



Welsh Government Response to CCEI Committee report: Proposals for a Sustainable Farming Scheme

03/09/2024

In July 2024, the Climate Change, Environment, and Infrastructure Committee submitted its report on the Welsh Government's proposed Sustainable Farming Scheme (SFS). The report includes 19 recommendations. This is the Welsh Government's response to those recommendations.

Contents

Introduction	3
Response to the 19 recommendations.....	5
Recommendation 1.....	5
Recommendation 2.....	5
Recommendation 3.....	6
Recommendation 4.....	6
Recommendation 5.....	6
Recommendation 6.....	7
Recommendation 7.....	7
Recommendation 8.....	8
Recommendation 9.....	8
Recommendation 10.....	8
Recommendation 11.....	9
Recommendation 12.....	9
Recommendation 13.....	10
Recommendation 14.....	10
Recommendation 15.....	11
Recommendation 16.....	11
Recommendation 17.....	11
Recommendation 18.....	12
Recommendation 19.....	12
Annex 1: Membership of the Ministerial Roundtable, Carbon Sequestration Evidence Review Panel and Official’s Groups.....	14

Introduction

In December 2023, the Welsh Government published *Sustainable Farming Scheme: Keeping farmers farming*. This consultation was the culmination of two previous consultations, two phases of co-design, and a Scheme Outline published in 2022.

In 2023 the Agriculture (Wales) Act became law establishing the four Sustainable Land Management (SLM) objectives which must underpin future agriculture policy and support.

The formal analysis of the over 12,000 consultation responses to *Sustainable Farming Scheme: Keeping farmers farming*, plus the Welsh Government's response to that analysis was published in July 2024. Within that response we reiterated that the Welsh Government has heard the feedback from the industry, and that we are working with stakeholders to consider the remaining challenges before any final decisions are made.

We have established an SFS Ministerial Roundtable, Chaired by, and designed to support the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs. The purpose and scope of the Roundtable is to review and consider the priorities for the Universal, Optional and Collaborative Layers of the SFS, along with Scheme Rules (including the minimum 10% requirements), eligibility criteria, and payment methodology. The Roundtable will review these aspects within the context of the SLM duty and will be informed by the analysis of the consultation responses.

The Roundtable is supported by two sub groups: the Carbon Sequestration Evidence Review Panel has been set up to explore the evidence underpinning further or alternative actions to sequester carbon within the Universal Layer of the Scheme. Importantly, these are actions separate to those designed to manage important carbon stocks already secured within our soils. The SFS Officials Working Group has been delegated the responsibility to review aspects of the Scheme design and to report back to the Roundtable, identifying areas of agreement, areas requiring further work and points for escalation to resolve. Membership of the Ministerial Roundtable and Official's Groups is enclosed at Annex 1 of this response.

These stakeholder groups are working at pace throughout the summer, and Welsh Government is extremely grateful for their ongoing commitment of everyone involved.

Where possible, we endeavour to keep the industry aware of the ongoing progress, to demonstrate the value of this collaborative partnership approach. For example, in July we were able to update on important progress made with regard to including Sites of Special Scientific Interest (SSSI) within the habitat maintenance payment with the Universal Baseline Payment, as referred to in recommendation 10 of this report.

No final decisions on Scheme design will be made by Welsh Ministers until this engagement is concluded. Therefore, whilst progress is being made on many of the points raised in the report, it is not possible to give definitive responses to certain recommendations.

We have accepted most recommendations in this report. Some recommendations are accepted in principle pending this ongoing engagement but will be considered as part of the stakeholders discussions. The outputs of the SFS Ministerial Roundtable and its

subgroups will be used to support Welsh Ministers in their final decisions on Scheme design, to ensure the SFS meets our national and international commitments, plus the SLM objectives of the Agriculture (Wales) Act.

Response to the 19 recommendations

Recommendation 1

1. The Cabinet Secretary should:
 - provide an indicative timetable for the remaining stages of the Scheme's development, including publication of the outputs of the various work streams being taken forward by the Ministerial Roundtable, and
 - commit to provide termly updates to the Senedd on progress towards the development of the final Scheme.

Response: Accept in principle

2. We expect to publish the final scheme details in summer 2025, with the Transition Period commencing 1 January 2026.
3. Engagement with the SFS Ministerial Roundtable and its subgroups (the Carbon Sequestration Evidence Review Panel and the Officials Working Group) is ongoing. The Carbon Sequestration Evidence Review Panel will likely conclude this Autumn and will result in the publication of a short report. The Work of the Ministerial Roundtable and the Officials Working Group will likely continue up to and beyond the beginning of the SFS Transition Period. We do not anticipate publishing any further outputs from these groups as the results of this engagement will lead directly to the publication of the final scheme.
4. We are happy to commit to regular reporting to the Senedd on the basis of when there are key updates within the design process that can be given. The expectation is for at least one update to be provided before the end of this year.

Financial Implications: None

Recommendation 2

5. The Cabinet Secretary should increase efforts over the coming months to address any misunderstandings about the Scheme rules, and to promote the benefits of integrating trees and temporary habitats into a productive system.

Response: Accept

6. Engagement with the Ministerial Roundtable and its subgroups is ongoing to consider the remaining challenges and finalise the details of the Scheme Rules and Actions. The related engagement with farmers and other stakeholders to set out the scheme details and raise awareness of what applicants will need to do qualify for payments will follow the conclusion of these discussions.
7. Working with Farming Connect and others, we will continue to promote the benefits and opportunities of tree cover and woodland on farms and work on knowledge transfer, focusing on farm activity which supports efficiencies and aligns

to the outcomes and actions being developed for the SFS. We will also continue to provide support for tree planting, on a voluntary basis, in advance of the introduction of the SFS.

Financial Implications: None

Recommendation 3

8. The Cabinet Secretary should report back to the Committee on potential alternatives to the tree cover requirement as they emerge.

Response: Accept

9. The Carbon Sequestration Evidence Review Panel is currently exploring the evidence relating to additional or alternative carbon sequestration actions which could be included in the SFS as a Universal Action. The appropriateness of those actions to the Welsh context, and the scale of opportunity for those Actions to be rolled out across Wales are key considerations.
10. We anticipate publishing a short report on the findings of the Panel later this year, and I would be glad to update the Committee in due course.

Financial Implications: None

Recommendation 4

11. The Cabinet Secretary should ensure any alternative to the tree cover requirement can support the delivery of the desired outcomes of the Welsh Government's tree planting target.

Response: Accept

12. The Welsh Government tree planting targets are currently based on the recommendation of the UK CCC. The tree planting targets form part of the actions required to sequester enough carbon so that, combined with actions to reduce emissions across all sectors, Net Zero is reached by 2050. Officials will continue to look at ways of making tree planting work as an integrated part of a thriving agricultural sector.

Financial Implications: None

Recommendation 5

13. The Cabinet Secretary should seek the UK CCC's advice on any alternative to the tree-planting requirement proposed by the Ministerial Roundtable subgroup, to

ensure it is a credible option for increasing carbon sequestration, in line with the balanced pathway to net zero.

Response: Accept

14. We will engage with the UK CCC, along with other sectors, to discuss our pathway to net zero ahead of Carbon Budget 3 in 2026.
15. We are continuing to work on the policies and proposals laid out in Net Zero Wales as we finalise our work on Carbon Budget 2 and are continuing to explore future policies for agriculture and land use, such as SFS, as we look ahead to the targets set out in Carbon Budget 3. This will include ensuring our targets on tree-planting and any other carbon sequestration methods are ambitious, evidence based, deliverable and within a balanced pathway to net zero.

Financial Implications: None

Recommendation 6

16. The Cabinet Secretary should ensure any alternative to the habitat management requirement will support the delivery of the Welsh Government's biodiversity commitments, in particular the 2030 target.

Response: Accept

17. I am committed to ensuring that the habitat management requirements of SFS contribute to tackling the nature emergency including the 30x30 target and the forthcoming domestic targets to be introduced by the Environmental Governance, Principles and Biodiversity Targets Bill. This important context is part of the considerations of the Ministerial Roundtable and other SFS Groups when considering the scheme design.

Financial Implications: None

Recommendation 7

18. The Cabinet Secretary should consider how best to ensure the habitat management requirement, or any alternative to the requirement, support the creation of the diverse range of habitats needed to restore nature.

Response: Accept

19. Through ongoing engagement with the Ministerial Roundtable and other groups, we will ensure the habitat management requirement supports the creation of a diverse range of habitats needed for nature recovery.

Financial Implications: None

Recommendation 8

20. The Cabinet Secretary should ensure all options for temporary habitat creation deliver value for money and the intended biodiversity outcomes.

Response: Accept

21. Through the next stages of the scheme design we will consider the options against the SLM objectives, including maintaining and enhancing resilient ecosystems which are vital for biodiversity.

Financial Implications: None

Recommendation 9

22. The Cabinet Secretary should ensure any changes to the Universal Actions to address barriers to access, or to simplify Actions, do not compromise the Scheme's environmental ambition.

Response: Accept

23. I am committed to achieving environmental outcomes through the SFS, given that the nature and climate emergency is the main risk to food production over the long term. The Scheme must also best contribute to the Sustainable Land Management Objectives which includes consideration of the environmental ambitions.

24. Restoring and protecting our natural ecosystems are the best defence we have in the adaptation and mitigation of climate change.

Financial Implications: None

Recommendation 10

25. The Cabinet Secretary should ensure the Scheme fairly rewards farmers for maintaining SSSI land under the Universal Actions. He should commit to include SSSI land in the habitat maintenance component of the Universal Baseline Payment.

Response: Accept

26. I am committed to ensuring SFS fairly rewards farmers for maintaining SSSI land within the Universal Layer. I recently announced that following further advice and consideration by the Ministerial Roundtable, we have determined that SSSI areas are

able to be included in the relevant (habitat or trees) maintenance category of the Universal Basic Payment.

27. Including SSSIs in the Universal Baseline Payment will recognise farmers' efforts in managing these areas, for all our benefits. It will help ensure these sites are integrated within wider farm management, balancing food production and actions that improve the prospects of nature and freshwater habitats. It will also contribute to meeting the Sustainable Land Management objectives included in the Agriculture (Wales) Act and the 30x30 target.

Financial Implications: None

Recommendation 11

28. The Cabinet Secretary should provide an outline timetable for the remaining stages in the development of Optional and Collaborative Actions.

Response: Accept

29. It is our intention to work with the Ministerial Roundtable and Officials Group to bring forward a range of Optional and Collaborative Actions which reflect the priorities outlined by respondents to the consultation, as well as actions addressing priority government objectives. The intention is to have priority Optional and Collaborative Actions available for the start of the SFS Transition Period. These will often build from existing schemes and support which are available during the Preparatory Phase.
30. For example, I have recently launched the Integrated Natural Resources Scheme (INRS). This is a collaborative scheme enabling farmers, land managers and others to work together at a landscape, catchment, or Pan Wales level. The INRS will implement nature-based solutions at the appropriate scale, targeting action and interventions to enhance and sustainably manage our natural resources.
31. INRS is a transitional scheme designed to help participants develop new ways of working on their journey to SFS Collaborative Actions.

Financial Implications: None

Recommendation 12

32. The Cabinet Secretary should set out the criteria he will use to determine which Optional and Collaborative Actions to prioritise for introduction at the start of the Scheme.

Response: Accept

33. The framework for the Optional and Collaborative Actions will be developed with the involvement of the SFS Ministerial Roundtable and its subgroups over coming months. When considering this, the discussions will be informed by the evolving scheme design, to identify where Operational and Collaborative Actions enable farmers to progress beyond the Universal Actions, the consultation analysis and Welsh Government priorities such as policy and legal commitments.

Financial Implications: None

Recommendation 13

34. The Cabinet Secretary should ensure sufficient priority is afforded to Optional and Collaborative Actions that will deliver environmental outcomes. This includes Actions aimed at enhancing SSSI condition, recognising SSSIs are key to the delivery of the 30 by 30 target.

Response: Accept

35. I recognise the importance of the Optional and Collaborative Actions in delivering environmental outcomes and we will develop these with stakeholders including through the Ministerial Roundtable. The Collaborative Actions in particular will be key to supporting the landscape scale, partnership approaches that are needed to increase the scale and pace to deliver biodiversity outcomes, including the 30x30 target.

Financial Implications: None

Recommendation 14

36. The Cabinet Secretary should:

- report back to the Committee on the findings of work undertaken to explore the potential for biomass crops to be included as an Optional Action, and
- clarify whether biomass crops have been ruled out as an Optional Action, and if so, explain the reasons for this decision.

Response: Accept

37. The Carbon Sequestration Evidence Review Panel is exploring the evidence to support alternative or additional Actions to sequester carbon, and this includes the potential to include biomass crops.

38. While it is too early to comment on the findings of the Panel, I can confirm that biomass crops have not been ruled out as a possible Optional Action.

Financial Implications: None

Recommendation 15

39. The Cabinet Secretary should explain how he will ensure the Scheme budget is allocated appropriately across the Universal, Optional and Collaborative layers to maximise the delivery of environmental outcomes.

Response: Accept

40. The payment methodology, which will include the budget management, will be developed with stakeholders including through the Ministerial Roundtable. The intention is to ensure the Universal Baseline Payment provides a level of income which supports the resilience of farm businesses in Wales helping to maintain the fabric of Welsh agriculture and our rural communities. It will also supplement the income for those farms who wish to progress further with economic, environmental and social enhancements.

41. The balance and importance of these actions may change over time, which will need to be reflected in the budget management within the Scheme. It is not possible to determine this balance until the Scheme Design has been determined.

Financial Implications: None

Recommendation 16

42. The Cabinet Secretary should commit to ensuring that 'social value' is incorporated in the payment methodology at the start of the Scheme.

Response: Accept

43. I am committed to ensuring that social value is incorporated in the payment methodology for the Scheme.

44. My officials are currently exploring the evidence that will underpin proposals on how we incorporate social value into the payment methodology. We will share our thinking as it develops with the Ministerial Roundtable to help shape the final proposals.

Financial Implications: None

Recommendation 17

45. The Welsh Government should:

- set out its current thinking on a 'Payment for Results' approach, and

- commit to considering the incorporation of 'Payments for Results' as part of a future review of the Scheme.

Response: Accept

46. We will consider 'Payments by Results' mechanisms as possible innovative delivery mechanism for Optional and Collaborative Actions where this might be appropriate and offer value for money.

47. Some of the principles of a 'Payment by Results' approach are intended to be included in the Universal Actions. For example, Universal Action 7 Habitat Maintenance includes a description of 'Measurable Outcomes' the farmer would need to deliver. Based on stakeholder feedback, this approach is designed to be more flexible than previous agri-environment schemes which included rigid stocking numbers. This approach allows the farmers to make more locally appropriate decisions based on the season and ground conditions.

Financial Implications: None

Recommendation 18

48. The Cabinet Secretary should clarify the extent of NRW's role in supporting the delivery of the Scheme and provide details of any associated cost assessment. If a cost assessment has yet to be undertaken, the Cabinet Secretary should commit to a timeframe for completion of this work and report back to the Committee on the outcome.

Response: Accept

49. Natural Resources Wales continue to be involved in SFS design process and will be involved in its delivery, for example in providing advice and support in the management of designated sites. As the stakeholder engagement to finalise Scheme design is ongoing, I cannot comment at this stage on the final nature and extent of NRW involvement or the costs associated with it. This will form part of the business case which will be presented to Welsh Ministers next year.

Financial Implications: None

Recommendation 19

50. The Cabinet Secretary should commit to ensuring NRW is adequately resourced to undertake any additional activities and/or meet any increase in service demand arising from the Scheme.

Response: Accept

51. Natural Resource Wales is proposing a reshaping of the organisation so that it can operate effectively within its available budget, including any roles with SFS, which has been under pressure like many parts of the public service.
52. Resource availability, including within NRW is continuously considered as we continue to finalise the policy design and operational delivery of the SFS.

Financial Implications: None

Annex 1: Membership of the Ministerial Roundtable, Carbon Sequestration Evidence Review Panel and Official's Groups.

Partner	Ministerial Roundtable	Carbon Sequestration Evidence Review Panel	Officials Working Group
Afonydd Cymru			✓
Agriculture Horticulture Development Board	✓		✓
Animal Health and Welfare Framework Group	✓		✓
British Meat Processors Association	✓		
British Veterinary Association (Cymru)	✓		
Central Association of Agricultural Valuers			✓
Country and Land Business Association	✓	✓	✓
Confor	✓	✓	✓
DPJ Foundation	✓		
Dŵr Cymru Welsh Water			✓
Farmers Union of Wales	✓	✓	✓

Farm Wildlife and Advisory Group Cymru			✓
Game & Wildlife Conservation Trust			✓
Hybu Cig Cymru	✓	✓	✓
Independent farmer representative	✓	✓	
Independent veterinary representative			✓
National Farmers Union Cymru	✓	✓	✓
National Sheep Association			✓
National Trust			✓
Natural Resources Wales	✓	✓	✓
Nature Friendly Farming Network	✓	✓	✓
Royal Society Protection of Birds			✓
Soil Association	✓*	✓*	✓
Sustainable Food Trust			✓
Tirweddau Cymru			✓
Tenant Farmer Association	✓		✓
Wales Environment Link			✓

Welsh Lamb and Beef Promotion	✓		✓
Welsh Language Commissioner			✓
Welsh Local Government Association			✓
Wildlife Trusts Wales	✓*		✓
Woodland Trust	✓*		✓
World Wild Fund for Nature			✓
Wales Federation of Young Farmers Clubs	✓		✓
Wales Horticulture Alliance Group			✓

*Also representing Wales Environment Link (WEL).