee, RoP, 9 November 2022, paragraph 69

⁴⁶ Finance Committee, RoP, 9 November 2022, paragraph 65

⁴⁷ Finance Committee, RoP, 9 November 2022, paragraphs 71 & 73

⁴⁸ Finance Committee, RoP, 9 November 2022, paragraph 81

37. The Minister added “we hope to avoid disputes” but that “it would depend on the tenancy agreement” as to who would bear the costs.⁴⁹

38. The RIA notes that private sector costs relating to forestry arising as a result of adding conditions to new licences have also not been quantified. In response to how the Minister has assessed the impact of these potential costs on the private sector, she said:

“We have a forestry provision stakeholder group, and the likely costs and benefits were identified working with that group. There were representatives of both forestry and conservation sectors on that group, and there were a number of unquantified costs that I think are already part of forestry and the way that that’s worked; there’s a UK forestry standard, and that’s what all felling licences must comply with. Obviously, the actual cost of each application again will vary. So, some will be very simple, some will be very complex. You guessed the simple ones won’t cost as much as the complex ones. So, we would expect Natural Resources Wales, who are obviously responsible for the felling licences, to use the power proportionately, and we have tried to estimate the costs, but, I think, to do all of them is just too complex.”⁵⁰

Benefits arising from the Bill

39. There are a range of benefits included in the RIA relating to areas such as future support and forestry that have not been quantified. The Committee asked what work had been undertaken in an attempt to quantify the benefits arising from the Bill.

40. The Minister said that as the Bill “doesn’t define a delivery mechanism for future support” and that the scheme is currently being designed, “a quantitative assessment of the benefits” was not “possible at this stage”. She added that options 1 and 2 outlined in the RIA didn’t:

“...meet our statutory obligations under the Well-being of Future Generations (Wales) Act 2015. So, that’s why option 3, which would require Welsh Ministers to consider the way future agricultural support schemes are contributing to achieving sustainable land management principles and

⁴⁹ Finance Committee, RoP, 9 November 2022, paragraph 83

⁵⁰ Finance Committee, RoP, 9 November 2022, paragraph 91

objectives—. I referred to the status quo option, which just would not deliver; we have to do something differently.”⁵¹

41. The Minister’s official provided an example of the types of benefits that they will try and quantify in the final scheme:

“...there are a range of actions that we want to support farmers to undertake, which we believe will help them reduce their costs. So, nutrient management is a good example of that—so, supporting farmers to undertake good nutrient management on their soils to understand what’s in them. There’s a good source of evidence to say that can help with more targeted application, then, of nutrients, and therefore, particularly given the current pressures in that space, could help farmers reduce costs.”⁵²

42. In relation to the new IT system of £35.5 million that would be developed for online applications and contract management, the Minister said she had “challenged that figure, because it did seem very high” but she believes it to be “a realistic assessment”. She added:

“...the preferred option is that we will enhance and build on the current system, and that’s certainly what we are going to try and do. We will only develop new IT functions if we absolutely have to.”⁵³

43. Her official said they had not “concluded the options assessment” yet, stating:

“So, I think the point the Minister made is absolutely right, it’s about trying to build on what we’ve already got, not throwing the baby out with the bath water here. But we’re currently—. The current system was designed to do something very different to what we will need a new system to do. So, I think, in the RIA, what we’ve tried to do is articulate what we think some of those IT costs would be, but, of course, as we move through the options assessment and the business case for those, we’ll have to consider those very carefully.”⁵⁴

44. The RIA notes the total additional costs borne by Natural Resources Wales (NRW) as a result of the legislation is approximately £2.8 million per annum. The Minister said:

⁵¹ Finance Committee, RoP, 9 November 2022, paragraph 93

⁵² Finance Committee, RoP, 9 November 2022, paragraph 97

⁵³ Finance Committee, RoP, 9 November 2022, paragraph 109

⁵⁴ Finance Committee, RoP, 9 November 2022, paragraph 113

*"So, officials are, obviously, currently working with NRW to determine if there will be additional costs. Obviously, as we go through the co-design of the scheme and bring the Bill forward, I'll continue to work with the Minister for Climate Change, who has responsibility for NRW, to see what costs will need to be met. We want to support them, obviously, to implement the legislation, so we'll fully consider that as we go forward."*⁵⁵

45. The RIA states the cost for farmers filling in an application form for the preferred option is 50 per cent higher than option 2 due to the need to provide data related to the SLM outcomes such as habitat condition or carbon usage. In relation to the amount of resource required for farmers to provide and monitor such data to ensure the smaller farms, in particular, are not impeded from applying for the SLM scheme, the Minister said:

*"Farmers already have a lot of data, and you don't want them to have to repeat it and repeat it and repeat it. So, I think part of the co-design of the sustainable farming scheme is using data that they already have, rather than making them fill in another form....we're trying to design the scheme to make sure that farmers want to be part of it and that they haven't got to do a huge amount of work."*⁵⁶

46. Providing additional assurance, the Minister's official added:

"...we already hold a good set of data around farm businesses, and Simon mentioned some of that. Ideally with the scheme, what we'd like to do is play that back to the farmer in the first instance for them to verify. So, rather than them having to input, we say, 'This is what we think it is. Do you agree with that?', using the online system as a vehicle to do that.

I think the importance, again, about why we've estimated for this purpose the 50 per cent more expensive, is because it's a fundamental change of what we're asking farmers to do. We're proposing a sustainability review in the scheme, which will look at carbon assessments and look at habitat reviews as opposed to the basic information we ask them to provide now. Our assumption, I think, is that that would, over time, reduce because farmers

⁵⁵ Finance Committee, RoP, 9 November 2022, paragraph 122

⁵⁶ Finance Committee, RoP, 9 November 2022, paragraph 124

would get used to doing it, and, of course, we would then hold the information to be able to play it back to them.”⁵⁷

47. The Minister said Farming Connect⁵⁸ had been “refocused” to ensure farmers have access to support with the application process whether that be “technical support or advisory support”.⁵⁹ The Minister’s official confirmed a 50 per cent increase had been estimated for Farming Connect and a 30 per cent increase for the farm liaison service.⁶⁰

Committee view

48. Although the Committee is broadly content with the financial implications of this Bill, we have significant concerns regarding the lack of available financial information contained in the RIA relating to the future SLM scheme, given that it is a significant cost and that it will not be finalised until 2023. The RIA also contains a number of unquantified costs and fails to quantify some of the benefits of the Bill.

Conclusion 1. The lack of information contained in the Regulatory Impact Assessment has consequently made it difficult for the Committee to assess the total costs of the Bill. We reiterate previous calls that Regulatory Impact Assessments must contain the best estimate possible for costs and benefits to enable us to fully scrutinise the overall financial implications of a Bill.

Conclusion 2. The Committee is broadly content with the financial implications of the Bill as set out in the Regulatory Impact Assessment, subject to the comments and recommendations in this report. Should there be significant changes to the Regulatory Impact Assessment as a result of the recommendations made in this report, the Committee may consider those changes in more detail.

49. On 16 November, the Committee wrote to the First Minister given his overarching responsibility for the Welsh Government’s Legislative Programme, requesting that Ministers revert back to the practice in the Fifth Senedd of providing a written response to the Committee’s report prior to the Stage 1 debate taking place and before the Senedd is required to agree a Financial Resolution.⁶¹

⁵⁷ Finance Committee, RoP, 9 November 2022, paragraphs 127 & 128

⁵⁸ Business Wales: [Farming Connect](#)

⁵⁹ Finance Committee, RoP, 9 November 2022, paragraph 133

⁶⁰ Finance Committee, RoP, 9 November 2022, paragraph 137

⁶¹ [Letter to the First Minister, 16 November 2022](#)

50. On 7 December the First Minister responded to the Committee's letter but was unable to agree to the Committee's request.⁶² The Committee sent a further letter asking the First Minister to reconsider the Welsh Government's position on providing a written response prior to the Stage 1 debate or to give consideration to tabling the Financial Resolution motion at least a week after Stage 1 has been agreed.⁶³ The Committee is awaiting a response.

51. As highlighted in the letter to the First Minister, given the Senedd is asked to approve a Financial Resolution following the Stage 1 debate, when financial information is inadequate or incomplete on introduction this could lead to the Senedd agreeing to committing resources that may subsequently escalate significantly. This is of particular concern to the Committee given that uncertain financial outcomes could place significant pressures on already stretched budgets.

Recommendation 1. The Committee recommends that, in line with the issues raised in its letters to the First Minister on 16 November and 19 December 2022, that the Minister provides a written response to the recommendations set out in this report, prior to the Stage 1 debate.

52. The most significant costs included in the RIA relate to the Welsh Government's assumed annual payments to farmers of £278 million under the future SLM scheme. We note this figure is based on the level of current funding for the basic payment scheme and Glastir. However, we further note that the funding farmers receive through CAP is approximately £370 million per annum, once the Rural Development Plan (RDP) funding of approximately £100 million is included. We note the Welsh Government's view that the RDP funding was not included in the RIA as it is not a direct payment to farmers and that the RDP supports a range of activities such as the Farming Connect service. Option 3 of the RIA notes costs of £12 million to support Farming Connect, however, it is not clear what the other RDP related costs encompass in the Bill.

Recommendation 2. The Committee recommends that the Welsh Government provides a breakdown of the costs included in Option 3 of the Regulatory Impact Assessment relating to Rural Development Plan funding, and that this information is included in an updated Regulatory Impact Assessment following Stage 2 proceedings.

53. Whilst we are pleased that the SLM scheme is being co-designed with the sector, we believe this could have taken place prior to the Bill's introduction and therefore the financial assessment of the scheme would have been more robust. Nonetheless, we hope that the scheme's eligibility criteria will provide sufficient flexibility to maximise the number of farm

⁶² [Letter from the First Minister, 7 December 2022](#)

⁶³ [Letter to the First Minister, 19 December 2022](#)

businesses in Wales applying for the programme. We are also pleased to hear there will be a comprehensive engagement strategy around the scheme, through agricultural shows, unions and relevant media channels to raise awareness.

54. We heard that around 18,000 farmers receive payments through the current scheme out of 24,000 farm business in Wales. The Minister said she had not set a target for take-up of the new scheme, but she hoped it would not be less than the current up-take. Whilst we acknowledge the scheme will aim to reward farmers for the actions they undertake, and therefore payments will vary for different-sized farms, we are concerned about the affordability of the scheme, especially if there is a maximum take-up from the 24,000 farm businesses. The Committee would welcome more information on the modelling work that will be undertaken to estimate the total annual cost to farmers from the different levels of take-up in different farming types.

Recommendation 3. The Committee recommends that the Minister undertakes modelling work to estimate the annual cost of the Sustainable Land Management scheme dependent on the different levels of take-up in different farming types, and that this information is included in an updated Regulatory Impact Assessment following Stage 2 proceedings.

55. Whilst we welcome the Minister's commitment that she will "not be taking any money away from farmers", there is huge uncertainty for the Welsh Government's budget beyond 2025, when current ring-fenced funding ends. The Welsh Government's budget is dependent on future funding settlements from HM Treasury and unlike the direct EU funding for CAP, the Minister will have to compete for agricultural funding through the Welsh Government's annual budget process.

56. We are disappointed that there has been a lack of engagement between the Minister and HM Treasury regarding future funding settlements for this policy and we have sympathy with the Minister's frustrations given that we have faced similar experiences with HM Treasury's refusal to engage with the Committee on fiscal matters relating to Wales over many years. However, we welcome the newly-appointed Secretary of State for DEFRA's efforts to improve engagement levels and hope this is the beginning of a new chapter in inter-governmental relations on this issue.

57. The Committee is disappointed that a number of unquantified costs, including those relating to intervention in agricultural markets, agricultural tenancies, forestry, snares and glue traps, have not been included in the RIA. We heard that it had not been possible to quantify some costs because there is such a range of unknown elements such as significant animal health disease outbreaks and direct economic support. However, the Committee believes there have

been a number of previous experiences the Minister could have drawn on for cost modelling purposes, such as the foot and mouth outbreak and the COVID pandemic, amongst others.

Recommendation 4. The Committee recommends that the Minister reassess the unquantified costs, and uses previous experience to provide a sensitivity analysis to show the potential range of costs, and that this information is included in an updated Regulatory Impact Assessment following Stage 2 proceedings.

58. We note the economic impact on the sector will be assessed on a regional and sectoral level as part of the design of the new scheme. However, the data sources to support this analysis is already available to the Minister through the annual agricultural survey and the annual farm business survey. Therefore, the Committee would have expected this information to be included in the RIA. It is disappointing that legislation is expected to be passed without an economic impact assessment being completed.

Recommendation 5. The Committee recommends that the Welsh Government ensures the Senedd will have the opportunity to scrutinise the Economic Impact Assessment and present its views.

59. The Committee believes the cost to the private sector relating to forestry arising as a result of adding conditions to new licences should have been quantified. The Committee believes it is fundamental that an RIA assesses the impact of legislation on both the Welsh Government and other bodies, in both the public and private sectors, and is disappointed this has not been included. Whilst we understand there is a certain amount of variation related to these estimates, a meaningful cost range could have been included to illustrate the Bill's impact on all sectors.

Recommendation 6. The Committee recommends that the Welsh Government undertakes further work to assess the cost to the private sector relating to forestry and provides a sensitivity analysis to show the potential range of costs, and that this information is included in an updated Regulatory Impact Assessment following Stage 2 proceedings

60. There are a range of benefits included in the RIA relating to areas such as future support and forestry that have not been quantified. We heard that a quantitative assessment of the benefits was "not possible at this stage" given that the scheme is not yet finalised. The Committee expect this information to be included in the post-implementation review to ensure the objectives of the Bill are being delivered in line with expectations. This reiterates previous recommendations made by the Committee that call on the Welsh Government to conduct post-

implementation reviews of all Bills before the Senedd as standard practice, including information as to how value for money will be assessed.⁶⁴

Recommendation 7. The Committee recommends that, as part of the post-implementation review, the Minister quantifies the benefits arising from the Bill.

61. We note the significant cost of the new IT system that would be developed for online applications and contract management of £35.5 million. Whilst we appreciate the options assessment has not yet concluded, we support the Minister's preferred option to enhance and build on the current system. However, we recognise that the current system may not be compatible with the requirements for the new scheme.

Recommendation 8. Where possible there should be synergy between the current and new IT system that will be developed to support online applications and contract management under the Bill. The Committee recommends that the Minister provides further details of the costs of the system once the options assessment has concluded, and that this information is included in an updated Regulatory Impact Assessment following Stage 2 proceedings

62. We are concerned that the cost for farmers completing an application form is 50 per cent higher than maintaining the status quo, due to the need to provide data related to the SLM scheme's outcomes such as habitat condition or carbon usage. We believe the amount of resource required for farmers to provide and monitor such data, especially for smaller farms may impede them from applying for the scheme. We appreciate the reassurance from the Minister that, as the Welsh Government already holds a vast amount of data on farm businesses, the aim will be for farmers to verify information where possible to reduce the bureaucracy. The Committee believes that pre-populated information and making the system as simple as possible will be fundamental to the take-up. We are also pleased that support will be made available to farmers with the application process, through the refocusing of Farming Connect and the farm liaison service.

Recommendation 9. The Committee recommends that the Sustainable Land Management scheme's application process for farmers or farm businesses is user-friendly and minimises the resources required to apply for the programme through concepts such as pre-populated information.

63. As a result of the Bill, approximately £2.8 million of additional costs will be borne by NRW. Given the budgetary pressures on all public sector bodies, we are concerned about NRW's

⁶⁴ Finance Committee Report on the Financial Implications of the Tertiary Education and Research Bill, Recommendation 10

ability to absorb these costs into its existing budget and whether such costs are sustainable. Therefore, we would welcome clarification as to whether the Welsh Government will be providing additional funding to support NRW to meet these additional costs.

Recommendation 10. The Committee recommends that the Minister provides clarification in relation to the £2.8 million of additional costs that will be borne by Natural Resources Wales and whether additional funding will be made available by the Welsh Government or whether Natural Resources Wales will be expected to absorb these costs into its existing budget.