

## REGULATORY APPRAISAL

### AGRICULTURE, WALES

#### THE TIR CYNNAL (WALES) REGULATIONS 2006

##### Background

1. In 2001 a major policy document, entitled "Farming for the Future", signalled the need to make further improvements to how agri-environment measures were being delivered to farmers in Wales. While recognising the importance of Tir Gofal (the main agri-environment scheme currently open to farmers in Wales) in securing environmental improvements, it recognised that many farmers who wish to take part in agri-environment action have found it difficult to access that scheme, either because the entry requirements are too demanding or because of a long waiting list.
2. During 2002 the Welsh Assembly Government met with a group of the major stakeholders representing the farming and environmental sectors to reappraise how agri-environment support was being delivered in Wales. This group recommended that a new Agri-environment Scheme be introduced that would require farmers to meet a basic set of environmental conditions on their land in return for receiving modest payments.
3. The Agriculture and Rural Development Committee Inquiry into the future provision of agri-environment support in Wales, published in March 2003, also reinforced the need for wider agri-environment opportunities for farmers in Wales.

##### Purpose and intended effect of the measure

4. Tir Cynnal is a new voluntary agri-environment scheme that will provide opportunities for farmers across Wales to take part in positive environmental activities that will protect and enhance the countryside. Tir Cynnal is a 10 year scheme. Agreements must run for a minimum of 5 years, at which time farmers will have the option of withdrawing without penalty or continuing for the full 10 years. The first applications were received on the Single Application Form 2005, this is a new mechanism through which farmers now have to apply for all the main grant schemes.
5. These Regulations are required to provide the secondary legislation that will allow farmers to be accepted into the scheme and for payments to be made. Payment rates, which reflect the costs that farmers will incur by following scheme conditions, are as follows:

<b>Size of Farm (in hectares (ha))</b>	<b>Payment (Per hectare/per year)</b>
0-20ha	£45
21-50ha	£30
51-100ha	£25
101-200ha	£5
More than 200ha	£2

6. The Instrument also sets out the conditions that farmers must adhere to and the administrative framework under which applications and claims will be processed. The conditions, which are set out in detail in Schedules 1, 2 and 3 of the SI, are principally to:
  - prepare a record of environmental feature and areas;
  - comply with a set of farming management prescriptions, i.e. retention of field boundaries and trees, safeguard historic feature and protecting soil and water;
  - protect all wildlife habitats from damage;
  - have at least 5% habitat on the farm; and
  - prepare a resource management plan
7. Administration of the scheme will be carried out by the Welsh Assembly Government's Rural Payments Division who have incorporated the scheme's administration into their CAP IT System. Most processes are automated including crosschecks and application validation. Successful applicants will be offered 10 agreements which they are required to sign. Payments will then be made annually subject to agreement holders confirming each year that they have complied with the scheme's requirements. 5% of agreements will be selected each year for compliance inspections.
8. The objectives of Tir Cynnal are as follows:
  - to prevent loss of bio-diversity on farmland by protecting wildlife habitats;
  - to protect landscape features, including traditional field boundaries;
  - to safeguard the historic environment and archaeological features; and
  - to help protect and improve the quality of water, soil and air.

### **Risk assessment**

9. These Regulations will pose no risk to farm businesses in Wales. However, if the Regulations were not made there would be:
  - a serious risk of under-spending of modulated funds;
  - the Welsh Assembly Government would be prevented from using an additional £10 million of match funding for the benefit of the countryside in Wales; and
  - farmers and the environment in Wales would be disadvantaged compared to England, as the Department for the Environment, Food and Rural Affairs (Defra) will introduce an entry-level tier as part of their new Environmental Stewardship scheme.

## **Options**

### Option 1: Do Nothing

10. If these Regulations are not made there would not be an entry-level agri-environment scheme in Wales i.e. a basic environmental management scheme. The consequences of this would be:

- a serious risk of under-spending of modulated funds;
- the Welsh Assembly Government would be prevented from using an additional £10 million of match funding for the benefit of the countryside in Wales; and
- farmers and the environment in Wales would be disadvantaged compared to England, as Defra will introduce an entry-level tier as part of their new Environmental Stewardship scheme.

### Option 2: Make the Legislation

11. The Regulations are required to provide the secondary legislation necessary to allow farmers to be accepted into the scheme and for payments to be made to them.

## **Benefits**

12. The benefits of Tir Cynnal will be to:

- greatly increase the number of farmers participating in agri-environment work;
- support the Welsh Assembly Government's environmental and sustainable development strategies;
- reduce the risk of pollution from farms and contribute to environmental and public health objectives;
- use modulation as a mechanism for co-funding the scheme, in line with the aims of Common Agriculture Policy (CAP) Reform; and
- reinforce cross compliance requirements.

## **Costs**

13. There are two budgetary elements to Tir Cynnal. The first is payments to farmers. This is forecast to cost a total of £10 million in 2006-07 and £20million in 2007-08. These payments will be funded 50:50 by the modulation of direct European subsidy payments and matched pound for pound by Assembly resources. This means that the cost to the Assembly of payments to farmers will actually be £5million in 2006-07 and £10million in 2007-08. However, the Treasury is committed to provide the full £5million to the Assembly in 2006-07 and officials are negotiating with the Treasury with a view to securing a commitment for the full £10million in 2007-08. The cost to the Assembly of payments to farmers would therefore be likely to be zero.

14. The second element is the cost of administering the scheme, i.e. setting up and running costs. These are estimated at £2.2million in 2005-06 and £0.8million in both 2006-07 and 2007-08. These will be met entirely from within existing Assembly Environment, Planning and Countryside (EPC)

budgets. All costs for Tir Cynnal are contained within the EPC Tir Cymru Budget Expenditure Line.

15. Farmers who join the scheme will incur the cost of complying with the scheme's prescriptions. The payment rates compensate for these costs. There are no other costs to industry associated with the scheme.

### **Competition Assessment**

16. No competition issues will be introduced by the Tir Cynnal scheme.

### **Consultation**

#### With Stakeholders

17. A public consultation document, 'A Consultation on a New Approach; An Entry-Level Agri-environment scheme for Wales' was issued on 1 August 2003 and invited comments by 10 October 2003. The paper included an outline of the proposed scheme conditions and was sent to a wide range of organisations in the agriculture and environmental sectors. The full list of consultees is attached in Annex 1. The actual Regulations were not a part of the consultation.

18. The responses showed a strong support for a new scheme. However, representatives of the agriculture sector were concerned about the source of funding if higher levels of modulation from direct subsidy payments were required in order to support the scheme.

19. Key stakeholders, which included: the National Parks; the Environment Agency; Farming Unions; Cadw; CCW and the Forestry Commission were kept informed, of the policy development by quarterly meetings. In addition, detailed information on the scheme conditions and administration process has been published.

#### With Subject Committee

20. These Regulations were notified to the Environment, Planning and Countryside Committee, via the list of forthcoming legislation on 13 April 2005 (Paper EPC(2) 04-05 (p3) Annex 1, item no. 27) and were identified for detailed scrutiny. The Regulations were scrutinised by the Committee on 5 October 2005 (EPC(2)11-05 paper 5). The Committee recommended approval of the Regulations without amendment.

### **Review**

21. An evaluation programme will be established to assess the extent to which the scheme is meeting its prime objectives of conserving and protecting the wildlife, landscape and historic interest in the countryside and helping to reduce pollution. This monitoring programme will be undertaken by independent evaluators in accordance with recognised practice. This will be an ongoing review that will start in 2006.

**Summary**

22. These Regulations will enable the Assembly to bring into force the new Tir Cynnal agri-environment scheme. This will open up opportunities for many more farmers in Wales to take part in an agri-environment scheme, enabling them to make a positive contribution to enhancing the quality of the environment in the countryside of Wales.

## Annex 1 -ENTRY-LEVEL AGRI-ENVIRONMENT SCHEME CONSULTATION

### LIST

Organisation/Individual	Contact	Position
ADAS Wales	John Cook	Director
Barclays Bank	Euryrn Jones	Agricultural Specialist
Brecon Beacons National Park		National Park Officer
British Trust for Ornithology	Head Office	
BTCV Cymru		
Butterfly Conservation	Russell Hobson	Conservation Officer
Cadw	Richard Avent	Chief Inspector
Cadw	Sian Rees	Inspector
CBI Wales	David Rosser,	Director
Central Association of Agricultural Valuers	Jeremy Moody	National Secretary
CLBA (Brecon & Radnor)	Julian Salmon	
CLBA (South and West Wales)	Jonathon Andrews	
Clwyd Powys Archaeological Trust		
Coed Cymru	David Jenkins	Co-ordinator
Commission for Racial Equality	Dr M Mashuq Ally	
Countryside Council for Wales	Roger Thomas	Chief Executive
CCW	Dr John Taylor	Director of Policy
CCW	David Parker	Director of Operations
CCW	Brian Pawson	
CPRW	Merfyn Williams	Director
Dairy Strategy Group	Gareth Evans	Chairman
DARDNI (Dept of Agriculture and Rural Development for Northern Ireland)	Tony McCusker	Head Farming and Environment Policy Division
DARDNI	Rosemary Daly	
DEFRA	John Osmond	Head of Conservation Management Division
DEFRA	Geoff Radley	Head of Agri-environment Schemes Review Team
Disability Wales	John Howard	
Dry Stone Wallers Association	Ken Young	South Wales Branch contact
	Ian Stewart	North Wales Branch

Dyfed Archaeological Trust		
Environment Agency	Helen Philips	Director Wales
Environment Agency	Bob Merriman	
Equal Opportunities Commission	Kate Bennet	
Farm Development Strategy Group	Fred Cunningham	Chaiman
Federation of Women's Institutes Wales	Audrey Jones	Chair of WI Federation of Wales
Forestry Commission	Simon Hewitt	Director
Forestry Commission	Peter Garson	
Friends of the Earth Cymru		
FUW	Rhian Nowell-Philips	Senior Policy Officer
FWAG Cymru	Glenda Thomas	Manager FWAG Wales
Glamorgan Gwent Archaeological Trust		
Gwynedd Archaeological Trust		
Heather Trust	Simon Thorp	Director
Horticulture Strategy Group	Dr Mark Simkin	Chairman
HSBC	Mike Stirk	Regional Agricultural Manager
IGER	Prof C J Pollock	Head
Institute of Rural Studies	Professor Will Haresign	Director
Institute of Rural Studies	Prof Peter Midmore	
Institute of Welsh Affairs	John Osmond	Director
Lantra	Sandra-Loton Jones	Executive Director (Wales)
Menter a Busnes		
Milk Development Council	Haydn Jones	Council Member
MLC Cymru	Gwyn Howells	General Manager
Moorland Association		
National Beef Association	Robert Forster	Director
National Sheep Association	John Thorley	Chief Executive
National Sheep Association, Wales and Border Region		
National Small Woods Association	Russell Rowley	Executive Director
National Trust	Peter Broomhead	Director for Wales
National Westminster Bank	Mr P Griffiths	Regional Executive Director
NFU Cymru	Malcolm Thomas	Director
NFU Cymru	David Jarrett	Policy Adviser
Organic Centre Wales	Dr Nic Lampkin	Director
Organic Strategy Group	Gareth Rowlands	Chairman and organic producer
Pembrokeshire Coast National Park	Nic Wheeler	National Park Officer
Ramblers Association	Beverley Penny	
Red Meat Strategy Group	Richard Howells	Chairman
Rees Roberts		Chairman Welsh Lamb and Beef Promotions
RICS Wales	Cathy McLean	Regional Director

RSPB	Tim Stowe	Director
Scottish Executive	John Graham	Head of Environment and Rural Affairs Department
Snowdonia National Park		National Park Officer
Soil Association	Patrick Holden	Director
Tenant Farmers Association	Ian Harvey	Representative for West Midlands and Wales Region
The Royal Welsh Agricultural Society	David Walters	Chief Executive
The Woodland Trust		
University of Bangor	Prof Gareth Edwards-Jones	Head of Agriculture and Land Use Studies
Wales Council for Voluntary Action	Jon Townley	Assembly Liaison Officer
Wales European Centre	Andrew Aggett	
Wales Tourist Board	Jonathon Jones	Chief Executive
Wales Wildlife and Countryside Link	Marc Welsh	Director
WDA Food Directorate	Wynfford James	Director
WDA Mid-Wales Division	Dr Geraint Davies	Executive Director
Welsh Assembly Government	Bob Macey	Head Environment Division
Welsh Assembly Government,	Paul Casey	Economic Advice Division 2 (ECAD2)
Welsh Assembly Government,	June Milligan	Head Countryside Division
Welsh Food Alliance	David Smith	
Welsh Lamb and Beef Promotions	Don Thomas	Director
Welsh Language Board	John Walter Jones	Chief Executive
Welsh Local Government Association	Sandy Blair	Director
Welsh Water		
Wildlife Trusts Wales	Clive Faulkner	Co-ordinator for Welsh Wildlife Trusts
Women in Agriculture	Linda Weston	
Women's Farming Union	Joan Irving	Welsh Affairs Executive
YFC Cymru	Mrs Lowri Jones	Chief Executive